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## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ORIENT FINANCE PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Orient Finance PLC ("the company"), which comprise the statement of financial position as at 31<sup>st</sup> March 2024, and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy information as set out on pages 06 to 66.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31<sup>st</sup> March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, are of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

#### Key audit matter 1: Impairment of loans and receivables

The Company's gross loans and receivables amount to Rs.16.79 billion as at 31<sup>st</sup> March 2024 (2023: Rs.13.98 billion) and impairment allowance for the year amounts to Rs.1,129 million at 31<sup>st</sup> March 2024 (2023: Rs.1,040 million).

The Company measures the impairment of loans and receivables using expected credit loss ("ECL") model as per SLFRS 9: Financial Instruments ("SLFRS 9"). The application of this standard requires management to exercise significant judgments in the determination of expected credit losses, including those relating to loans and receivables. Management applies significant judgment in the determination of estimated future cash flows, probabilities of default and forward-looking economic expectations.

Due to the significance of loans and receivables and the significant estimates and judgment involved, the impairment of these loans and receivables was considered to be a key audit matter.

The impairment provision was considered separately on an individual and collective impairment basis.

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Partners : Sujeewa Rajapakse FCA, ACCA, FCMA, MBA. Ashane J.W. Jayasekara FCA, FCMA (UK), MBA. H. Sasanka Rathnaweera FCA, ACMA. R. Vasanthakumar Bsc (Acc), ACA. F. Sarah Z. Afker FCA, ACMA (UK), CGMA, MCSI (UK). Dinusha C. Rajapakse FCA, LLB (Hons)(Colombo), CTA, Attorney at Law. Nirosha Vadivel Bsc (Acc), ACA, ACMA.



In calculating the impairment provision on a collective basis, statistical models are used. The following inputs to these models require significant management judgment:

- the probability of default (PD)
- the exposure at default (EAD)
- the loss given default (LGD)
- the effective interest rates

In assessing the loans and receivables on an individual basis, significant judgments, estimates and assumptions have been made by management to:

- Determine if the loan or advance is credit impaired
- Evaluate the adequacy and recoverability of collateral
- Determine the expected cash flows to be collected
- Estimate the timing of the future cash flows

Key areas of significant judgments, estimates and assumptions used by management related to the impact of prevailing macroeconomic conditions in the assessment of the impairment allowance include the following:

- the probable impacts of prevailing macroeconomic situation continuing in the country and related industry responses (e.g. government stimulus packages and debt moratorium relief measures granted by the Company)
- the determination on whether or not customer contracts have been substantially modified due to such stimulus and relief measures granted and related effects on the amount of interest income recognised on affected loans and advances
- forward-looking macroeconomic factors, including developing and incorporating macroeconomic scenarios, given the wide range of potential economic outcomes and probable impact from prevailing macroeconomic situation that may affect future expected credit losses

The disclosures associated with impairment of loans and receivables are set out in the financial statements in the following notes:

- Note 9 - Impairment charges for loans and receivables at amortised cost
- Note 18 - Loans and receivables at amortised cost

#### **How our audit addressed the key audit matter**

Our procedures included the following:

- We obtained an understanding of the management's process and tested controls over credit origination, credit monitoring and credit remediation.
- We evaluated the design, implementation and operating effectiveness of controls over estimation of impairment, which included assessing the level of oversight, review and approval of provision for credit impairment policies and procedures by the Board and management.



- We assessed the appropriateness of the accounting policies and loan impairment methodologies applied, by comparing these to the requirements of SLFRS 9: Financial Instruments, particularly in light of the deteriorating and extremely volatile economic scenarios caused by prevailing macroeconomic conditions and government responses based on the best available information up to the date of our report.
- We test-checked the underlying calculations and data.

In addition to the above, we performed the following specific procedures:

For loans and receivables collectively assessed for impairment:

- We assessed the completeness of the underlying information in loans and receivables used in the impairment calculations by agreeing details to the Company's source documents and information in IT systems.
- We assessed to ascertain whether the judgments, estimates and assumptions used by the management in the underlying methodology and the management overlays were reasonable. Our testing included evaluating the reasonableness of forward-looking information used, economic scenarios considered and probability weighting assigned to each of those scenarios. Further, we assessed the reasonableness of the Company's considerations of the economic uncertainty relating to prevailing macroeconomic situation continuing in the country.

For loans and receivables individually assessed for impairment:

- We assessed the main criteria used by the management for determining whether an impairment event had occurred.
- Where impairment indicators existed, we assessed the reasonableness of management's estimated future recoveries including the expected future cash flows, discount rates and the valuation of collateral held.
- We evaluated the reasonableness of the provisions made with particular focus on the prevailing macroeconomic conditions on elevated risk industries, strategic responsive actions taken, collateral values, and the value and timing of future cashflows.

For loans and advances affected by government stimulus and debt moratorium relief measures granted:

- We assessed the appropriateness of judgments, reasonableness of calculations and data used to determine whether the customer contracts had been substantially modified or not and to determine the resulting accounting implications; and
- Evaluated the reasonableness of the interest income recognised on such affected loans and advances.

We also assessed the adequacy of the related financial statement disclosures.



## **Key audit matter 2: Impairment of Goodwill and Brand Value**

The company carries out an impairment review of the goodwill and the brand value at least annually or whenever there is an impairment indicator in accordance with Sri Lanka Accounting Standards.

This was considered a matter of significance to our audit due to the materiality of the carrying value of the goodwill and brand value balances which amounted to Rs. 565 million and Rs. 236 million respectively as at 31<sup>st</sup> March 2024 and because the directors' assessment of impairment involves significant judgment.

Goodwill and brand value were recognised in the financial statements, upon the Company (former Bartleet Finance PLC) acquiring and amalgamating the former Orient Finance PLC during the financial year ended 31<sup>st</sup> March 2016.

As per LKAS 36: Impairment of Assets, the Company is required to annually test for impairment of the goodwill and brand. Impairment is assessed by comparing the carrying value of assets against the recoverable amount. The Company determines the recoverable amount of the goodwill and the brand value based on the value in use method, by using the discounted cash flow model. In carrying out its assessment for the purposes of cash flow forecasts, the Company projects future cash flows based on approved budgets. These cash flows are discounted using the applicable discount rates.

Based on the impairment test performed for the goodwill and the brand value as explained above, the Company concluded that both the goodwill and the brand value had not been impaired as at 31<sup>st</sup> March 2024.

The disclosure associated with impairment assessment of the goodwill and the brand value is set out in note 23 to the financial statements.

### **How our audit addressed the key audit matter**

We have tested management's assessment of the impairment of the goodwill and the brand value as at 31<sup>st</sup> March 2024.

Our work included the following procedures:

- We evaluated management's competence and level of skills required in developing the assumptions, gathering accurate data and performing assessments.
- We assessed the validity of management's use of appropriate methods in assessing the impairment for the goodwill and brand value.
- We challenged the key inputs and assumptions the Company has used in assessing the impairment, considering the prevailing macroeconomic conditions in the country and its impact on macro-economic factors.
- We carried out calculations on the impairment assessment to determine the degree by which the key assumptions would need to change in order to trigger an impairment.
- We tested the appropriateness of the related disclosures provided in the Company's financial statements.



#### **Other information**

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available to us and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise whether it appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement wherein, we are required to communicate the matter to those charged with governance.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines, is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures, are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Those Charged with Governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine that those matters were of the most significance in the audit of the financial statements of the current period and are, therefore, the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on Other Legal and Regulatory Requirements

As required by Section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as it appears from our examination, proper accounting records have been kept by the company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 4324.

*BDO Partners*

CHARTERED ACCOUNTANTS

Colombo

10<sup>th</sup> June 2024

HSR/cc

**ORIENT FINANCE PLC**  
**INCOME STATEMENT**

Page 1

For the year ended 31st March

	Note	2024 Rs.	2023 Rs.
Income	4	4,868,237,960	3,820,227,393
Interest income	5	4,601,526,873	3,593,058,853
Interest expenses	6	(2,807,119,126)	(2,600,022,595)
Net interest income		1,794,407,747	993,036,258
Fee and commission income	7	162,374,288	105,891,972
Other operating income	8	104,336,799	121,276,568
<b>Total operating income</b>		<b>2,061,118,834</b>	<b>1,220,204,798</b>
Impairment charges for loans and receivables at amortised cost	9	(140,178,886)	(103,023,791)
<b>Net operating income</b>		<b>1,920,939,948</b>	<b>1,117,181,007</b>
<b>Operating expenses</b>			
Personnel expenses	10	(666,359,880)	(620,552,380)
Depreciation and amortisation		(83,285,795)	(117,865,289)
Other operating expenses	11	(621,594,068)	(401,717,744)
<b>Operating profit/(loss) before Value Added Tax</b>		<b>549,700,205</b>	<b>(22,954,406)</b>
Tax on financial services		(200,218,616)	(46,611,266)
<b>Profit/(loss) before income tax</b>		<b>349,481,589</b>	<b>(69,565,672)</b>
Income tax expense	12	(954,439)	(2,479,940)
<b>Profit/(loss) for the year</b>		<b>348,527,150</b>	<b>(72,045,612)</b>
Basic earnings per share (Rs.)	13.1	1.65	(0.34)
Dividend per share (Rs.)	14	-	-

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 66 form an integral part of these financial statements.

Colombo  
10th June 2024



ORIENT FINANCE PLC  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Page 2

For the year ended 31st March

	Note	2024 Rs.	2023 Rs.
Profit/(loss) for the year		348,527,150	(72,045,612)
Other comprehensive income			
Other comprehensive income to be re-classified to profit or loss in subsequent periods			
Fair value gain/(loss) on investment in treasury bonds /quoted shares		(17,700,712)	19,193,999
		(17,700,712)	19,193,999
Other comprehensive income not to be re-classified to profit or loss in subsequent periods			
Actuarial gain/(loss) on retirement benefit plan	32.1	(6,847,983)	1,521,880
Deferred tax effect on above	22	(2,054,395)	456,564
		(8,902,378)	1,978,444
Other comprehensive income/(expense) for the year net of tax		(26,603,090)	21,172,443
Total comprehensive income/(expense) for the year net of tax		321,924,060	(50,873,169)

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 66 form an integral part of these financial statements.

Colombo  
10th June 2024





ORIENT FINANCE PLC  
STATEMENT OF FINANCIAL POSITION


As At 31st March


	Note	2024 Rs.	2023 Rs.
<b>ASSETS</b>			
Cash and cash equivalents	16	420,293,003	307,893,891
Financial assets - fair value through other comprehensive income	17	932,991,845	1,262,913,731
Loans and receivables at amortised cost	18	15,658,738,877	12,941,011,251
Placements with banks and other financial institutions at amortised cost	19	342,772,502	236,013,310
Other assets	20	940,364,676	657,440,798
Real estate stock	21	10,968,258	10,656,618
Deferred tax asset (net)	22	366,568,600	369,577,434
Goodwill	23	564,545,746	564,545,746
Brand value	23	235,880,000	235,880,000
Other intangible assets	24	12,685,655	25,097,945
Property, plant and equipment	25	143,654,165	70,733,416
Right-of-use of assets	26	126,493,713	96,792,682
Investment properties	27	721,400,000	690,316,465
<b>Total assets</b>		<b>20,477,357,040</b>	<b>17,468,873,287</b>
<b>LIABILITIES</b>			
Due to banks - bank overdrafts	16	233,790,663	240,846,238
Deposits from customers	28	13,556,431,012	10,759,498,577
Interest bearing borrowings	29	2,115,120,468	2,606,632,095
Lease liability - Right-of-use assets	30	60,455,219	46,222,825
Other liabilities	31	843,358,580	482,218,634
Retirement benefits obligation	32	65,270,872	52,448,752
<b>Total liabilities</b>		<b>16,874,426,814</b>	<b>14,187,867,121</b>
<b>EQUITY</b>			
Stated capital	33	2,431,879,039	2,431,879,039
Statutory reserve fund	34	393,163,104	375,736,747
Revaluation reserve	35	141,120,773	141,120,773
Retained earnings		636,767,310	332,269,607
<b>Total equity</b>		<b>3,602,930,226</b>	<b>3,281,006,166</b>
<b>Total equity and liabilities</b>		<b>20,477,357,040</b>	<b>17,468,873,287</b>
<b>Net assets per share</b>		<b>17.07</b>	<b>15.54</b>

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 66 form an integral part of these financial statements.


The financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.


  
M.A.M. Arshath  
Head of Finance

  
K.M.M. Jabir  
Chief Executive Officer/Director

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Approved and signed for and on behalf of the Board.

  
Rajendra Theagarajah  
Chairman

  
Prakash Scharf  
Director



ORIENT FINANCE PLC  
STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2024

	Stated capital Rs.	Statutory reserve fund Rs.	Revaluation reserve Rs.	Retained earnings Rs.	Total Rs.
Balance as at 31st March 2022	2,431,879,039	375,736,747	141,120,773	383,142,776	3,331,879,335
Loss for the year	-	-	-	(72,045,612)	(72,045,612)
Other comprehensive income net of taxes	-	-	-	21,172,443	21,172,443
Balance as at 31st March 2023	2,431,879,039	375,736,747	141,120,773	332,269,607	3,281,006,166
Profit for the year	-	-	-	348,527,150	348,527,150
Transfer to statutory reserve (Note 34)	-	17,426,357	-	(17,426,357)	-
Other comprehensive income/(expense) net of taxes	-	-	-	(26,603,090)	(26,603,090)
Balance as at 31st March 2024	2,431,879,039	393,163,104	141,120,773	636,767,310	3,602,930,226

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 66 form an integral part of these financial statements.

Colombo  
10th June 2024



ORIENT FINANCE PLC  
STATEMENT OF CASH FLOWS

For the year ended 31st March

	2024 Rs.	2023 Rs.
<b>Cash flows from operating activities</b>		
Profit/(loss) before income tax	349,481,589	(69,565,672)
Adjustment for:		
Depreciation and amortisation	83,285,795	117,865,289
Profit on disposal of property, plant and equipment	-	(1,017)
Impairment charges for loans and receivables at amortised cost	140,178,886	103,023,791
Finance expenses	2,807,119,126	2,600,022,595
Fair value gain on investment properties	(31,083,535)	(41,250,002)
Investment income	(692,272,117)	(218,411,364)
Provision for gratuity	16,620,968	14,355,236
Operating profit before working capital changes	2,673,330,712	2,506,038,856
Change in loans and receivables to customers	(2,857,906,512)	1,081,776,957
Change in other assets	(282,923,878)	(402,028,844)
Change in deposits from customers	2,691,130,325	1,215,290,906
Change in other liabilities	388,545,836	(32,689,618)
	2,612,176,483	4,368,388,257
Rent paid	(92,512,776)	(79,099,385)
Interest paid	(2,259,329,579)	(1,337,431,605)
Gratuity paid	(10,646,831)	(4,488,584)
Net cash from operating activities	249,687,297	2,947,368,683
<b>Cash flows from investing activities</b>		
Acquisition of property, plant and equipment and intangible assets	(94,156,005)	(50,527,364)
Proceeds from sale of property, plant and equipment	-	113,350
Proceeds from sale of investment property	-	21,500,000
Expenses incurred for real estate stock	(311,640)	(1,318,525)
Net change in financial assets-FVTOCI	304,872,353	(518,014,983)
Net change in investments with bank and other financial institutions	(111,283,752)	7,177,152
Investment income received	704,145,498	15,737,151
Net cash generated from/(used in) investing activities	803,266,454	(525,333,219)
<b>Cash flows from financing activities</b>		
Interest bearing borrowings obtained	5,346,000,000	682,934,628
Repayment of interest bearing borrowings	(5,831,475,900)	(1,826,049,192)
Interest paid on borrowings	(448,023,164)	(827,741,341)
Net cash used in financing activities	(933,499,064)	(1,970,855,905)
Net change in cash and cash equivalents	119,454,687	451,179,559
Cash and cash equivalents at the beginning of the year	67,047,653	(384,131,906)
Cash and cash equivalents at the end of the year (Note A)	186,502,340	67,047,653
<b>Analysis of cash and cash equivalents at the end of the year</b>		
Cash in hand	350,986,607	222,627,839
Cash at bank	69,306,396	85,266,052
Bank overdrafts - secured	(233,790,663)	(240,846,238)
	186,502,340	67,047,653

Note A

Figures in brackets indicate deductions.

The accounting policies and notes on pages 06 to 66 form an integral part of these financial statements.

Colombo  
10th June 2024

