Richard Pieris
Finance

Annual Report
2021/22

Richard Pieris Finance Limited

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About Us

HISTORY & LEGAL STATUS

Richard Pieris Finance Limited is a member of the prestigious Richard Pieris Group, a much renowned and a sought-after household name in Sri Lanka. The Richard Pieris Group has its operations widespread across multiple business segments namely, retail, rubber, plastic/furniture & electronics, tyre, plantations and financial services. Richard Pieris Group recognizing the potential for financial services in the country and the available resources at their disposal, decided to establish Richard Pieris Finance Limited (RPFL) with the objective of providing financial services to the wider stakeholders as well as to the general public. Richard Pieris Finance Limited is a Public Limited Liability Company Incorporated in Sri Lanka on 27th June 2011 under the Companies Act No. 7 of 2007. RPFL commenced its operations as a Licensed Finance Company under the provisions of the Finance Business Act No.42 of 2011 and the company is also a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No. 56 of 2000. The company is currently in the process of obtaining the "Approved Credit Agency Status" under the Mortgage Act No. 6 of 1949 and the Trust Receipts Ordinance No.12 of 1947. The company is not listed with the Colombo Stock Exchange. The other key company information is listed below.

Registered Office	No. 310, Nawinna ,Maharagama
Head Office	No. 69, Arpico Complex, Hyde Park Corner, Colombo- 2
No of Branches	15
Principal Lines of Business	• Acceptance of Time and Savings Deposits • Finance Leasing • Hire Purchase • Mortgage Loans • Term Loans • Islamic Finance • Factoring • Draft Loans • Pawning/Gold Pledged Loan
Credit Rating	AA-(lka)(RWN)* by Fitch Ratings Lanka Ltd.

*Rating Watch Negative

VISION

To be a premier financial institution that truly understands and proactively meets stakeholder expectations

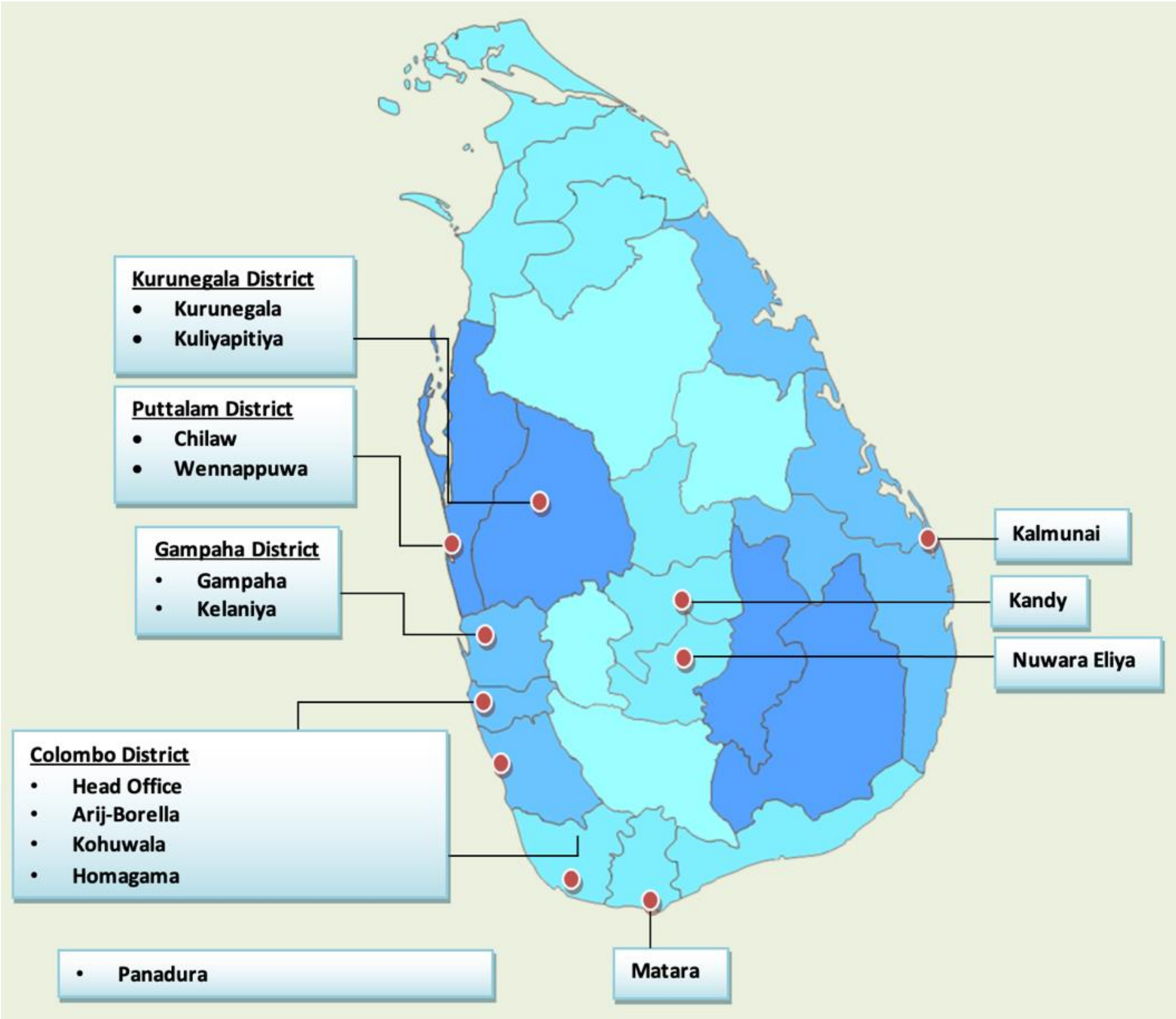
MISSION

To achieve sustainable growth, in our chosen markets by pursuing our passion for service excellence driven by speed and efficiency, delivered by a highly inspired workforce, coupled with cutting edge technology and bound by best business practices, thereby creating lasting stakeholder value.

CORE VALUES

- Timeliness and Total excellence in customer service.
- Reliability and Respect for everyone.
- Ultimate satisfaction to all stakeholders.
- Sense of Integrity, Honesty & Social Responsibility.
- Transparency in all our dealings.
- Customer experience through digital platforms.

BRANCH NETWORK



Branch	Province	Address
Head Office	Western	No: 69, Hyde Park Corner, Colombo 02.
Matara	Southern	No: 399A, Anagarika Dharmapala Mawatha, Galle Road, Mathara.
Kelaniya	Western	No: 453/1, Kandy Road, Dalugama, Kelaniya.
Chilaw	North Western	No: 44A, Kurunegala Road, Chilaw.
Kuliyapitiya	North Western	No: 309, Madampe Road, Kuliyapitya.
Wennappuwa	North Western	190/4, Chilaw Road, Wennappuwa.
Kurunegala	North Western	No: 07, Malkaduwewa Circuler Road, Kurunegala.
Gampaha	Western	No: 71, Queens Mary Road, Gampaha.
Nuwara Eliya	Central	No: B 08, Queens Elizebeth Plaza, Kandy Road, Nuwaraeliya.
Kandy	Central	No: 9/11, Wattaratenna Junction, Mahaiyawa, Kandy.
Kalmunai	Eastern	No: 217/219, Akkaraipatthu Road, Kalmunei.
Kohuwala	Western	No: 89, 2nd Floor, Arpico Supercenter. S. De S. Jayasinghe Mawatha, Kohuwala.
Borella	Western	No: 891, 2nd Division, Maradana, Colombo 10.
Panadura	Western	No: 540, Arpico Complex, Galle Road, Panadura.
Homagama	Western	No: 117A, Highlevel Road, Galawilawaththa, Homagama.

Financial Highlights

Financial Performance	2021/22	2020/21	Change
Income	2,445,239,289	2,117,938,971	15%
Net Interest Income	1,042,010,738	289,726,951	260%
Net Fee and Commission Income	1,245,966,359	481,032,693	159%
Total Operaing Income	1,014,023,815	323,013,018	-414%
Profit Before Taxation	349,278,609	(246,911,857)	241%
Taxation	(115,737,409)	92,643,192	25%
Profit After Taxation	233,541,199	(154,268,665)	251%
Financial Position at the year End			
Total Assets	17,927,048,384	17,520,164,026	2.32%
Loans and Advances to Cutomers	13,390,469,158	13,240,550,245	1%
Public Deposit	9,909,829,664	8,604,688,236	15%
Borrowings	4,715,191,071	6,014,480,088	-22%
Shareholders's Funds	2,745,931,364	2,251,631,775	22%
Profitability			
Return on Assets (%)	16.16%	-10.79%	27%
Return on Equity (%)	7.05%	-7.28%	14%
Net Interest Margin (%)	6.64%	3.54%	3%
Cost to Income Ratio (%)	45.42%	117.66%	72%
Investor Information			
Earnings Per Share (Rs)	1.63	-1.21	284%
Regulatory Ratios			
Capital Adequacy			
Core Capital Ratio (%)	9.92%	7.88%	2%
Total Risk Weighted Capital Ratio (%)	18.21%	12.39%	6%
Available Liquid Assets to Required Liquid Assets (%)	148.74%	161.37%	-13%
Capital Funds to Total Deposit Liabilities (%)	27.71%	26.11%	2%

Chairman's Review

"The performance of the NBFI sector has registered considerable improvement during 2021 in terms of credit and profitability. RPFL registered net earnings of Rs. 233.5 Mn as a result of a decline in interest expense due to a low interest regime on deposits and borrowings based on regulatory requirements and prudent management of operating expenses"

K.B. Wanigasekara
Chairman

ECONOMY

The Sri Lankan economy recorded a growth of 3.7% in 2021,in real terms, compared to the contraction of 3.6% registered in 2020.All sectors of the economy registered growth during the year(agriculture, forestry and fishing by 2%; industry by 5.3% and services by 3%)The performance of the agriculture, forestry and fishing sector was buoyed by the notable growth recorded in the subcategories of growing of cereals (except rice),oleaginous fruits and tea, while the contraction in growing of rice and other beverage crops weighed negatively on the sectoral performance.

NBFI SECTOR

The performance of the NBFI sector has registered considerable improvement during 2021 in terms of credit and profitability. The total assets of the sector amounted to Rs.1487.7 bn. as at 31.12.2021. representing 5.6% of the assets in the financial system. The sector remained stable with capital and liquidity maintained at healthy levels, despite some difficulties encountered by some institutions in maintaining regulatory requirements. The implementation of the Financial Sector Consolidation Masterplan is underway to build strong and stable LFCs in the medium term, with the objective of safeguarding depositors of the non-bank financial institutions sector.

THE COMPANY

RPFL registered moderate net earnings of Rs. 233.5 mn. (-154.2 mn.-2020/21) as a result of a decline in interest expense due to a low interest regime on deposits and borrowings based on regulatory requirements and prudent management of operating expenses. The increase in impairment charges and a low growth in interest income deprived the company of significantly high net earnings.

REGULATORY REQUIREMENTS

Your company was required to maintain the minimum threshold in core capital equivalent to Rs. 2 .5 bn. by 31.12.2021. A sum of Rs.280 Mn. was invested in the capital of the company during the year to increase the core capital. The issuance of Tier 2 compliant fully subordinated five-year debt equivalent to Rs 1 bn. during the year strengthened the total capital ratio significantly to comply with the CBSL directions. The company maintained a core capital in excess of the statutory minimum of Rs.2.5 bn.

as at 31st March 2022, in compliance with the statutory guidelines. The Tier 1 capital ratio was above 7% and Total capital ratio was well above 11% as at 31.3. 2022.All NBFIs with Total Assets of less than 100 bn. should maintain a minimum Tier 1 capital ratio of 8.5% and a Total Capital Ratio of 12.5% with effect from 1st July 2022.The company continues to maintain a healthy Total Capital Ratio which is well above the statutory minimum. In view of impairment on loans as a result of the 10-day rule in recognizing NPLs, there is a tendency for core capital ratio to weaken. In that event infusion of new capital will be inevitable unless the company records satisfactory net earnings. Listing of the company with the CSE is another key requirement which is deferred due to prevailing market conditions.

MASTER PLAN ON CONSOLIDATION

The implementation of the Financial Sector Consolidation Master Plan is underway to build strong and stable LFCs in the medium term, with the objective of safeguarding depositors of the non-bank financial institutions sector. The listing of the company in the CSE is one of the key aspects that come within the consolidation program. The company is considering the options for this purpose at this stage. It is our view that we defer the listing process until market conditions improve. Maintaining a minimum asset base of Rs. 20 bn. by 31.3.2023 is a key challenge. The company already maintains an additional buffer of 1%, above the total capital adequacy ratio.

DIRECTIONS AND GUIDELINES

The Finance Business Act Direction No.05 of 2021 that became effective from 1st July 2022 with transitional provisions aims to strengthen the Governance Structure of NBFIs. Board's overall responsibilities that include overall responsibility and accountability, Business Strategy and Governance framework, corporate culture and values, Risk appetite, Risk management and Internal controls, Board commitment and competency, oversight of Senior management and Adherence to existing legal framework are the key elements that needs to be implemented by the Board. In addition to the above, the CBSL has issued directions on Technology Risk management Resilience, Assessment of Fitness and Propriety of Key Responsible Persons with Moratorium related directions that are being addressed for compliance as part of prudential requirements.

OUTLOOK

The recent disturbances that prevailed in country affected business operations in the first quarter and to a considerable extent in the 2nd quarter. Lending and Recoveries need to recover from the 3rd quarter for the company to perform in a satisfactory manner. The market conditions are not conducive for new lending due to high prevailing high interest rates. The company commenced pawning/gold loans in the new year together with micro leasing operations on two wheelers and three wheelers that should act as a catalyst in generating revenue to counter low interest income generated from other leases.

ACKNOWLEDGEMENTS

It is my primary duty to place on record my gratitude to Group Chairman, Dr. Sena Yaddehige for his advice and guidance during the year. I thank him for the leadership given to us and encouraging us to meet the challenges we encountered from the business environment. I welcome Mr. Kelum

Senanayake who was appointed to the Board during the year. I place on record my thanks and appreciation to Mr. Asoka Keppetipola, Mr.Kithsiri Wijeyeratne, Mr. Shantha Wijeweera and Mr. Kelum Senanayake for their counsel during the year under review. The CEO, Mr. Lohika Fonseka and the corporate management deserve appreciation for respective roles played to manage the company under trying conditions.

(Signed)
K.B. Wanigasekara
Chairman
31/5/2022

Chief Executive Officer's Review

" Amidst this challenging economic backdrop, the company was able to record a solid financial performance during 2021/22. Supported by the Company's committed workforce and prudent management strategies, Richard Pieris Finance's profit before taxes (PBT) rose by a notable 283% to Rs. 444 Mn, compared to prior year "

W.L.S. Fonseka
Chief Executive Officer

Continuing with the previous financial year, the year 2021/22 remained challenging amidst several lockdowns during 2021 and worsened macroeconomic fundamentals towards the latter half of the financial year. Amidst this challenging economic backdrop, the company was able to record a solid financial performance during 2021/22 registering a net income of Rs. 233.5 million. Supported by the Company's committed workforce and prudent management strategies, Richard Pieris Finance's profit before taxes (PBT) rose by a notable 283% to Rs. 444 Mn, compared to prior year. The company also saw revenues growing by 16% to Rs.2,441 Mn during the period. The Company's deposit base and asset base too grew during the year to Rs.9,910 Mn and Rs.17,927 Mn respectively.

This has been a challenging year. The first half of the year witnessed several lockdowns owing to the spreading of the different variants of the Covid-19 Virus. The economy faced severe hardships due to the disruptions caused due to the lockdowns and the central bank adopted a relaxed monetary stance to boost the economic growth. Moratoriums were introduced by CBSL to assist the individuals and entities affected which was a welcome move by the public. However, as a result the financial institutions had to experience challenges in managing their cash flows. Many of the NBFI's including RPFL adopted more stringent risk management approaches when lending and in cash flow management with the objective of navigating amidst the turbulent economic conditions.

Even though CBSL adopted a relaxed monetary policy, the prevailed weaknesses in the fiscal front led to a notable growth in the money in circulation which in turn resulted for the inflation to rise significantly. Furthermore, the weakened trade balance and the resulting depletion of the foreign currency reserves of CBSL led for a massive foreign currency shortage in the country restricting the importation of key supplies including fuel towards the second half of the financial year 2021/22. The Shortage of fuel directly affected the power generation by thermal power plants leading for the government to initiate power interruptions for several hours per day. Majority of the economic activities were adversely affected and many small-scale businesses along with self-employment businesses such as cafes, restaurants, small scale manufacturers who are key customer segments of the NBFI sector, experienced notable reductions in their monthly incomes exerting pressure on the recovery front. The inflation of food as well as non-food items was also on the rise resulting for the disposable income of monthly wage earners to drastically reduce.

Despite the challenging operating environment, Richard Pieris Finance focused on strengthening its core operations via implementing prudent strategies to sustain amidst the turbulent market conditions which rendered exceptional results compared to previous financial year. The company was focusing on improving its operating culture by revisiting the prevailing lapses in the internal processes, procedures and by reinforcing the controls where required. All the existing processes were revisited with the active engagement of the credit & operations, risk, compliance, and internal audit departments with the key objective of implementing a compliance culture along with effective risk management practices. Being in the lending business, collections play a crucial role in establishing business stability. We restructured the Collections and Legal Department with specific focus on NPL, where dedicated teams were placed to improve collections from the old portfolio. This was followed by the introduction of a new collections system. Furthermore, our continuous on-field efforts, rebalancing the sales and collection teams within products, coupled with analytics-led prioritization and resource allocation, led to improved collections across all our businesses.

The implementation of the pawing operations was a key milestone during the year under review. The operations were initially commenced from the Chilaw branch, and it is the expectation of the company to expand this operation across the branch network within the next financial year. The company further diversified its operations towards the micro leasing segment with the key objective of increasing the overall portfolio yield. On the liability front, the FD department is strategizing on gradually improving the retail FD base simultaneously improving the savings base to ensure the company remain liquid while maintaining the cost of funds at acceptable levels.

Resilience of the capital base is a key enabler of the long-term sustainability of a financial institution. Your company is positive on withstanding the external shocks amidst challenging economic conditions, with the infusion of Rs. 1 Bn of Tier-2 complaint debt capital by way a 5-year unsecured, subordinated loan and with the conversion of Rs. 280 of debt capital to equity which were successfully completed during the year under review. With the infusion of Rs. 1 Bn, the Tier-2 capital ratio increased to 16% level positioning the company at an elevated level amidst the other industry competitors. With prudent strategies in place, the company is positive on maintaining adequate capital levels within the next financial year, yet the management is continuously evaluating the contingency strategies to cope with any unanticipated scenarios. Listing RPFL in CSE is another viable strategy, which the management has deferred considering the unfavorable market conditions.

We accelerated the digital transformation journey of the company, further reducing our operating costs through a combination of initiatives such as lowering discretionary spending. The company was successfully integrated with the Common Electronic Fund Transfer Switch (CEFTS) and the integration with CEFTS is expected to significantly contribute towards improving recoveries and savings mobilization while improving the digital presence of the company. The IT department which is pivotal in the company’s digital journey has been strengthened with qualified staff and the company is planning on relocating the company servers at the premises of an external service provider with the key objective of eliminating the issued faced with the current inhouse server room. Moreover, state of the art security equipment including CCTV, alarm systems and motion detectors are being established in the branches to ensure safety and security of the branches.

In concluding, my most sincere appreciation goes to Board of Directors for their valuable contribution on guiding the company amidst trying conditions. I shall also appreciate all our employees whose determination, passion and focus have been vital for navigating RPFL amidst turbulent market conditions. I would also like to convey my sincere appreciation to the Central Bank of Sri Lanka for their valuable guidance and support provided to us throughout the year. I also extend my gratitude to our depositors, customers, and business partners for their confidence in us. On a final note, we remain obligated to all our shareholders and stakeholders for their continued trust and confidence in Richard Pieris Finance Limited.

(Signed)
W.L.S. Fonseka
Chief Executive Officer
31/5/2022

Management Discussion & Analysis

ECONOMIC OVERVIEW

After a sharp dip in economic activity, post the first wave of the COVID-19 pandemic, the global economy witnessed recovery. However, since the beginning of the year 2022, a number of challenges have emerged, and economic growth appears to be weaker than previously expected.

The combination of factors that have diluted growth include the spread of the Omicron COVID-19 variant, rising crude oil prices and supply chain disruptions, which resulted in higher inflation across the globe. Most recently, the war in Ukraine and geo-political tensions have become another constraint for the global economy, beyond its socio-political and humanitarian implications.

IMF predicts global economic growth to slow down from an estimated 6.1% in 2021 to 3.6% in 2022 and 2023. Further, IMF states that beyond 2023, global growth is forecasted to decline to about 3.3% over the medium term.

In terms of outlook for 2022 and beyond, Sri Lanka is also experiencing headline inflation around 60%, and is likely to increase further due to rising energy prices, domestic supply disruptions, sharp depreciation of the Rupee by over 85% over the past few months and increase in global commodity prices. In order to pre-empt further inflationary pressures, the Central Bank of Sri Lanka increased the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR) by 700 basis points each to 13.50% and 14.50% respectively, effective from the close of business on 8 April 2022. Besides the impact of a sharp rise in interest rate regime on lending rates and cost of funds of financial institutions, the ongoing economic meltdown, disruptions to power supply, political uncertainty and social unrest are bound to have serious implications on the country's growth prospects.

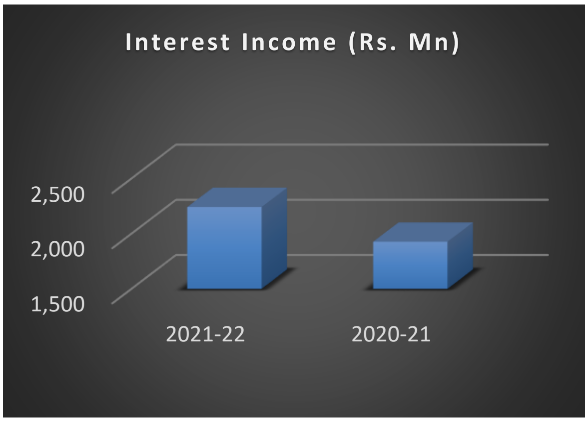
The overall performance of the Sri Lankan economy is expected to be beset with numerous challenges over the next few years and the financial sector should be well-prepared to face potential stresses on profitability, liquidity, and capital.

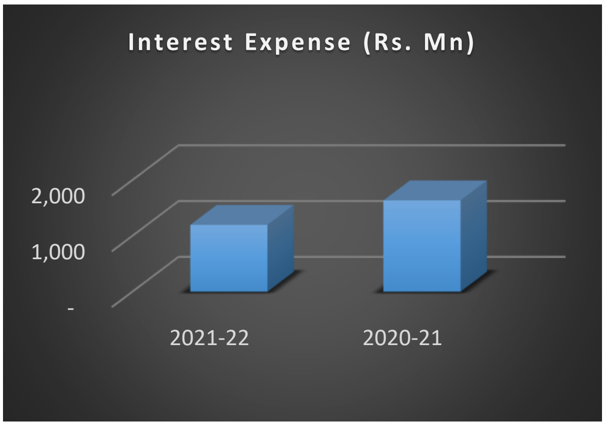
THE COMPANY

Reflecting a turnaround, Richard Pieris Finance (RPF) managed to report a solid performance for the financial year under review, a performance that is exceptional when compared to the loss reported for the previous financial year and the highly volatile operating environment.

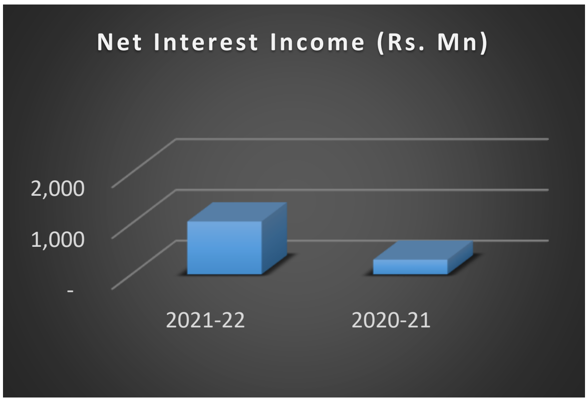
RPF's profit before taxes rose by a notable 283% to Rs. 444 Mn, compared to prior year while profit after tax rose to Rs. 234 Mn which is 251% increase when compared to last financial year.

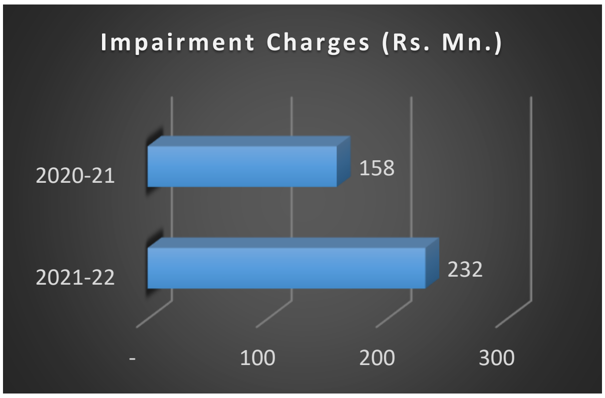
Interest income for the year under review increased by Rs. 315 Mn compared to the FY 2020/21 and, interest expense declined by Rs. 438 Mn due to the conscious decision taken to lower the cost of funds by re-pricing deposits and optimizing sources of funding. Thereby the net interest income (NII) increased substantially for the year under review by Rs. 752 Mn, at the growth rate of 260%.





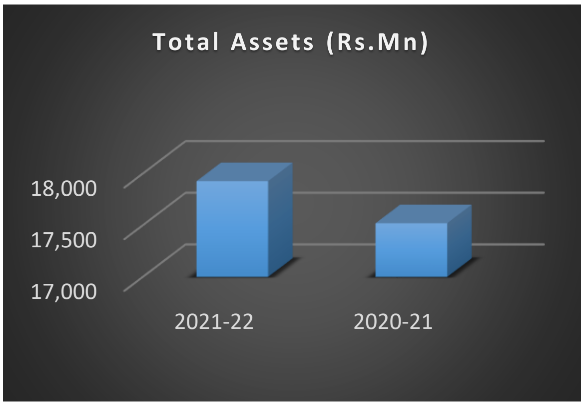
Total operating expenses for the year recorded a marginal increase of Rs. 4 Mn compared to the previous financial year. The increase in the net operating income being more pronounced than the increase in operating expenses, the cost to income ratio declined to 48% from 118% in 2020/21. However, impairment charges for the year amounted to Rs. 232 Mn reflecting an increase compared to Rs. 158 Mn provided in the previous year due to highly volatile macro-economic factors.

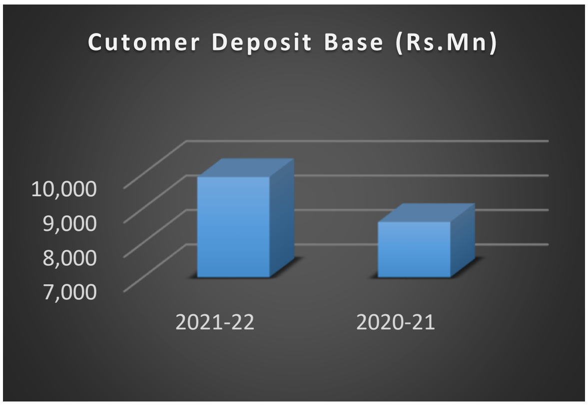




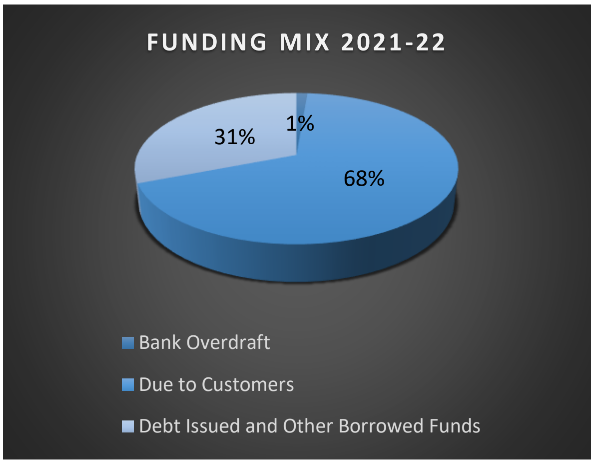
The total assets of the Company increased by Rs. 407 Mn as at 31 March 2022 despite all these challenges.

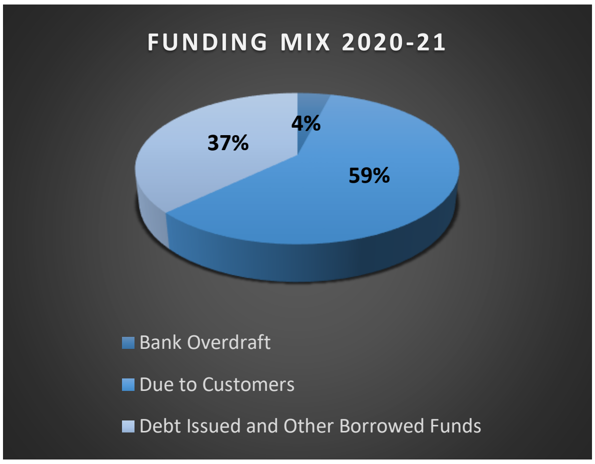
During the FY 2021/22, the customer deposit portfolio increased to Rs. 9.9 Bn, thereby the Company was able to maintain healthy levels of liquidity risk by capitalizing long standing customer relationships and superior service despite the unfavorable macro environment to mobile deposits.





The Company was largely dependent on customer deposits in its funding mix which maintained 68% and this reflects our ability to attract and retain deposits, despite the strong market competition reinforcing the trust that the customers have placed on the Company.





CAPITAL ADEQUACY/CAPITAL MANAGEMENT

As at 31 March 2022, Company has maintained Tier I Capital Ratio of 9.92% and Total Capital adequacy ratio of 18.21% well above the regulatory 7% and 11% minimum limit. In order to fall in line with regulatory requirements on minimum Core Capital, Richard Pieris Group infused Rs. 280 Mn of equity capital for strengthening the Company's Tier I Capital and the Company raised a debt capital for Tier II Capital amounted to Rs. 1 Bn during the financial year. Core Capital of the Company recorded at Rs. 2.75 Bn as at 31 March 2022 which was above the CBSL prescribed minimum thresholds.

Board of Directors & Key Management Personnel

BOARD OF DIRECTORS

Mr. K. B.Wanigasekara (Chairman) - Non-Executive Non-Independent Director

Mr. Wanigasekara was appointed to the Board of Directors of Richard Pieris Finance Limited on 29th August 2020 and was appointed as the Chairman of the Board of Directors with effect from 08.10.2021

He counts more than 40 years of extensive experience in the financial services sector out of which 34 years of service had been as a Director and 31 years as a Managing Director/CEO. Prior to being appointed to the board of Richard Pieris Finance Limited, Mr. Wanigasekara held the position of Managing Director/CEO at Abans Finance PLC. He functioned as the Chairman & Managing Director/CEO of Sinhaputhra Finance Ltd. from December 1990 to September 2007. Mr. Wanigasekara held the position of Chairman of the Finance Houses Association of Sri Lanka (FHASL) in 2016/17. He was also the Chairman of the FHASL in the years 1998, 1999 and 2000.

A passed finalist of the Chartered Institute of Management Accountants – UK, Mr. Wanigasekara holds a Masters Degree in Business Administration. He has been a member of the Steering Committee on Non-Bank Financial Institutions of the Ceylon Chamber of Commerce and a past member of the Committee of the Ceylon Chamber of Commerce. He was also a member of the Committee appointed by the Ministry of Finance to make recommendations to the Cabinet Committee on Economic Management (CCEM) on the Draft Bill for the setting up of the Financial Asset Management Agency. A Past Council Member of the Sri Lanka Institute of Credit Management. He served as a member of the Council of Management of the FHASL for more than two decades. Mr. Wanigasekara was also a past Chairman of The Kandy Hotels Co. (1938) Ltd., owners of "Hotel Suisse" and "Queen's Hotel" from 1994 to 2001 and a member of the PSRE 17 Group of Sri Lankan Entrepreneurs to Japan in 2003 sponsored by The Association of Overseas Technical Scholarships of Japan. Mr. Wanigasekara has been awarded with the following.

- Central Provincial Chamber of Commerce- "Silver Award" winner for the most Outstanding Entrepreneur of the Central Province in 2000.
- "Sri Lankan Entrepreneur of The Year 2005" Organized by the Federation of Chamber of Commerce of Sri Lanka (FCCSL).

- Extra Large Category - * Central Province – " Silver Award Winner"
- *National – " Bronze Award Winner"

Mr. R.S. Wijeweera – Senior Non-Executive Independent Director

Mr. Wijeweera was appointed to the Board of Richard Pieris Finance Limited on 07/06/2021. He currently functions as the Chairman of the Board Integrated Risk Management Committee. Prior to the appointment at Richard Pieris Finance Limited, Mr. Wijeweera has been functioning as the Chief Executive Officer of Singer Finance (Lanka) PLC since its inception in 2004 and Joined the Board of

Singer Finance (Lanka) PLC in November 2008. He has a career spanning over 40 years in the finance industry and he has held senior positions in several renowned Financial Institutions.

Mr. Wijeweera holds a MBA (Banking & Finance) from Postgraduate Institute of Management of the University of Sri Jayewardenepura and MSc. (Management) National University of Ireland (UCD). Mr. Wijeweera was selected as the outstanding alumnus of the year – Sri Lanka for the year 2013 by National University of Ireland. Mr. Wijeweera was a former Deputy Chairman of the Executive Committee of Finance Houses Association of Sri Lanka (FHASL) and a member of the Executive Committee of Sri Lanka China Society (SLCS).

Mr. K. B. Wijeyaratne - Non -Executive Independent Director

Mr. Kithsiri B. Wijeyaratne is an Independent Non-Executive Director of Richard Pieris Finance Limited and functions as the Chairman of the Board Audit Committee. Mr. Wijeyaratne is the Head of Finance & Strategy of the Pintanna Plantations (pvt) Ltd. and Pintanna Holdings (pvt) Ltd. He is a retired Senior Deputy General Manager of the National Savings Bank overseeing the areas of Finance and Planning, Research and Development, Superannuation and Treasury Back Office. He counts over 35 years' experience in the Audit and Financial services sector locally and overseas having served in senior management positions at premier financial institutions with extensive experience in the field of Insurance & Banking. He was a member of the Board of Directors of the Regional Development Bank (RDB).

Mr. Wijeyaratne is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA), a Fellow Member of the Certified Management Accountants of Sri Lanka (FCMA), a Senior Member of the Association of Accounting Technicians of Sri Lanka (FMAAT) and a Fellow Member of the Institute of Bankers of Sri Lanka (IBSL) and a Member and Assistant Treasurer of the Organization of Professional Association (OPA).

Mr. Wijeyaratne holds a Second-Class Honors degree. BSc in Business Administration from University of Sri-Jayawardenapura Sri Lanka, and a Diploma in Public Finance and Management (DPFM) from Sri Lanka Institute of development Administration (SLIDA)

Mr. A.P.U. Keppetipola - Non -Executive Independent Director

Mr. Keppetipiola was appointed to the Board of Richard Pieris Finance Limited on 15/2/2021. He serves as a member of the Board Integrated Risk Management Committee.

An Attorney at Law by profession, Mr. Keppetipola possesses 40 years of extensive experience in legal practice and has been specializing in Civil Law with particular emphasis on Commercial and Business law.

Prior to joining with Richard Pieris Finance Limited, Mr. Keppetipola has functioned as a Director of State Mortgage & Investment Bank and has served on the panels of lawyers of several Commercial Banks and Non-Bank Financial Institutions. Mr. Keppetipola has been a Director/Legal Consultant of Sinhaputhra Finance PLC for more than 20 years.

Mr. Kelum Senanayake – Non-Independent Non-Executive Director

Mr. Senanayake was appointed to the Board of Richard Pieris Finance Limited on 30/11/2021. Mr. Senanayake functions as a Non-Independent Non-Executive Director of Richard Pieirs Finance Limited and fun as a member of the Board Audit Committee. He is a well-known personality in the regional Life Insurance landscape, and he currently functions as the Chief Executive Officer of Arpico Insurance PLC and brings to the table a wealth of experience & exposure spanning almost forty years, from both local as well as international Insurance industries. He also makes history becoming the first and only CEO in the Sri Lankan Insurance industry to hold the coveted Million Dollar Round Table (MDRT) status achieved in Sri Lanka, in an impressive 133 days.

A product of Ananda College Colombo, Mr. Senanayake holds a Diploma in Business Management from Worldview Institute & a Master of Business Administration from the University of Western Sydney, Australia. In addition to being a management professional, he is also a respected trainer who has trained over 5,000 Insurance professionals in his career and received training in the UK, Germany, Japan, Singapore, Hong Kong, Malaysia & South Africa. He has extensive experience in the areas of including Operations, Life Underwriting, Life Servicing, Claims, Product Development, Re-Insurance, Branch Operations, Corporate Solutions Distribution, Contact Centers and Logistics.

KEY MANAGEMENT PERSONNEL

- Mr. W.L.S. Fonseka - Chief Executive Officer
- Mr. Ruwan Jayasuriya - Chief Operating Officer
- Mr. Sudesh Suranga - Financial Controller
- Mr. Imruz Kamil - Assistant General Manager (Islamic Finance)
- Mr. M.G.R. Priyankara - Assistant General Manager (Business Development)
- Mr. Susantha Caldera - Assistant General Manager (Branches)
- Mr. Chaminda Ekanayake - Assistant General Manager (Recoveries)
- Mr. Roshan Jansen - Assistant General Manager (Investments)
- Mr. Lakshitha Karunaratne - Senior Manager (Special Projects)
- Mrs. Lochana Sumanasena - Head of Legal
- Mr. Sampath Kumara - Head of Internal Audit
- Mrs. Ravina Ranaweera - Manager - Human Resources and Administration
- Mr. Ranga Withanage - Manager - IT
- Mr. Subodika Thungasena - Compliance Officer
- Mr. Gayan Maheepala - Risk Officer

Corporate Governance

INTRODUCTION

Corporate governance is a system by which a company is directed, controlled, and managed. A sound corporate governance framework guides the Company to drive towards progress with implementation of relevant strategies. Sound corporate governance has as its objectives the maintenance of a high level of governance that will foster a culture of integrity, values and rewards for the stakeholders. The creation of long-term stakeholder value is a key towards an effective governance framework.

The Board of Directors of the Company under the leadership of the Chairman is responsible for the governance of the Company. The development of an effective corporate governance framework is a priority on the agenda of the Board. The Board of Directors is committed to review and improve systems within the Company in order to maintain accountability and transparency.

The Company operates with an effective Corporate Governance Framework. The framework has been designed based on the provisions of the Finance Companies (Corporate Governance) Direction No.3 of 2008 as amended.

BOARD COMPOSITION AND BALANCE

Strong governance is dependent upon a Board of Directors that is cohesive, independent in nature, fully engaged and committed to the role and, as a result, operates effectively. The Board reflects a balance between financial, sector specific and general business skills, with a highly experienced team that leads the business in non-executive roles. The major role of the Board includes overseeing the risk profile of the Company, monitoring the integrity of its business and control mechanisms, ensuring expert management and maximizing the interest of all stakeholders.

The Board of Directors currently has five members which consist of the following.

a. Two Non-Independent Non-Executive Directors

- Mr. K. B. Wanigasekara (Chairman)
- Mr. N.T.K.M. Senanayake

b. Three Independent Non-Executive Directors

- Mr. R.S. Wijeweera (Senior Director)
- Mr. K.B. Wijeyaratne
- Mr. A.P.U. Keppetipola

The Board comprises of individuals with appropriate abilities, skills and competencies. Each Director provides the Company the knowledge, experience and skills for effective performance of the Board and they allocate adequate time to discharge their responsibilities.

A list of the individual Directors including dates of appointment to the Board and their Committee memberships are set out in the Directors' report.

DIVISION OF RESPONSIBILITIES

Chairman and Chief Executive Officer (CEO)

The role of Chairman and CEO is segregated and there are clear and documented divisions of accountability and responsibility. The Chairman is accountable to shareholders for the effectiveness of the Board, and this builds a sustainable business through consistent, profitable growth, while taking account of the interests of wider stakeholders. The Chairman leads the Board and chairs its meetings, having agreed on a balanced agenda covering business performance, strategy, risk, compliance, and people. He ensures that the Directors receive accurate, timely and relevant information for deliberationsand high-quality.

Decision Making

The CEO is the apex executive-in-charge of the day-to-day management of the Company's operations and business and accountable to the Board. This includes developing business strategies for the approval of the Board and timely and effective implementation of such strategies whilst managing relevant risks. The CEO provides the leadership and environment within the Company to implement the Board's policies and the achievement of the Company's objectives.

Appointment, Resignation and Re-election

Directors are elected by the shareholders by resolution except for casual vacancies arising during the year filled by the Board of Directors until the next AGM in terms of Article 29(2) of the Article of Association. During the year under review, Mr. J.F. Fernandopulle, the Chairman of the Board of Directors retired on 05.09.2021 upon the completion of a term of nine years together with CBSL extended additional one year in keeping with the provisions contained in section 4(2) of the Finance Companies (Corporate Governance) Direction No.3 of 2008 and in conformity with Article 29(2) of the Articles of Association of the Company and in terms of Section 4 (10) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Mr. Kithsiri Bandara Wijeyeratne and Mr. Asoka Parakrama Unamboowe Keppetipola and Mr.Robert Shanthapriya Wijeweera will retire and being eligible offer themselves for re-election with the unanimous support of the other Directors.

Mr. Kelum Senanayake was appointed to the Board of Directors on 30.11.2021 as a Non-Independent Non-Executive Director and He also retires in terms of Article 29(2) of the Articles of Association and Section 4(10) of the Finance Companies (corporate Governance) Direction No.3 0f 2008 and being eligible offers himself for re-election with the unanimous support of the other Directors.

BOARD SUB COMMITTEES

The Board has established Board Sub Committees, namely, Audit Committee and Integrated Risk Management Committee. Each committee plays a vital role in serving the Board to discharge its duties and to ensure that high standards of Corporate Governance are preserved throughout the Company. TheCommittees are governed by Board approved Terms of Reference which are reviewed periodically. Each Sub Committee's minutes are forwarded to the Board and the Chairman of each sub-Committee provides the Board with a summary of crucial issues considered at the meetings of the Sub Committees.

MANAGEMENT OF CONFLICTS OF INTERESTS

A conflict of interests arises when a Board member has a personal interest that conflicts with the interests of the Company. The Company has adopted a policy on the Management of Conflicts of interest which specifies the processes and procedures to be followed to manage conflicts since the ultimate purpose ofmanaging a conflict of interests is protecting the public interest. Accordingly, any Director who has a conflict of interests on a matter will not participate in the deliberations except to disclose material facts and to respond to questions and abstain from voting thereon.

BOARD AND BOARD SUB COMMITTEE MEETINGS AND ATTENDANCE

The Directors meet on a regular basis and receive accurate, timely and relevant information for such meetings so that they can maintain full and effective oversight of strategic, financial, risk management, operational, compliance and governance issues. The following table shows the number of Board and SubCommittee meetings held during the financial year of 2021/22 and the attendance by individual Directors.

	Name of the Director	**Non-Independent Non-Executive**	**Executive**	**Independent Non-Executive**	**Board**		**Audit Committee**		**Integrated Risk Management Committee**	
					C / M	**Attendance**	**C / M**	**Attendance**	**C / M**	**Attendance**
1	Mr. J. F. Fernandopulle Resigned w.e.f. 05.09.2021	✓			C	4/4				
2	Mr. K.B. Wanigasekara Appointed as Chairman w.e.f. 08.10.2021	✓		✓	C	12/12		3/3		1/4
3	Mr. K.B. Wijeyaratne			✓	M	12/12	C	7/7	M	4/4
4	Mr. A.P.U.Keppetipola			✓	M	12/12			M	2/4
5	Mr. R.S. Wijeweera			✓	M	12/12	M	5/7	C	4/4
6	Mr.N.T.K.M.Senanayake Appointed on 30.11.2021	✓			M	5/5	M	2/2		

MANAGEMENT COMMITTEES

The Management Committees at Richard Pieris Finance Ltd, function under the guidance of the Chief Executive Officer with the direction on designing, implementing, and monitoring best practices in their respective functions. These committees implement the policies and strategies determined by the Board and Board Sub Committees and manage the business and affairs of the Company with the main objective of improving sustainable growth. Management Committees include Asset and Liability Committee (ALCO) and Credit Committee. The scope of the Credit Committee is to review and make recommendations on credit policy and procedures, portfolio delinquency management and credit evaluation process, whilst the scope of the ALCO is to monitor and manage liquidity risks, interest rate risks, pricing, and capital planning.

ENGAGEMENT OF EXTERNAL AUDITORS TO PROVIDE NON-AUDIT SERVICES AND AUDITORS' INDEPENDENCE

The External Auditors' independence is a key factor in ensuring that the financial statements of the Company would meet the highest standards of financial integrity and quality. The Audit Committee of the Company annually evaluates the independence of the external auditors including any relationships with the group or any other person or the Company that may impair or compromise their independence. The Company will be adopting a procedure on the "engagement of external auditor to provide non audit services" in order to ensure the best practices and to avoid actual or perceived conflict of interests. The policy has precisely identified the permitted services and prohibited services, approval process and reporting requirements including non-audit fees to audit fees ratio in order to ensure the External Auditors' independence and objectivity. The recruitment of external audit partners and / or employees as either Directors or as employees in senior positions within the preceding two years of involvement with the Company's audit is also prohibited. Further, the Engagement Partner and/or the Partner responsible for quality review will be rotated in order to ensure the partner should not serve the Company for more than five successive years. The external auditor M/S. Ernst & Young have provided a declaration of their independence to the Audit Committee and the Committee evaluated their independence, objectivity and effectiveness of the audit process and recommended their re-appointment for the ensuing year.

DELEGATED AUTHORITY

The Corporate Governance framework and Articles of the Association of the Company provide the delegation of authority and segregation of duties while enabling the Board to retain effective control. Accordingly, the Board has delegated its authority to the Board Sub-Committees and the Management with clearly defined mandates, directives, and authorities, while ensuring such delegation would not hinder or reduce the ability of the Board to discharge its duties. The Board of Directors of the Company makes necessary reviews on delegated authority limits in order to ensure that the set limits remain relevant to the needs of the Company.

DEGREE OF CONFORMITY WITH CORPORATE GOVERNANCE REGULATIONS

The level of compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

The Central Bank of Sri Lanka issued the Direction on Corporate Governance in order to improve and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka. This Direction is identified as the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and the amendments are referred to as Finance Companies (Corporate Governance – Amendment) Direction No. 04 of 2008 and Finance Companies (Corporate Governance – Amendment) Direction No. 06 of 2013. The above Directions comprise of nine fundamental principles, namely the responsibilities of the Board, Meetings of the Board, Composition of the Board, Criteria to assess the fitness and propriety of Directors, Management functions delegated by the Board, The Chairman and the Chief Executive Officer, Board appointed Committees, Related party transactions and Disclosures.

The Company's level of compliance with the Corporate Governance Directions is tabulated below

Section	Rule	Status of Compliance
2. THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS		
2 (1)	**Strengthening the safety and soundness of the Company**	
	pprove, oversee and communicate the strategic objectives and corporate values.	Board approved strategic objectives and corporate values have been derived from the Company's vision and mission and it has been communicated throughoutthe Company.
	pprove the overall business strategy, including the overall risk policy and riskmanagement.	The Company's strategic business plan covering the period, 2021 to 2024 was approved by the Board in April 2021. The strategic plan includes the overall risk management policy, procedures, and mechanisms with measurable goals.
	c) Identifying and managing *risk*.	Integrated Risk Management Committee (IRMC) of the Company identifies risks related to credit, market, liquidity, and operations and ensures that appropriate actions are taken to manage risks. Further, Risk Assessment reports are submitted to the Board of Directors on a quarterly basis. The Risk Management Report provides further information.
	d) Communication policy with all stakeholders.	A Board approved communication policy is in place which sets the framework for communicating with all stakeholders on a periodic basis. Periodical meetings between the corporate management /directors and the institutional investors are being held to maintain a constant dialog between the key stakeholders.
	e) Reviewing the adequacy and the integrity ofthe internal control system and management information system.	The Internal Audit Department of the Company on the instructions of the Audit Committee is currently reviewing the integrity of the Company's internal control system and the management information system. The company is in the process of further strengthening the internal audit department to independently review the reliability and the accuracy of Financial/Non-Financial information which are used by the Board and the Board

		sub committees for the Board to review and ensure the adequacy and the integrity of the company's management information system.
	f) Identifying and designating Key Management Personnel.	The Board has approved the revised list of KMP's on the Board Meeting held on 24/9/2020. Accordingly, the CEO/Executive Director, Financial Controller, AGM-Islamic Finance/Branch Operations, AGM-Business Development/Branch Operations, AGM Investments, AGM Recoveries, Head of Recoveries, Manager Credit, Manager Human Resources, Manager IT, Deputy Manager Operations, Risk Officer and Compliance Officer are designated as Key Management Personnel of the company.
	g) Defining authority and responsibilities of theBoard and Key Management Personnel.	The authorities and responsibilities of all the Key Management Personnel has been defined in their Job Descriptions (JD's). However only the JD's of the CEO and the Chairman has been approved by the Board. Steps will be taken in order to obtain the approval for the JD's of all Key Management Personnel within the financial year 2022/23.
	h) Oversight of affairs of the Company by KeyManagement Personnel.	Oversight of the affairs of the Company by its Key Management Personnel takes place at the Board meetings and Board Sub-Committee meetings and the CEO and KMPs apprise the Board on the performance and targets achieved by the company on a regular basis.
	(i) Periodically assess the effectiveness of itsgovernance practices, including: Selection, nomination, and election ofdirectors and appointment of KMP. Management of conflicts of interests. Determination of weaknesses and implementation of changes where necessary.	The Board engages in the functions of selection, nomination, and election of Directors. The BoardCharter governing the key aspects of appointment of members to the Board is being prepared which will be effective towards the end of the financial year. Appointment of Key Management Personnel is approved by the Board on the recommendation of the Chief Executive Officer. The existing policy on related party transactions covers the basic framework for managing conflict of interests which will be further evaluated and updated to provide a comprehensive policy and procedures in managing conflicts of interests. The company has implemented a self-evaluation process for Board of Directors as a whole, Board sub-Committees, Individual Directors and CEO.A summary of evaluations has been submitted to the Board for them to determine of weaknesses and implementation of changes where necessary.
	(j) Succession plan for Key ManagementPersonnel.	The Company has a Board approved succession plan in place for the Key Management Personnel which will be reviewed in the ensuing year.

	(k) Regular meetings with the Key ManagementPersonnel.	Key Management Personnel participate in discussions at the Board and its Sub-Committee meetings when the need arises to explain matters relating to their areas of responsibility.
	(l) Understanding Regulatory environment.	The Board of Directors closely monitors regulatory compliances at monthly Board meetings by means of a regular monthly board paper on compliance. Further, the Compliance Officer presents changes to the regulatory environment from time to time and any other necessary information to the Board.
	(m) Hiring and oversight of External Auditors.	Hiring of External Auditors is carried out by the Board with the recommendation of the Audit Committee, and it is approved by shareholders at the Annual General Meeting (AGM).
2 (2)	Appointment of the Chairman and the ChiefExecutive Officer and define and approve functions and responsibilities.	The Board has appointed the Chairman and the Chief Executive Officer (CEO) and there is a clear division of the functions and responsibilities of the Chairman and CEO.
2 (3)	Directors' ability to seek independent professional advice.	The Directors can obtain independent professional advice as and when necessary, at the expense of the Company. However, no such instances have occurred during the year.
2 (4)	Dealing with conflicts of interests.	The existing policy on related party transactions covers the basic framework for managing conflict of interests which will be further evaluated and updated to provide a comprehensive policy and procedures in managing conflicts of interests.
2 (5)	Formal schedule of matters specifically reservedfor Board decisions.	A Board approved formal schedule of matters specifically reserved for Board decisions is in place which ensures that the direction and control of the Company is firmly under the authority of the Board.
2 (6)	Situation on insolvency.	No such situation has arisen during the year, and we do not visualize such situations in the foreseeable future.
2 (7)	Publish corporate governance report in theAnnual Report.	Annual corporate governance report has been published in this report that satisfies the requirement.
2 (8)	Annual self-assessment by the Directors andmaintenance of such records.	The Company has established an annual scheme of self-assessment for Board of Directors during the year 2021-2022.
3. MEETINGS OF THE BOARD		
3 (1)	Regular Board meetings and circulation ofwritten or electronic resolutions.	The Board has conducted 12 meetings during the year. The consent of the Board is usually obtained at meetings with due notice given with Board papers. There were 18 circular resolutions passed during the year under review.
3 (2)	Arrangements for Directors to include mattersand proposals in the agenda.	The Board Charter is being prepared which once implemented includes a formal procedure to enable all Directors to include matters and proposals in the agenda for regular Board Meetings

3 (3)	Notice of meetings.	An annual calendar of Board meetings has been issued at the beginning of the year. It was ensured that prior notice of at least 7 days was given to Board members. There were no special meetings held during the period.
3 (4)	Directors’ attendance at Board meetings.	All members have attended adequate number of meetings during the year 2021/2022. No alternate Directors have been appointed during the year.
3 (5)	Appointment of a Company Secretary to handlethe secretarial services to the Board.	The Board has appointed Richard Pieris Group Services (Pvt.) Ltd, 310, High Level Road, Navinna, Maharagama as Secretaries to the Company. The CompanySecretaries advise the Board and ensure that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.
3 (6)	Responsibility of preparation of agenda for aBoard meeting.	The Chairman has delegated to the CompanySecretaries the function of preparing the agenda for Board Meetings and for circulation to the Board.
3 (7)	Directors’ access to advice and services of theCompany Secretaries.	The Board Charter which is currently being prepared will define a formal procedure for all Directors to have access to the Company Secretaries for advice and services where necessary.
3 (8)	Maintenance of Board minutes.	The Company Secretaries maintain and circulate the minutes to Board members and provide certified copies of the Minutes at any time at the request of any Director of the Company. A formal procedure is in place to enable Directors to inspect the minutes.
3 (9)	Recording of Minutes of Board meetings insufficient detail.	The Company Secretaries record the contributions made by each member and the decisions / resolutions made in sufficient detail to satisfy the requirements of the direction.
4. COMPOSITION OF THE BOARD		
4 (1)	The number of Directors.	During the period from 01/04/2021 to 06/06/2021 and from 05/09/2021 to 30/11/2021, the company operated with a Board with less than 5 Directors which is not in line with the Finance Companies (Corporate Governance Direction No. 3 of 2008. This was majorly due to the difficulties in the recruitments associated with the prevailed county situation. However, currently the company is operating with a 5-member Board as perthe direction and a proper procedure is being implemented under the Board Charter for the resignation and appointment of Directors.
4 (2)	Period of service of a Director.	None of the Directors have exceeded nine years during the year 2021/2022 except for Mr.J.F.Fernandopulle. Mr.Fernandopulle has been appointed to the Board of RPFL on 12.07.2011 and completed nine years as at 31.07.2020.However,since the company has started its operations officially on 05.09.2012,at the request of the CEO the CBSL has granted a one year period to Mr.Fernandopulle till 04.09.2021.After completion of

		one year extension, Mr.Fernandopulle has resigned/returned with effect from 05.09.2021.
4 (3)	Board balance.	The extent of compliance with this requirement is disclosed under "Board Composition and Balance" in this corporate governance report.
4 (4)	Independent Non-Executive Directors and thecriteria for independence.	The extent of compliance with this requirement is disclosed on under "Board Composition and Balance" in this report.
4 (5)	Appointment of Alternate Directors to represent independent Non-Executive Directors.	The company did not operate with alternate directors.
4 (6)	Skills and experience of Non-Executive Directors.	Appointments to the Board are made with the recommendation on the suitability of prospective candidates. The Directors are eminent persons with the required knowledge, expertise, and experience to bring an independent judgment
4 (7)	More than half the quorum of Non-ExecutiveDirectors in Board meetings.	All Board meetings held during the financial year were duly constituted with one half of the number of Directors present and one half of the number of Directors constituting the quorum being non-Executive Directors.
4 (8)	Expressly identification of the Independent Non-Executive Directors in corporate communications and disclosing the details ofDirectors.	Company has disclosed the composition of the Board and the names of Directors in its official web site.
4 (9)	Procedure for the appointment of new Directorsand for the orderly succession of appointments to the Board.	The new appointments to the Board are currently carried out based on the recommendations made by the Directors as required by the Board Charter of the Company.
4 (10)	Directors appointed to fill a casual vacancy to bere-elected at the first general meeting after their appointment.	The extent of compliance with this requirement is disclosed in this report under "Appointment, Resignation and Re-election of Directors".
4 (11)	Communication of reasons for removal orresignation of Directors.	Appointment, removal, or resignations of Directors are informed to shareholders. Prior approval is obtained from the Central Bank of Sri Lanka (CBSL) on such circumstances.
5. CRITERIA TO ASSESS THE FITNESS AND THE PROPRIETY OF DIRECTORS		
5 (1)	The age of a Director shall not exceed 70 years.(Amended by F.B.A. Direction No. 5 of 2020).	All the Directors were below the age of 70 years during the year under review.
5 (2)	Directors shall not hold office as a Director of more than 20 Companies / Societies / Corporatebodies including Associate and Subsidiary Companies.	No Director holds office in over 20 companies contravening the provisions of this section.

6. DELEGATION OF FUNCTIONS		
6 (1)	Delegation of work to the Management.	The extent of compliance with this requirement is disclosed under "Delegated Authority".
6 (2)	Periodical evaluations of the delegation process.	The extent of compliance with this requirement is disclosed under "Delegated Authority".
7. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER		
7 (1)	Division of responsibilities of the Chairman andChief Executive Officer.	The roles of Chairman and Chief Executive Officer were held by two (02) individuals separately.
7 (2)	Independence of the role of company Chairman and the appointment of a Senior Director if the Chairman is not a Non-Executive, Non- Independent Director.	Since the Chairman, Mr. J.F. Fernandopulle is a Non-Independent, Non- Executive Director; the Board has taken steps to appoint Mr. H.G Wijesurendra, Independent, Non- Executive Director as the Senior Director w.e.f 07.06.2019. However, Mr. H.G Wijesurendra has resigned from the Board w.e.f 19.08.2020 and Mr. Kithsiri Bandara Wanigasekara has been appointed as the Senior Director after the relevant approval is obtained from CBSL. Further, the Terms of Reference for the role of Senior Director has also been approved by the Board on 26.11.2020.
7 (3)	Disclosure of the identity of the Chairman and the Chief Executive Officer and any relationshipwith the Board Members.	The Board has adopted a formal procedure to identify and disclose the relationships between the CEO and the Chairman and among other Directors. Accordingly, the Board has declared that there are no material relationships [including financial, business, family, or other material / relevant relationship(s)] between the Chairman and Chief Executive Officer and among the members of the Board which will impair their respective roles
7 (4)	Chairman to;provide leadership to the Board; ensure that the Board works effectively anddischarges its responsibilities; and	Self-evaluation process of Board of Directors covers stipulated matters.
	Ensure that all key and appropriate issuesare discussed by the Board in a timely manner.	
7 (5)	Responsibility of the agenda lies with the Chairman or may be delegated to the CompanySecretary.	The Chairman has delegated this function to the Company Secretaries, to prepare the agenda of Board Meetings.
7 (6)	Ensure that all Directors are properly briefed onissues and receive adequate information in a timely manner.	The Chairman ensures that all Directors are properly briefed on issues arising at Board Meetings by submission of the agenda and Board papers with sufficient time prior to the meetings.

7 (7)	Encourage all Directors to actively contribute and ensure they act in the best interests of theCompany.	The Chairman ensures that all Directors make a full and active contribution to the Board's affairs and the Board acts in the best interests of the Company.
7 (8)	Facilitate effective contribution of Non- Executive Directors and relationships between Executive and Non-Executive Directors.	The Chairman ensures that the relationship among the Directors provides an opportunity to all Directors to actively participate in the Board's affairs.
7 (9)	Refrain from direct supervision of Key Management Personnel or executive duties.	The Chairman is not directly involved in the supervision of Key Management Personnel or any other executive duties.
7 (10)	Maintain effective communication withshareholders.	Periodical meetings with institutional investors are the forum where the Board maintains effective communication with shareholders. The Board & the CEO also maintains a continuous dialogue with the institutional investors as part of the process.
7 (11)	Chief Executive Officer functions as the apex executive-in-charge of the day-to-day operationsand businesses.	The CEO is the apex executive-in-charge of the Company who is responsible for day-to-day operations of the Company with the assistance of Key Management Personnel and is accountable to the Board to recommend the Company's strategy, implementation, and ensure appropriate internal controls are in place to assess and manage risks.
8. BOARD APPOINTED COMMITTEES		
8 (1)	Establishing Board committees, their functionsand reporting.	The following Board Sub-committees have been appointed by the Board and each Committee is required to report to the Board, Audit Committee Integrated Risk Management Committee Each Committee has a secretary, and the Secretary arranges its meetings, maintains minutes and carries out other secretarial functions under the supervision ofthe Committee Chairman and minutes of the Sub-Committees are submitted to the Board. The Company has presented a report on the performance, duties, and functions of each Board Sub-Committee
8 (2)	**Audit Committee**	
	(a) The Chairman to be a Non-Executive Directorwith relevant qualifications and experience.	The present chairman of the audit committee, Mr.K.B.Wijeyaratne is an independent, Non-executive Director. Mr.Wijeyaratne has been appointed as chairman of the audit committee w.e.f. 30.03.2021.He is a fellow member of the Institute of Chartered Accountants of Sri Lanka.
	(b) All members of the Committee to be Non-Executive Directors.	All members of the Audit Committee are Non-Executive Directors.
	(C) Functions of the Committee include; The appointment of the External AuditorsThe	The company will be taking necessary measures to re-appointment of M/s. Ernst & Young, Chartered Accountants as External Auditors for Audit Services; The

	implementation of the Central Bank Guidelines. The application of the relevant accountingstandards; and	implementation of guidelines issued by the Central Bank of Sri Lanka to Auditors from time to time; The application of Accounting Standards in consultation with the Chief Financial Officer and External Auditors.
	(d) Review and monitor the External Auditors' independence, objectivity and effectiveness ofthe audit processes.	The BAC will take necessary steps to implement a policy on the external auditors' independence, objectivity and effectiveness of the audit process. `
	Develop and implement a policy on the engagement of an External Auditor to provide non-audit services while considering; skills and experience of the Auditor threat to the independence Fee for the non-audit services and independence	The extent of compliance with this requirement is disclosed under "Engagement of External Auditor to Provide Non-Audit Services and Auditors' Independence".
	Determines the nature and the scope of theExternal Audit.	The Audit Committee met with External Auditors, M/s. Ernst and Young and discussed the Audit Plan, nature, and scope before the commencement of the Audit.
	Review the financial information of the Company.	The Audit Committee periodically reviews the financial information to monitor major judgmental areas, changes in accounting policies, significant audit judgments in the financial statements, going concern
		assumption and compliance with Accounting Standards and other legal requirements. The Audit Committee reviews and recommends the Interim Financial Statements and Audited Financial Statements before submission thereof to the Board.
	(h) Meeting of External Auditors to discuss issues and problems of Interim and Final auditsin the absence of Key Management Personnel (if necessary)	The Audit Committee has met the External Auditors two times, without Key Management Personnel during the year under review.
	(i) Reviewing of the External Auditors' management letter and the response thereto.	The Audit Committee has reviewed the Management Letter issued by the External Auditors with the responses of the Management.
	(j) Review of the Internal Audit Function Review scope, function, and resources Review of Internal Audit Program Reviewed any appraisal or assessment of the performance of the head and senior staff members of the internal audit department.	The Audit Committee has reviewed the information provided in the risk-based audit plan and concluded that scope, functions, and resources of the Internal Audit Dept. are sufficient to carry out its functions. The Audit Committee will take the necessary actions to approve the annual audit plan for year 2022-2023 and evaluate the performance of the Head of Internal Audit Department within the financial year 2022 to 2023. Circumstances have not arisen during the year under review. The Committee ensured the independence of the Internal Audit Function.

	Appraise the resignation of senior staff of Internal Audit and any outsourced Serviceproviders. Independence of Internal Audit Functions	
	(k) Consideration about the internalinvestigations and management's responses.	The need for an internal investigation on major findings has not arisen during the year.
	(l) Attendees of Audit Committee meeting withCorporate Management and External Auditors.	The Committee met two times with the External Auditors without the presence of the Chief Executive Officer and Key Management Personnel. Chief Financial Officer and Head of Internal Audit normally attend the meetings. The CEO and the Key Management Personnel also attend meetings by invitation.
	(m) Explicit authority, adequate resources,access to information and obtain external professional advice wherever necessary.	The Audit Committee is empowered by Board approved terms of reference which set out the authority and responsibility of the Committee.
	(n) Regular meetings.	The Audit Committee met 7 times during the financial year under review. Please refer details of attendance of the Committee members.
	(o) Disclosures in the Annual Report.	The "Audit Committee report" includes the details of activities of the Audit Committee. Please refer detailsof attendance of the Committee members.
	(p) Maintain minutes of meetings.	The Company Secretaries act as the Secretary to the Audit Committee and maintain the minutes of the meetings.
	(q) Whistle Blower Policy.	On the recommendation of the Audit Committee, the Board has adopted a Whistle Blower Policy for employees, in confidence to report violations of laws, rules, regulations or unethical conduct to the Audit Committee
8 (3)	**Integrated Risk Management Committee**	
	(a) The composition of IRMC.	The Integrated Risk Management Committee is chairedby a Non-Executive Director and comprises of three Non-Executive Directors. The CEO and the Key Management Personnel including Risk officer and Compliance officer also attend meetings by invitation. The committee will take further steps to strengthening the process to assess all risks such as credit, market, liquidity, operational and

		strategic risks to the company on a monthly basis through appropriate risk indicators, risk appetite limits and management information.
	(b) Periodical risk assessment.	The Committee has a process to assess risks, such as Credit, Market, Operational and Liquidity through appropriate risk indicators and management information.
	(c) Review the adequacy and effectiveness of Management level Committees to manage risk.	Asset and Liability Committee and Credit Committee review the adequacy and effectiveness in addressing the specific risks and managing risks. However, the Committee is in the process of further strengthening the mechanism of reviewing the effectiveness of the Asset and Liability Committee and Credit Committee.
	(d) Corrective action to mitigate the risk.	The risk indicators introduced have been reviewed and corrective action has been taken to mitigate risks. Further, the Company is in the process of reviewing the risk limits to identify the factors which have exceeded the specified limits.
	(e) Frequency of meetings.	The Committee has met four times on a quarterly basis during the year.
	(f) Actions against the officers responsible forfailure to identify risks and take prompt corrective actions.	The risks of the company are identified by the Integrated Risk Management Committee and as such decisions are taken collectively.
	(g) Risk assessment report to the Board.	Risk assessment reports have been submitted to the Board within the specified time frame.
	(h) Establishment of a compliance function.	A Compliance Officer selected has been appointed to carry out the Compliance function. The Compliance Unit reviews the Company's compliance with laws, regulations, guidelines, and rules on a regular basis and reports non-compliances, if any, to the Board. The Audit Committee reviews adequacy of the Internal Control mechanism of the Company to maintain the independence and objectivity of the Internal Audit function.
9. RELATED PARTY TRANSACTIONS		
	Avoid conflicts of interest that arise from transactions of the Company with relatedparties.	The Board has approved a Related Party Transactions Policy where the categories of persons considered as "Related Parties" have been identified. Further, the Company is not involved in any transactions, which gives favorable treatment to such parties.
9 (3)	Related party transactions.	The Related Party Transactions Policy of the Company addresses all the transactions with related parties irrespective of their nature and value. The company ensures that the transactions with related parties are onan arm's length basis.
9 (4)	Monitoring of related party transactions definedas more favorable treatment including, Granting accommodation in excess of	The Company has established a Board approved documented procedure to monitor the Related Party Transactions to avoid more favorable treatment to such parties.

	prudent percentage of regulatory capital. Charging lower rate than the best rate on accommodation and paying upper rate compared to unrelated counterparty. Allowing preferential treatment compared to unrelated parties in the normal course of business. Providing or obtaining services without proper evaluation. Maintaining reporting lines and information flows that may give benefits to related parties other than performance of legitimateduties.	However, the existing procedure for monitoring the related party transactions will be further strengthened for better governance.
10. DISCLOSURES		
10 (1)	Publish Interim and annual financial statements based on applicable accounting standards and published in Sinhala, Tamil, and English newspapers.	The audited financial statements and periodical financial statements were prepared in accordance with the formats prescribed by regulatory and supervisory authorities and applicable accounting standards and have been published in an abridged form in Sinhala, Tamil, and English newspapers.
10 (2)	The Board shall ensure that at least the following disclosures are made in the AnnualReport; Statement to the effect that the Annual Audited Financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures. A report by the Board on the Finance Company's internal control mechanism. The External Auditor's certification on theeffectiveness of the internal control mechanism. Details of Directors and the transactionswith the Finance Company. Fees / remuneration paid by the FinanceCompany to the Directors in aggregate.	Compliance with applicable Accounting Standards and regulatory requirements has been reported under "Statement of Directors' Responsibility for Financial Reporting" Directors' Statement on the Internal Control System over Financial Reporting is given in this report. The Company has obtained an assurance report from the External Auditors on the effectiveness of the Internal Control Mechanism. This is disclosed under Note No. 38.1.2 and the aggregate value of deposits held by Directors is Rs.0/-. Fees and remuneration paid is disclosed under note No. 38.1.1 to the Financial Statements. The details of the net accommodation of each related party and as a percentage of the Company's capital funds are as follows.

<table>
<tr><td></td><td>Total net accommodation and the net accommodation outstanding to the related parties as a percentage of the capital funds.</td><td>
<table>
<tr><th>Name of the Related Party</th><th>Outstanding as at 31/03/2022</th><th>Percentage of Capital Funds</th></tr>
<tr><td>Richard Pieris Distributors (Pvt) Ltd.</td><td>744,398/-</td><td>0.0003%</td></tr>
<tr><td>KMPs</td><td>-</td><td>-</td></tr>
</table>
</td></tr>
<tr><td></td><td>The aggregate values of remuneration paidand the value of transactions with the Key Management Personnel.</td><td>This is disclosed under Note No. 38.1.1 to the financial statements. The aggregate value of transactions of the Company with KMPs, Deposits – Rs. 0/- and value of remuneration paid to KMPs is Rs. 45,198,812/-</td></tr>
<tr><td></td><td>A report confirming compliance with prudential requirements, regulations, lawsand internal controls.</td><td>The Company's conformity with the Corporate Governance Direction is mentioned in the Annual Report for the financial year 2021/22</td></tr>
<tr><td></td><td>Non-Compliance reporting.</td><td>There are no significant lapses which require to be disclosed to the public.</td></tr>
<tr><td></td><td>The External Auditors' certification of compliance with the corporate governancedirection.</td><td>The Company has obtained the report on Corporate Governance Factual Findings from the external auditor</td></tr>
</table>

Risk Management Report

OVERVIEW

Rick Management is a core function of day-to-day operations of Richard Pieris Finance Limited, whereby the company is well positioned to identify and analyze the risks emanating owing to the internal as well as external factors. Each internal function within the company ensures that the potential risks within the processes are mitigated with effective control mechanism in place. The risk management function at Richard Pieris Finance is expected to ensure the sustainability of company operations ensuring the earnings quality and profitability, creating value for the company stakeholders. The risk management framework at Richard Pieris Finance forms the foundation for the sustainable business model adopted by the company.

Rick Management carries more emphasis than ever amidst the current economic conditions. The second and third waves of the Covid pandemic along with the implications of increasing inflation and weakening trade balances, have led the economy to gradually turn towards a crisis by the second half of the financial year 2021/22. The low and middle-income groups were among those whose income sources were adversely affected due to the pandemic as well as due to the prevailing economic crisis. The NBFI sector being directly exposed to the said customer groups experienced immense pressure in recoveries as well as in lending. CBSL implemented several moratorium schemes to support the affected, however, the pandemic as well as the economic crisis adversely affected the low to middle income groups exerting pressure on the NBFI Sector. However, the timely strategies and prudent risk management strategies enabled the sector to register an overall growth in the credit base and profitability.

To cope with the rapidly changing business dynamics, the company is continuously assessing its internal and external business environment to identify opportunities which can be capitalized on to generate value to all stakeholders. The level of risk throughout the company's business model and the different strategies that can be adopted to mitigate such risks while remaining competitive are key areas of focus for the Board. The company is well positioned to identify and adopt new strategies, while being cautious for any new threats that may arise. The overall effectiveness of the risk management framework is periodically reviewed and assessed by the Integrated Risk Management Committee (IRMC) and via the Board Audit Committee (BAC). The committees comprises of non-executive directors along with senior level officers in charge of key business functions. Exercising their power with the framework stipulated by the board approved risk management policy of the company these committees review specific risk areas via regular reports on internal controls, risk management along with analyses relating to performance of key functional areas.

The risk culture of RPF as proposed in the three-year corporate plan from 2021 to 2024 encompasses the implementation of a sound risk management policy framework and an effective internal control framework. The proposed RPF's risk management culture creates an atmosphere where all employees are aware of the risks and making informed decisions to mitigate such risks. The current risk governance structure of RPF which will be further strengthened as proposed via the corporate plan is reflected in the following diagram.

Risk Management – Roles and Responsibilities

1. First Line of Defence

- **Day-To-Day Management of Risks**
  - CEO and Corporate Management
  - Head Office Departments
  - Branch Level Operations

2. Second Line of Defence

- **Oversight Function**
  - ALCO
  - Complinace Officer
  - Risk Officer

3. Third Line of Defence

- **Independant Assurance**
  - Integrated Risk Management Committee (IRMC)
  - Board Audit Committee (BAC)
  - Internal Audit
  - External Audit

The risk management function is under the direct purview of the Board of Directors. RPF has adopted a participating approach in managing the risks where risks from all functional levels are identified, analyzed, and communicated up the hierarchy when required. Accordingly, the CEO along with the corporate management and heads of different functional forms the first line of defense identifying and managing the different risks the company is facing in conducting its day-to-day operations. The major risks which require further analysis to identify mitigating strategies are communicated to the second line of defense which comprises of the Asset and Liability Management Committee (ALCO), Compliance Officer and Risk Officer. The effectiveness of this risk management process is independently evaluated by the Integrated Risk Management Committee (IRMC), Board Audit Committee, Internal Audit and External Audit functions and recommendations are suggested for implementation. Following are the major risk categories which affected Richard Pieris Finance during the year under review.

CREDIT RISK

Credit risk is one of the key risk categories facing Richard Pieris Finance and effective management of credit risk improves portfolio quality and enables the identification of problem loans for which remedial actions can be initiated. Continuing from the previous financial year, the credit risk during the year remained elevated majorly because of the pandemic as well as due to the worsened economic conditions. Under the guidance of the board of directors, IRMC and credit committees, the management implemented prudential strategies to mitigate the effects on company performance. The credit evaluation was strengthened and the implemented guidelines on credit evaluation including exposure levels were strictly monitored by the credit team prior to granting approval. The online credit evaluation process made the credit evaluation and approval process lean and transparent, mitigating the room for error.

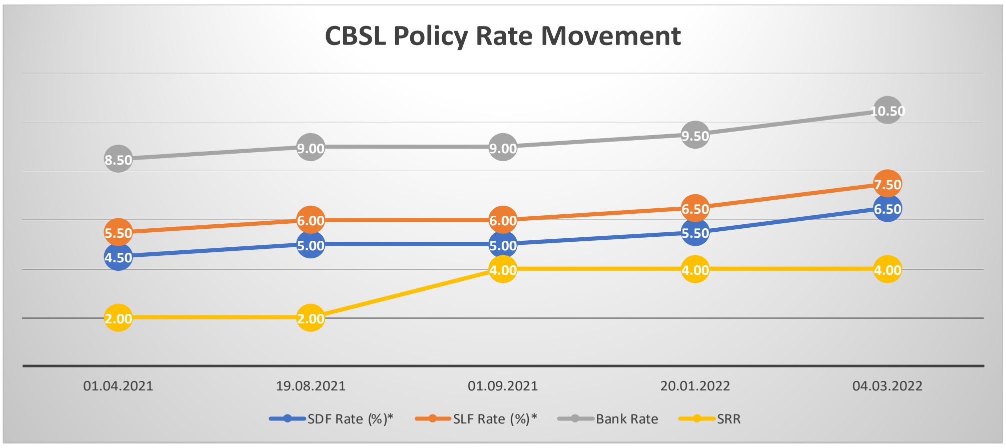
Credit Evaluation and Disbursement Process

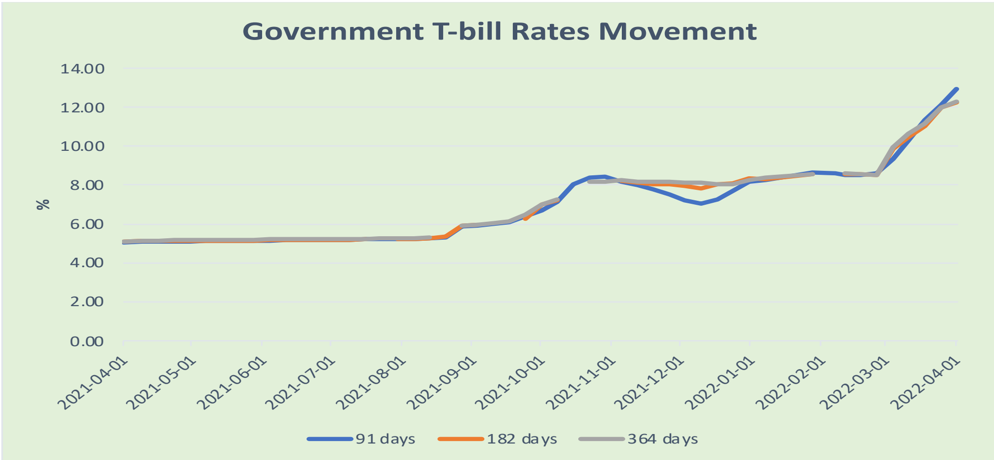
With the objective of making the credit evaluation and disbursement process lean and efficient; during the year under review RPF finalized the project to systemize the credit evaluation and disbursement process. Accordingly, the credit facilities are now evaluated and approved by the relevant authorities via the system and usage of documentation has been minimized. As an initial step this process was planned to be fully implemented to process lease facilities which comprises approximately 50% of the company's portfolio.

MARKET RISK

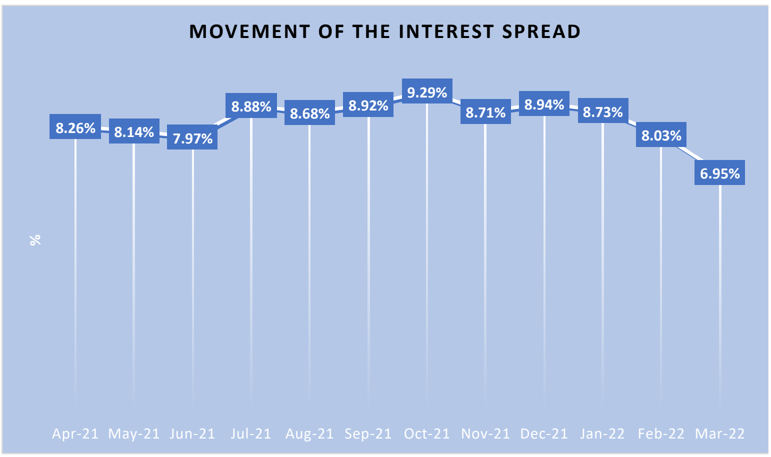
Market risk refers to the risk to an institution resulting from movements in market prices changes in interest rates, foreign exchange rates, equity, and commodity prices. The Company is exposed to Market risk that may arise as a result of values of assets and liabilities or revenues being adversely affected by changes in market conditions. This includes interest rates, equity prices and commodity prices (vehicle / collateral prices).

The financial year 2021/22 started with the hit of the dampened economic activities owing to the covid pandemic. Aiming at boosting the pandemic hit economy, CBSL adopted a relaxed monetary policy during the financial year 2020/21 however, the expected results did not materialize due to multiple economic factors. Due to multiple waves of the pandemic, all the industries were adversely affected, and investment opportunities were minimum. Due to dampened opportunities for investments coupled with the supply side issues due to the pandemic as well as due to import restrictions resulted in an increase in the inflation levels. Accordingly, the CCPI based headline inflation which remained at 4% by the beginning of the financial year escaladed to reach 19% level by the end of the financial year. In response CBSL gradually tightened its monetary policy stance during 2021/22 whereby the standing deposit facility rate (SDF) and standing lending facility rate (SLF) which remained at 4.5% and 5.5% level by the beginning of the FY was increased to 6.5% and 7.5% respectively. The effects of the tightened monetary policy were felt across the economy where the AWPLR and other market rates adjusted upward. The 364-day government T-bill rates increased from 5% level in April 2021 to 12% level by March 2022.





The above interest rate volatility affected RPF and the NBFI industry in multiple fronts. On the one hand Increasing government T-bill rates resulted in an upward movement in the FD rates, while the variable rate borrowing facilities resulted for the cost of funds to gradually increase. On the other hand, the business volumes were also affected due to multiple factors including limited investment and business opportunities, restrictions on vehicle imports and higher price tags of secondhand vehicles and tense competition from the other financial institutions.



As a result, the overall yield on the lending indicated a gradual decrease towards the second half of the FY, while the weighted average cost of funds indicated a notable increase adversely affecting the interest rate spread and the net interest margin of the company. In managing this interest rate risk, RPFL adopted multiple strategies.

The product portfolio was diversified to include the pawning product, which carry higher yields compared to the conventional lease products. The operations were initially commenced from the Chilaw branch, and it is the expectation of the company to expand this operation across the branch network within the next financial year. The company further diversified its operations towards the micro leasing segment with the key objective of increasing the overall portfolio yield. Accordingly, a new head of micro leasing was appointed to improve the micro leasing segment. The contribution both these products will enable the company to increase the overall portfolio yield. The active negotiations with the borrowers enabled the company to maintain the borrowing costs at acceptable levels while FD rates were maintained in par with the competitors aiming at managing the cost of funds at acceptable levels. Furthermore, the FD department is strategizing on gradually improving the retail FD base which carries a less risk compared to the institutional FD's. Accordingly, a series of promotional activities were carried out throughout the year targeting retail FD's and the implementation of the CEFTS facility is expected to drive the FD as well Savings growth within the next financial year.

LIQUIDITY AND RISK

Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at a reasonable cost. The different financial obligations include liabilities to depositors, loan repayments and settlement of other short term liabilities. The objective of Liquidity Risk Management is to ensure that sufficient funding is available at all times irrespective of cyclical fluctuations in the market. The Company analyzes periodical liquidity requirements with the assistance of ALCO in order to ensure a satisfactory liquidity status at all times. An effective Liquidity Risk Management is crucial to maintain the confidence of depositors and counterparties, manage the funding cost and to enable the core businesses to continue.

During the year under review, RPF took a more proactive approach in managing the liquidity levels, considering the adverse economic environment that prevailed along with the pandemic and worsened macroeconomics. During the year under review, RPFL successfully completed a transaction with a fund manager to obtain a subordinated loan of Rs. 1 Bn which strengthened the Tier-2 capital base of the company. The loan was an unsecured loan for a tenure of 5 years which strengthened the liquidity as well as capital position of the company with Tier-2 CAR of the company exceeding 16% level immediately after the infusion. Furthermore, the treasury department engaged in active negotiations with the banks and Group companies for obtaining funds on contingency basis.

The FD department with the support of the treasury department actively engaged in canvassing FD's and the long-term strategy was to gradually improve the retail FD base to make a majority composition of the total FD portfolio. Further, the ALCO and the IRMC has identified the risks relating to the short-term maturity gaps prevailing in the FD portfolio and has advised the FD department to devise necessary strategies to canvas more long-term FD's than FD's for tenures less than 1 year. Moreover, the institutional FD base of the company carries a high risk since they have deposited large amounts which impose threats on liquidity of the company when they get withdrawn. Accordingly, the FD staff has been in close communication with such deposit holders to ensure there are no sudden withdrawals and they worked closely with treasury and finance departments to facilitate withdrawals if required. However, the long-term strategy is to gradually let go of the institutional FD base, replacing them with retail FD's which carries a lesser risk. Improving the Savings base has also been a focus of the department and the implementation of the CEFTS facility is expected to positively contribute towards improving the Savings base.

OPERATIONAL RISK

Operational risks refer to the risks emanating from human errors or due to lack of controls and inefficiencies in the internal processes and systems or external events. At Richard Pieris Finance, the company seeks to mitigate operational risks via implementation of a robust internal control system. Operational risk exposures are managed through a consistent set of management processes that drive risk identification, assessment, control and monitoring. The Board appointed Audit committee and Integrated Risk Management committees oversee the management of operational risks including those arising from information technology and legal issues across the organization. All the internal processes are periodically updated and communicated to relevant staff members for adherence.

During the year under review, the company initiated revisiting the prevailing lapses in the internal processes, procedures to improve its operating culture by reinforcing the controls where required. All the existing processes were being revisited with the active engagement of the credit & operations, risk, compliance, and internal audit departments for implementing a compliance culture along with effective risk management practices. Several revised processes have already been implemented and steps are being taken to eliminate issues identified in the operations and administration departments. Moreover, the IT department is strategizing on establishing a hybrid server room system which prevailed as a major operational risk. With the establishment of the proposed server room, RPF will be able to eliminate the major risks and inefficiencies prevailed in the IT infrastructure, enabling the company to expedite its digital journey. Further, with the key objective of ensuring the safety and security of the branch network, the company initiated a project to fix CCTV and security alarm systems in branch locations to minimize the risk of theft and burglary which is a key area of concern with the implementation of pawning operations. The CEFTS and Just-Pay facilities have been successfully implemented and currently a segment of customers is using the CEFTS facility to make their lease/loan payments. A series of branch promotions and social media promotions will be planned during the next financial year for extensively promoting the above digital payment platforms. Further the company is envisioning the automation of different processes as outlined in the corporate plan for 2021/2024 with the objective of eliminating the room for errors. Effective management of operational risks ensures that a seamless service is provided to the customers enabling the company to achieve a competitive edge in the industry.

Audit Committee Report

The Audit Committee, through the internal audit process, had reviewed the effectiveness of internal controls and procedures and is of the view that adequate controls and procedures are in place to provide reasonable assurance to the Board that the assets of the Company are safeguarded, and the financial statements present a true and fair view.

REGULATORY COMPLIANCE

The Audit Committee closely scrutinizes the compliance of mandatory statutory requirements and systems and procedures in place to ensure that the relevant statutory and regulatory concerns are met by the management in conducting the day-to-day operations of the company. The Audit Committee via reviewing the audit reports submitted by the Internal Audit department further ensures that effective internal controls are in place to safeguard the interests of the shareholders and other stake holders.

The objective of the Audit Committee is to assist the Board in its oversight of general-purpose financial reporting, the process of auditing such financial statements and to monitor the internal control system of the Company to facilitate compliance with relevant standards on auditing by the independent auditors.

COMPOSITION OF THE COMMITTEE

The Committee comprises of two independent non-executive directors of the Board. The following directors served as members of the Committee during the year.

- Mr.K.B.Wijeyaratne (Chairman - Independent Non-Executive Director
- Mr.R.S.Wijeweera - Senior Independent Non-Executive Director
- Mr.Kelum Senanayake - Non-Independent Non-Executive Director

The Chairman of the Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

MEETINGS

The Committee met four times during the year. Attendance at the meetings is given in the Corporate Governance Report included in Page No: 21 of this report. The Secretaries of the Company functioned as the Secretaries to the Committee. Senior Management and the Internal Auditor of the company attended the meetings by invitation.

FINANCIAL STATEMENTS AND INDEPENDENT AUDIT

The committee made recommendations on matters in connection with the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes and their audit fees.

It reviewed and monitored the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.

Before the audit commenced, the committee discussed and finalized with the external auditors the nature and scope of the audit.

The financial information of the Company was reviewed by the Committee, with a view to monitor the integrity of the financial statements of the Company. In reviewing the Company's interim financial statements, the committee focused particularly on major judgmental areas, any changes in accounting policies and practices, the going concern assumption, and compliance with relevant accounting standards and other legal requirements.

The Committee had meetings with the external auditors to discuss issues, problems and reservations arising from the interim and final audits, and any other matters the auditors wished to discuss. The Committee met external auditors without the presence of the management to discuss any matters that were needed to be discussed in the absence of key management personnel.

The external auditor's management letter received during the year and the management's response there to were reviewed by the Committee.

INTERNAL AUDIT FUNCTION

The Committee reviewed the adequacy of the scope, functions, and resources of the internal audit department, and satisfied itself that the department has the necessary authority to carry out its work. The internal audit plan and results of the internal audit process were reviewed by the Committee. Where necessary, the Committee advised the management to take appropriate actions on the recommendations of the internal audit department. The Committee conducted a review of the performance of the internal audit function.

(Signed)
K.B. Wijeyeratne.
Chairman, Audit Committee
31/5/2022

Integrated Risk Management Committee Report

The Integrated Risk Management Committee (IRMC) is a Board Sub-Committee established in conformity with Section 8 of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 (as amended) issued by the Monetary Board of the Central Bank of Sri Lanka with the Board approved Terms of Reference. The IRMC is entrusted with the responsibility to assist the Board to oversee the Risk Management framework of the Company, set the risk appetite and to determine the appropriate tolerable limits, monitor the limits continuously for effective risk management and to overlook the compliance function.

COMPOSITION OF THE COMMITTEE

The Committee comprised of the following members,

- K.B.Wanigasekara - Non-Independent Non-Executive Director (Appointed as the Chairman of RPFL w.e.f. 08.10.2021)
- R.S. Wijeweera - Senior Independent Non-Executive Director (Resigned from the Board w.e.f 05.06.2020 & re-appointed to the Board w.e.f 07.06.2021 and appointed Chairman of the committee w.e.f. 05.10.2021)
- K.B. Wijeyaratne - Independent Non-Executive Director
- A.P.U. Keppetipola - Independent Non-Executive Director

COMMITTEE MEETINGS

The Committee meets on an approximately quarterly basis and the attendance of the Directors at the meetings is given on Page No: 21 of this report. The Committee assesses all key risks of the Company and discussions and conclusions reached at meetings are recorded in the minutes of the meetings and a Risk Assessment Report is circulated within a week to the Board of Directors for information and appropriate action.

DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The main responsibility of the Committee is to assess risks faced by the Company such as Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Strategic Risk. In fulfilling its duties, the Committee covers the following areas,

- Review the quality of the Credit Portfolio including delinquency monitoring and Credit Concentration Management.
- Review the Funding Concentration Risks and the available Contingency Funding Plans.
- Review financial performance and the Capital Adequacy of the Company.
- Review the Asset and Liability Management Policy including the specific risk limits and monitoring the compliance.

- Review progress on Operational Risk throughout the Company.
- Review of Business Continuity and Disaster Recovery Plan related issues.
- Assess adequacy and effectiveness of Management Committees, namely Credit Committee and Asset and Liability Committee (ALCO).
- Review the Company's Compliance with laws and regulations.
- Propose appropriate measures for corrective action as part of the risk mitigation process.

THE COMMITTEE ATTENDED TO THE FOLLOWING DURING THE YEAR UNDER REVIEW.

- Review and monitor the company's risk management strategies and risk reports on a continuous basis.
- Review and monitor reports in relation to the compliance function.
- Review the company's risk profile in relation to material changes in the environment and provide guidance and make recommendations.
- Assess the impact of the Pandemic on the operations of the company with particular attention to credit, market, liquidity, operations and information technology and provide guidance to mitigate the impact on the company.

On behalf of the Integrated Risk Management Committee,

(Signed)
R.S. Wijeweera
Chairman, Integrated Risk Management Committee
31/5/2022

Report of the Board of Directors

GENERAL

The Board of Directors of Richard Pieris Finance Ltd, has pleasure in presenting the Annual Report together with the Audited Financial Statements for the year ended 31 March 2022 and the Independent Auditor's Report on those Financial Statements in compliance with the requirements of the Companies Act No. 7 of 2007, the Finance Business Act No. 42 of 2011 and the directions issued there under. The Company was incorporated as a Public Company on 27th June 2011 in terms of the Companies Act No. 07 of 2007. The Company registration No. is PB 4751.The Registered Office is at 310, High Level Road, Nawinna, Maharagama.

PRINCIPAL ACTIVITIES

The principal business activity of the Company is the conduct of finance business as defined in the Finance Business Act No. 42 of 2011 and includes the acceptance of Deposits, Finance Leasing, Hire Purchase, Mortgage Loans, Term Loans, Pawning and Islamic Finance.

REVIEW OF PERFORMANCE FOR 2021/22

The Chairman's Message, Chief Executive Officer's Review along with the Management Discussion and Analysis highlight the financial performance, financial position and the state of affairs of the Company during the year under review.

FINANCIAL STATEMENTS

The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs) comprising accounting standards prefixed SLFRS and LKAS, Statements of Recommended Practice (SoRPs), Statements of Alternative Treatments (SoATs), Interpretations adopted by the Council of the Institute of Chartered Accountants of Sri Lanka, and Financial reporting Guidelines issued by the Institute of Chartered Accountants of Sri Lanka and are in compliance with the requirements of the Companies Act.. The Financial Statements are duly certified by the Chief Financial Officer, recommended by the management, reviewed by the Audit Committee, approved by the Board of Directors and signed on behalf of the Board by two directors of the Company in accordance with the Companies Act No. 7 of 2007.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Statement of the Directors' Responsibilities for Financial Statements is given in this report.

INDEPENDENT AUDITOR'S REPORT

The Auditors of the company are M/s Ernst & Young, Chartered Accountants. M/s Ernst & Young carried out the audit of the Financial Statements for the year ended 31 March 2022 and their report as required by Section 168 (1)(c) of the Companies Act is provided together with the Audited Financial Statements.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The significant accounting policies adopted in the preparation of the Financial Statements are disclosed in the Audited Financial Statements.

GOING CONCERN

The Board of Directors has reasonable expectation that the Company has adequate resources to continue the business activities in the foreseeable future. Therefore, the Company has adopted a "Going Concern" basis in preparing its Financial Statements.

ACCOUNTING PERIOD

The financial reporting period reflects the information from 01 April 2021 to 31 March 2022.

FINANCIAL PERFORMANCE

The Company's Profit before Taxation amounted to Rs. 349,278,609. After charging the tax of 115,737,409 the Profit after Tax for the year amounted to Rs. 233,541,199(Rs.154,268,664 loss reported in 2020/2021).

A summary of the financial results of the Company for the year ended 31 March 2022 and 31 March 2021 are given below;

Description	2021/22 (Rs)	2020/21 (Rs)
Profit before Taxation from Operations	349,278,609	(246,911,857)
Provision for Income Tax	(115,737,409)	92,643,192
Profit for the Year	233,541,199	(154,268,665)
Transfer to Statutory Reserve Fund	11,677,060	-
Retained Profit Brought Forward from the Previous Year	564,628,582	719,957,802
Retained Earnings Carried Forward	786,491,724	564,628,582

TOTAL OPERATING INCOME

The Total Operating Income of the Company for 2021/22 was Rs. 1,245,966,359 compared to Rs. 481,032,693 in 2020/21. An analysis of the Income is given on page 23 of the Financial Statements.

EQUITY AND RESERVES

The company issued 14,000,000 shares to Richard Pieris Company PLC for Rs.280,000,000 during the year to Comply with the CBSL's Capital Requirements.

The stated capital and reserves were Rs.2,745,931,364 as at 31 March 2022 (Rs.2,251,631,775 as at 31March 2021).

The Equity and Reserves of the Company as at the end of each of the following years were follows.

Description	2021/22 (Rs)	2020/21 (Rs)
Stated Capital	1,890,830,690	1,610,830,690
Statutory Reserve	88,438,410	76,761,350
Fair Value through OCI Reserve	(19,829,460)	(588,646)
Retained Earnings	786,491,724	564,628,582
Total Shareholders' Funds	2,745,931,364	2,251,631,775

PROPERTY, PLANT AND EQUIPMENT

Capital Expenditure incurred on Property, Plant and Equipment amounted to Rs. 10,566,744/- in 2021/22 (Rs.6,789,676/- in 2020/21). Details applicable to Capital Expenditure are given in Note 22 to the Financial Statements.

DIVIDEND

The Board of Directors of the company has not recommended a dividend in view of losses incurred during the year.

BOARD OF DIRECTORS

The Board of Directors as at 31 March 2022 consisted of five Directors including the Chairman. The list of Directors who held office as at the end of the financial year is as follows.

- Mr.K.B.Wanigasekara - (Chairman) Non-Independent Non-Executive Director (Appointed w.e.f. 28.8.2020)
- Mr.R.S.Wijeweera- (Senior Director) Independent Non-Executive Director Appointed w.e.f. 7.6.2021)
- Mr.K.B. Wijeyaratne - Independent Non-Executive Director (Appointed w.e.f. 16.2.2021)
- Mr.A.P.U. Keppetipola - Independent Non-Executive Director (Appointed w.e.f. 16.2.2021)
- Mr.N.T.K.M.Senanayake–Non-Independent Non-Executive Director (Appointed w.e.f. 30.11.2021)

RETIREMENT/RESIGNATION OF DIRECTORS

- Mr. J.F. Fernandopulle, the Chairman of the Board of Directors retired on 5th September 2021 upon the completion of a term of nine years together with CBSL extended additional one year in keeping with the provisions contained in section 4(2) of the Finance Companies (Corporate Governance) Direction No.3 of 2008.

RE-ELECTION OF DIRECTORS

- In conformity with Article 29(2) of the Articles of Association of the Company and in terms of Section 4 (10) of the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Mr. Kithsiri Bandara Wijeyeratne and Mr. Asoka Parakrama Unamboowe Keppetipola and Mr. Robert Shanthapriya Wijeweera will retire and being eligible offer themselves for re-election with the unanimous support of the other Directors.
- Mr. Kelum Senanayake also retires in terms of Article 29(2) of the Articles of Association and Section 4(10) of the Finance Companies (corporate Governance) Direction No.3 0f 2008 and being eligible offers himself for re-election with the unanimous support of the other Directors.

MEETINGS OF THE BOARD OF DIRECTORS AND BOARD SUB COMMITTEES

Details of Directors' meetings and Board Sub Committee meetings are given in the Corporate Governance Report.

BOARD SUB COMMITTEES

There are two permanent committees of the Board, namely, Audit Committee & Integrated Risk Management Committee. The details of the members are as follows;

Audit Committee

All members of the Audit Committee are Non-Executive Directors and Two of them are Independent Directors. The Chief Executive Officer, Senior Management, Internal and External Auditors attend the meeting by invitation as and when required.

- Mr. K. B. Wijeyaratne (Chairman) -Independent Non-Executive Director
- Mr. R.S. Wijeweera -Independent Non-Executive Director
- Mr.N.T.K.M.Senanayake -Non-Independent Non-Executive Director

Integrated Risk management Committee

- Mr.R.S. Wijeweera (Chairman) -Independent Non-Executive Director
- Mr. K.B. Wijeyaratne -Independent Non-Executive Director
- Mr. A.P.U.Kappetipola -Independent Non-Executive Director

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES

Name of Director	No. of Shares Held As At 31.3.2022	No of Shares Held As At 31.3.2021
Mr. K.B. Wanigasekara	None	None
Mr. R.S. Wijeweera	None	None
Mr. K.B.Wijeyeratne	None	None
Mr. A.P.U. Keppetipola	None	None
Mr.N.T.K.M.Senanayake	None	None

DIRECTORS' INTERESTS IN CONTRACTS AND RELATED PARTY TRANSACTIONS

The Directors' interests in contracts, if any, that could be classified as related party transactions in terms of the Sri Lanka Accounting Standard LKAS 24, are disclosed in Note 39 to the Audited Financial Statements.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all material statutory payments due to the Government, other Regulatory Institutions and related to the employees have been made. The Board of Directors has assessed the status pertaining to statutory payments at the Board meetings for which regular Board Papers have been submitted by the Key Management Personnel.

APPOINTMENT OF AUDITORS

The Company's Auditors during the year under review were M/s. Ernst & Young, Chartered Accountants. The retiring auditors M/s. Ernst & Young have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be signed by the shareholders. The Audit Committee has recommended the re-appointment of the Auditors.

INTERNAL CONTROL ON FINANCIAL REPORTING

The financial reporting system of the Company has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.

The Board has not issued a Statement on the Internal Controls for Financial Reporting and an Assurance Report from External Auditors in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

CORPORATE GOVERNANCE

The Board of Directors places heavy emphasis in maintaining an effective Corporate Governance frame work within the Company. The report on Corporate Governance covers the extent of compliance in Corporate Governance.

OUTSTANDING LITIGATION

The Directors are of the opinion that pending litigation against the Company will not have any material impact on the financial position of the Company.

EVENTS OCCURRING AFTER THE REPORTING PERIOD

No circumstances have arisen after the reporting periods which require adjustments to or disclosures in the Financial Statements.

RESOLUTIONS IN LIEU OF THE ANNUAL GENERAL MEETING

In terms of Article 27(3) of the Articles of Association the company does not require to hold an Annual General Meeting, if resolutions to this effect are signed by shareholders with not less than 85% of voting rights.

For and on behalf of the Board of Directors,

(Signed)
Richard Pieris Group Services (Pvt) Ltd,
Corporate Secretaries,
310, High Level Road,
Navinna,
Maharagama.
31/5/2022

Directors' Responsibility for Financial Reporting

Section 150 of the Companies Act No. 7 of 2007 require the board of directors of the Company to ensure that within six months or within such extended period as may be determined by the Registrar General of Companies after the balance sheet date of the company, financial statements that comply with the requirements of section 151 are,

(a) Completed in relation to the Company and;
(b) Certified by the person responsible for the preparation of the financial statements that it is in compliance with the requirements of that Act; and
(c) Dated and signed on behalf of the board by two directors of the Company.

Section 151 of the Companies Act state that the financial statements of a company shall give a true and fair view of-

(a) The state of affairs of the Company as at the balance sheet date; and
(b) The profit or loss or income and expenditure, as the case may be, of the Company for the accounting period ending on that balance sheet date.

It also states that the financial statements of the Company shall comply with-

(a) Any regulations made under the Companies Act which specifies the form and content of financial statements; and
(b) Any requirements which apply to the Company's financial statements under any other law.

Section 6 of the Accounting and Auditing Standards Act No. 15 of 1995 require the company to prepare its accounts in compliance with Sri Lanka Accounting and Auditing Standards and take all necessary measures to ensure that its accounts are audited in accordance with Sri Lanka Auditing Standards with the object of presenting a true and fair view of the financial performance and financial condition of the Company.

Section 148 of the Companies Act require the Company to keep accounting records which correctly record and explain the Company's transactions, and will –

(a) At any time enable the financial positions of the Company to be determined with reasonable accuracy.
(b) Enable the directors to prepare financial statements in accordance with this Act; and
(c) Enable the financial statements of the Company to be readily and properly audited.

THE RELEVANT SECTION ALSO STATE THAT THE ACCOUNTING RECORDS SHALL CONTAIN

(a) Entries of money received and expended each day by the Company and the matters in respect of which such money was spent;
(b) A record of the assets and liabilities of the Company;
(c) If the Company's business involves dealing in goods -
    (i) A record of goods bought and sold, except goods sold for cash in the ordinary course of carrying on a retail business that identifies both the goods and buyers and sellers and the relevant invoices;
    (ii) A record of stock held at the end of the financial year together with records of any stock takings during the year

(d) If the Company's business involves providing services, a record of services provided and relevant invoices.

Section 189 of the Companies Act state that a person exercising powers or performing duties as a director of a Company –

(a) Shall not act in a manner which is reckless or grossly negligent; and
(b) Shall exercise the degree of skill and care that may reasonably be expected of a person of his knowledge and experience.

Section 190 (1) of the Companies Act states that subject to the provisions of subsection (2), a director of a company may rely on reports, statements, and financial data and other information prepared or supplied, and on professional or expert advice given by any of the following persons

(a) An employee of the Company;
(b) A professional adviser or expert in relation to matters which the director believes to be within the person's professional or expert competence;
(c) Any other director or committee of directors in which the director did not serve, in relation to matters within the directors or committee's designated authority.

Section 190 (2) states that provisions of subsection (1) shall apply to a director, if, and only if, the director –

(a) Acts in good faith
(b) Makes proper inquiry where the need for inquiry is indicated by the circumstances; and
(c) Has no knowledge that such reliance is unwarranted.

The Board of Directors of the Company is of the view that the Board has discharged its responsibilities accordingly.

By order of the Board,

(Signed)
Richard Pieris Corporate Services (Private) Ltd,
Corporate Secretaries,
310, High Level Road,
Navinna,
Maharagama.
31/5/2022

SECTION 2 - INDEPENDENT AUDITORS REPORT & FINANCIAL REPORTS

RICHARD PIERIS FINANCE LIMITED

FINANCIAL STATEMENTS

31 MARCH 2022

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Ernst & Young
Chartered Accountants
201, De Saram Place
P.O. Box 101
Colombo 10, Sri Lanka

Tel: +94 11 246 3500
Fax (Gen): +94 11 269 7369
Fax (Tax): +94 11 557 8180
Email: eysl@lk.ey.com
ey.com

GSM/UM/DM

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF RICHARD PIERIS FINANCE LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Richard Pieris Finance Limited, which comprise the statement of financial position as at 31 March 2022, and the statement of 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 significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2022 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 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.

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.

(Contd...2/)

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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 a 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.

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 appears from our examination, proper accounting records have been kept by the Company.

31 May 2022
Colombo

Richard Pieris Finance Limited

INCOME STATEMENT

Year ended 31 March 2022

	Notes	Company 2022 Rs.	Company 2021 Rs.
Interest Income		2,241,283,668	1,926,633,229
Interest Expenses		(1,199,272,930)	(1,636,906,278)
Net Interest Income	5	1,042,010,738	289,726,951
Fee and Commission Income	6	162,873,274	137,233,690
Net Fee and Commission Income		1,204,884,012	426,960,641
Other Operating Income	7	41,082,347	54,072,052
Total Operating Income		1,245,966,359	481,032,693
Impairment charges for loans and receivables and other losses	8	(231,942,544)	(158,019,675)
Net Operating Income		1,014,023,815	323,013,018
Operating Expenses			
Personnel Expenses	9	(276,853,279)	(261,466,222)
Depreciation and Amortization	10	(72,093,818)	(71,443,303)
Other Operating Expenses	11	(221,370,550)	(233,084,784)
Total Operating Expenses		(570,317,646)	(565,994,310)
Operating Profit / (Loss) before Value Added Tax on Financial Services		443,706,168	(242,981,293)
Tax on Financial Services		(94,427,560)	(3,930,565)
Profit/(Loss) before Taxation from Operations		349,278,609	(246,911,856)
Income Tax Expense	12	(115,737,409)	92,643,192
Profit/(Loss) for the Year		233,541,199	(154,268,664)
Basic Earnings Per Share (Rs)	13	1.63	(1.21)

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

ERNST & YOUNG
Chartered Accountants
COLOMBO

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Richard Pieris Finance Limited

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 March 2022

	Notes	Company 2022 Rs.	Company 2021 Rs.
Profit/(Loss) for the Year		233,541,199	(154,268,664)
Other Comprehensive Income			
Other Comprehensive income not to be reclassified to Income Statement			
Actuarial Gains/(Losses) on defined benefit plans		560,787	(1,395,467)
Surplus Value of Investment Property		-	-
Gains/(Losses) on re-measuring of Financial investments - at Fair Value through OCI		(19,667,808)	(226,255)
Deferred tax effect on other comprehensive income		(134,589)	334,912
Total Comprehensive Income for the Year, Net of Tax		214,299,589	(155,555,474)

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

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Richard Pieris Finance Limited

STATEMENT OF FINANCIAL POSITION

Year ended 31 March 2022

	Notes	Company 2022 Rs.	Company 2021 Rs.
Assets			
Cash and Bank Balances	14	1,259,554,823	1,194,868,424
Investments in Fixed Deposits/Repo	15	577,092,316	169,008,545
Loans and Receivables at Amortized Cost	16	7,615,397,153	6,408,773,444
Lease Receivable at Amortized Cost	17	5,764,768,476	6,798,214,514
HP Receivable at Amortized Cost	18	10,303,529	33,562,286
Other Financial Assets	19	124,594,002	133,486,650
Other Non-Financial Assets	19.1	51,148,108	98,223,490
Land Stock		1,149,294,636	1,412,027,195
Financial investments - at Fair Value through OCI	20	672,407,103	458,780,465
Financial investments - at Fair Value through Profit or Loss	20.1	13,517,390	14,851,692
Goodwill	21	315,790,723	315,790,723
Property, Plant and Equipment	22	189,049,198	209,155,497
Intangible Assets	23	13,727,766	12,871,608
Right of Use Assets	24	67,459,450	65,814,747
Investment Property	25	65,829,440	70,568,660
Income Taxation Receivable	26	37,114,271	37,114,271
Deferred Tax Assets	27	-	87,051,815
Total Assets		17,927,048,384	17,520,164,026
Liabilities			
Bank Overdraft		194,431,250	580,704,225
Due to Customers	28	9,909,829,664	8,604,688,236
Debt Issued and Other Borrowed Funds	29	4,520,759,821	5,433,775,863
Other Payables	30	508,896,925	630,633,862
Income Taxation Payable	26	-	-
Deferred Tax Liabilities	27	28,820,184	-
Retirement Benefit Obligations	31	18,379,176	18,730,065
Total Liabilities		15,181,117,020	15,268,532,250
Shareholders' Funds			
Stated Capital	32	1,890,830,690	1,610,830,690
Statutory Reserve Fund	33	88,438,410	76,761,350
Fair Value through OCI Reserve		(19,829,460)	(588,846)
Retained Earnings		786,491,724	564,628,582
Total Shareholders' Funds		2,745,931,364	2,251,631,775
Total Liabilities and Shareholders' Funds		17,927,048,384	17,520,164,026

We certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

.... Financial Controller

.... Chief Executive Officer

The Board of Directors is responsible for these Financial Statements. Signed for and on behalf of the Board of Directors by;

.... Director

.... Director

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

ERNST & YOUNG Chartered Accountants 27 May 2022 Colombo COLOMBO

Richard Pieris Finance Limited

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2022

Company	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Fund Rs.	Fair Value through OCI Reserve Rs.	Total Rs.
Balance as at 31 March 2020	1,175,830,690	719,957,802	76,761,350	(362,591)	1,972,187,250
New share issued during the year	435,000,000	-	-	-	435,000,000
Net profit for the year	-	(154,268,665)	-	-	(154,268,665)
Other comprehensive income net of tax	-	(1,060,555)	-	(226,255)	(1,286,810)
Dividend Paid	-	-	-	-	-
Transfer to Statutory Reserve Fund	-	-	-	-	-
Balance as at 31 March 2021	1,610,830,690	564,628,582	76,761,350	(588,846)	2,251,631,775
New share issued during the year	280,000,000	-	-	-	280,000,000
Net profit for the year	-	233,541,199	-	-	233,541,199
Dividend Paid	-	-	-	-	-
Other comprehensive income net of tax	-	426,198	-	(19,667,808)	(19,241,611)
Derecognition on Financial investments - at Fair Value through OCI	-	(427,195)	-	427,195	-
Transfer to Statutory Reserve Fund	-	(11,677,060)	11,677,060	-	-
Balances as at 31 March 2022	1,890,830,690	786,491,724	88,438,410	(19,829,460)	2,745,931,364

The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

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Richard Pieris Finance Limited

STATEMENT OF CASH FLOWS

Year ended 31 March 2022

		Company	
		2022	2021
Cash Flows From / (Used in) Operating Activities	Notes	Rs.	Rs.
Profit/(Loss) before Income Tax Expense		349,278,609	(246,911,856)
Adjustments for			
Depreciation of Property Plant and Equipment	10	72,093,818	71,443,303
Impairment Provision	8	231,942,544	158,019,675
Provision/(reversal) for Defined Benefit Plans	9	3,012,519	4,943,935
Dividend Received		(896,190)	(1,335,389)
Interest On Lease Liability	5.1	8,748,896	12,617,192
Gain on disposal of Property Plant and Equipment/ Land stock	7	(37,111,837)	(45,285,180)
Other Non- cash items included in profit before tax		1,334,302	(5,909,776)
Operating Profit before Working Capital Changes		628,402,662	(52,418,096)
(Increase)/Decrease in Lease Receivable at Amortized Cost		1,058,998,073	(333,693,049)
(Increase)/Decrease in HP Receivable at Amortized Cost		27,268,687	17,429,470
(Increase)/Decrease in Loans and Receivables at Amortized Cost		(1,448,623,070)	414,969,191
(Increase)/Decrease in Other Receivables		297,658,530	425,343,027
Increase/(Decrease) in Amounts Due to Customers		1,305,141,428	(106,098,264)
Increase/(Decrease) in Other Payables		(130,485,833)	(163,621,918)
Cash Generated from Operations		1,738,360,477	201,910,361
Retirement Benefit Liabilities Paid	31	(2,802,622)	(1,639,962)
Taxes Paid	26	-	11
Net Cash (Used in) Operating Activities		1,735,557,856	200,270,410
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property Plant and Equipment and Intangible Assets	22.1	(10,566,744)	(6,789,676)
Acquisition of Intangible Assets	23	(4,208,667)	(3,471,900)
Proceeds from the sale of property Plant and equipment		-	-
Net Investments in Fixed Deposits		(408,083,772)	196,170,533
Net investment in investment property		3,675,000	(78,300)
Sale/(Purchase) of financial investments- at Fair Value through OCI		(233,294,446)	40,470,478
Dividend Received		896,190	1,335,389
Net Cash Flows (Used in) Investing Activities		(651,582,440)	227,636,525
Cash Flows from / (Used in) Financing Activities			
Proceeds from borrowings		2,679,995,720	3,349,000,000
Repayment of borrowings		(3,593,011,761)	(3,860,011,670)
New share issued during the year		280,000,000	435,000,000
Dividends Paid		-	-
Net Cash Flows from Financing Activities		(633,016,041)	(76,011,670)
Net Increase in Cash and Cash Equivalents		450,959,375	351,895,264
Cash and Cash Equivalents at the beginning of the year		614,164,199	262,268,935
Cash and Cash Equivalents at the end of the year		1,065,123,574	614,164,199
Analysis of the cash and cash equivalents at the end of the year			
Cash and Bank Balances		1,259,554,823	1,194,868,424
Bank Overdraft		(194,431,250)	(580,704,225)
		1,065,123,574	614,164,199
Net cash generated from operating activities include followings			
Interest received		2,397,707,373	1,926,633,229
Interest paid		(1,319,004,144)	(1,626,577,065)
Net interest received/(paid)		1,078,703,229	300,056,165

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Chartered Accountants
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The accounting policies and notes on pages 08 through 50 form an integral part of the Financial Statements.

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Richard Pieris Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

1. CORPORATE INFORMATION

1.1 General

Richard Pieris Finance Limited ("The Company"), formerly known as Richard Pieris Arpico Finance Limited was incorporated as a Public Limited Liability Company. The Company is incorporated and domiciled in Sri Lanka and the registered office and the principal place of business of the Company is located at No 69, Hyde Park Corner, Colombo 02.

It is a Licensed Finance Company under the Finance Business Act No.42 of 2011. The Company was registered under the Companies Act No.07 of 2007.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company and Subsidiary were acceptance of deposits, granting lease facilities, hire purchase, mortgage loans, Islamic finance facilities and other credit facilities. There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent and ultimate parent company is Richard Pieris & Company PLC.

1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards (SLFRS/ LKAS).

1.5 Date of Authorization for Issue

The Financial Statements of Richard Pieris Finance Limited for the year ended 31 March 2022 was authorized for issue in accordance with a resolution of the Board of Directors on 31 May 2022

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Richard Pieris Finance Limited
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2022

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company (Statement of Financial Position, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31st March 2022 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and amendments thereto.

2.2 Basis of Measurement

The financial statements have been prepared on the historical cost basis, except for the following material items in the Statement of financial position, all of which are measured at fair value.

- Land and buildings are measured at re-valuation
- Investment properties at cost.
- Financial assets and liabilities designated at fair value through profit or loss
- Liabilities for defined benefit obligations are recognised as the present value of the defined benefit obligation

2.3 Functional and presentation currency

The financial statements are presented in Sri Lanka Rupees, which is also the Company's functional and presentation currency (except otherwise indicated).

2.4 Presentation of financial statements

The Company presents its statement of financial position broadly grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non–current) is presented in note 36.

2.5 Materiality & Aggregation and Rounding

Materiality & Aggregation
In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

Rounding
The amounts in the Financial Statements have been rounded off to the nearest Rupees, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard - LKAS 01 (Presentation of Financial Statements).

ERNST & YOUNG Chartered Accountants COLOMBO

2.6 Comparative Information

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability. The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the application of certain critical accounting and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments

In the process of applying the Company's accounting policies, management has exercised judgement and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based these assumptions and estimates on parameters available at the time financial statements were prepared. Existing circumstances and assumptions about future developments, these may change due to market changes or circumstances arising beyond the control of the Company. Such changes are taken in to consideration in the assumptions when they occur

i. Useful life-time of the Property Plant and equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets at each reporting date. Judgement of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

ii. Going Concern

The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company.

Further the Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management has assessed the existing and anticipated effects of COVID – 19 on the Company. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

ERNST & YOUNG
Chartered Accountants
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iii. Defined Benefit Plans

The cost of defined benefit pension plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

iv. Deferred tax assets

Deferred tax assets are recognised in respect of tax losses to the extent it is probable that future taxable profits will be available against which such tax losses can be set off. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with the future tax-planning strategies.

v. Impairment losses on loans and advances

The Company assessed loans and advances collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to expected loss. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of cash flow statement, cash and cash equivalents consist of the same.

4.2 Property, Plant and equipment

Property, Plant and equipment are recognized if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on Property, Plant and Equipment. Initially property plant and equipment are measured at cost.

Recognition and measurement

Cost Model

Property plant and equipment is stated at cost or valuation excluding the costs of day-to-day servicing, less accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

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Subsequent Cost

These are costs that are recognized in the carrying amount of an item, if it is probable that the future economic benefits embodied within the part will flow to the group and it can be reliably measured.

Depreciation

Depreciation is calculated using the straight-line method to write down the cost of property plant and equipment to their residual values over their estimated useful lives. The rates of depreciations based on the estimated useful lives are as follows.

Category of Asset	Period of Depreciation
Freehold Buildings	40 years
Motor Vehicles	4-5 years
Furniture & Fittings	4-5 years
Office Equipments	4-5 years
Computer Equipment	3-4 years
Machinery	4 years

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriated, at each financial year end.

Property plant and equipment is de-recognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in "Other operating income" in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

4.3 Financial Instruments

4.3.1 Financial Instruments – initial recognition and subsequent measurement

(i) Classification of Financial Instruments

The Company classifies its Financial Assets into the following measurement categories:

- Measured at fair value (either through other Comprehensive Income, or through Profit or Loss); and
- Measured at amortised cost.

The classification depends on the Company's business model for managing Financial Assets and the contractual terms of the Financial Assets' cash flows. The Company classifies its Financial Liabilities at amortised cost unless it has designated liabilities at fair value through Profit or Loss or is required to measure liabilities at fair value through Profit or Loss such as Derivative Liabilities.

(ii) Financial Assets measured at amortised cost

Placements, Financing and Receivables to Other Customers and Other Financial Assets are measured at amortised cost where they have:

- Contractual terms that give rise to cash flows on specified dates, that represent solely payments of principal and profits on the principal amount outstanding; and
- Are held within a business model whose objective is achieved by holding to collect contractual cash flows.

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These instruments are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost. The measurement of credit impairment is based on the three-stage expected credit loss model described below in Note (vi) Impairment of Financial Assets.

(iii) Recognition of Loans and Receivables under Covid-19 moratorium scheme

Modifications to the cash flows of loans and receivables due to the COVID 19 outbreak considers as 'non-substantial', thus does not result in derecognition of the financial assets in accordance with SLFRS 9 - "Financial Instruments". Accordingly, modifications gain/loss shall be charged to profit or loss immediately. In assessing the modifications, the management applied professional judgement by comparing the modification loss against the carrying value of the asset and the decision was taken based on the materiality of the gain/loss.

The above adjustment has been made in the Income Statement through the interest income line.

(iv) Financial assets measured at fair value through other Comprehensive Income

Equity instruments

Investment in equity instruments that are neither Trading Financial Assets recognised through Profit or Loss, nor contingent consideration recognised by the Company in a business combination to which SLFRS 3 'Business Combination' applies, are measured at fair value through other Comprehensive Income, where an irrevocable election has been made by management. For portfolios where management does not consider an irrevocable election of adopting fair value through other Comprehensive Income, by default such investments shall be measured at fair value through Profit and Loss.

Amounts presented in other Comprehensive Income are not subsequently transferred to Profit or Loss. Dividends on such investments are recognised in Profit or Loss.

(v) Fair Value through Profit or Loss

Fair Value through Profit or Loss comprise:

- Financial Investments - For Trading;
- Instruments with contractual terms that do not represent solely payments of principal and Profit.

Financial Instruments held at fair value through Profit or Loss are initially recognised at fair value, with transaction costs recognised in the Statement of Profit or Loss as incurred. Subsequently, they are measured at fair value and any gains or losses are recognised in the Statement of Profit or Loss as they arise.

Where a Financial Asset is measured at fair value, a credit valuation adjustment is included to reflect the credit worthiness of the counterparty, representing the movement in fair value attributable to changes in credit risk.

(vi) Impairment of Financial Assets

The Company applies a three-stage approach to measuring Expected Credit Losses (ECLs) for the following categories of financial assets that are not measured at fair value through profit or loss:

Debt Instruments

- Instruments measured at Amortised Cost and Fair Value through Other Comprehensive Income;
- Financing and Receivables commitments; and
- Financial Guarantee Contracts

ECL is not recognised on equity instruments.

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Financial Assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Company determines 12-month ECL from customers who are not significantly credit deteriorated (i.e. less than 30 days past due)

Stage 2: Lifetime ECL – not Credit Impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the Financial Asset) is recognised.

Contracts with greater than 30 days past due are considered to have a significant increase in credit risk.

Stage 3: Lifetime ECL – Credit Impaired

Exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit impaired, a lifetime ECL is recognised and Financing Income is calculated by applying the Effective Rate to the amortised cost (net of provision) rather than the gross carrying amount.

Credit impaired stage is measured through the rebuttable presumption of more than 90 days past due in line with the requirements of the standard. The Company rebutted the 90 days presumption and considered 150 days past due as the point of default.

Determining the stage for Impairment

At each reporting date, the Company assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for impairment loss reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for impairment loss for these Financial Assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the Statement of Profit or Loss.

The Company assesses whether the credit risk on an exposure has increased significantly on a collective basis. For the purposes of a collective evaluation of impairment, Financial Instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, credit risk ratings, date of initial recognition, remaining term to maturity, industry, geographical location of the borrower and other relevant factors.

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Measurement of ECLs

ECLs are derived from unbiased and probability-weighted estimates of expected loss, and are measured as follows:

- Financial Assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls over the expected life of the Financial Asset discounted by the Effective rate. The cash shortfall is the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

  Financial Assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the Effective rate.

- Undrawn commitments: as the present value of the difference between the contractual cash flows that are due to the Company if the commitment is drawn down and the cash flows that the Company expects to receive.

- Financial Guarantee Contracts: as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

For further details on how the Company calculates ECLs including the use of forward-looking information, refer to the Credit quality of Financial Assets section in Note 16 to 18. For details on the effect of modifications of Financing and Receivables on the measurement of ECL refer to note on Provision for expected credit loss.

ECLs are recognised using a provision for impairment loss account in Statement of Profit and Loss. The Company recognises the provision charge in Statement of Profit or Loss, with the corresponding amount recognised in other Comprehensive Income, with no reduction in the carrying amount of the asset in the Statement of Financial Position.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows.

PD : The probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

EAD : The Exposure at Default is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of capital and financing income, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued financing income from missed payments.

LGD : The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including the realisation of any collateral.

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

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4.3.2 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass–through' arrangement and either:
    - o The company has transferred substantially all the risks and rewards of the asset.
    Or
    - o The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the company's continuing involvement in the asset. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

4.3.3 Other Financial Assets

Other Financial Assets includes the Other Receivables and Refundable Deposits. Refundable Deposits are initially record at Fair value and subsequently measured at amortized cost.

Collateral repossessed / Land Stock

The Company's policy is to determine whether a repossessed asset can be best used for its internal operations or should be sold. Assets determined to be useful for the internal operations will be transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

4.4 Other Non-Financial Assets

4.4.1 Impairment of non–financial assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre–tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

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4.5 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over 10 year period and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

Amortization is calculated using the straight-line method to write down the cost of Intangible Assets to their residual values over their estimated useful lives.

4.6 Investment Property

Investment properties are measured at cost, including transaction costs. Investment properties are de-recognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the Statement of Profit or Loss in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Group investment properties mainly comprise of freehold lands.

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4.7 Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as Borrowings and Trade and Other Payables. The company determines the classification of its financial liabilities at initial recognition.

The Company classifies financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities.

The Company recognizes financial liabilities in the Statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

Derecognisition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

4.8 Borrowings

Borrowings obtained by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Borrowings', where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial measurement, borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

4.9 Other Financial Liabilities

Other Financial Liabilities includes the Trade and Other Payables and Sundry Creditors. Other Financial Liabilities are recorded at cost.

4.10 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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4.11 Retirement Benefit Obligations

a. Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS No 19, Employee Benefits

The item is stated under Defined Benefit Liability in the Statement of financial position.

Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized as income or expenses in the year in which it arose itself.

4.12 Taxation

4.12.1 Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislations.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

The Company has adopted the requirements of the New Inland Revenue Act 24 of 2017 which was effective from 1 April 2018.

4.12.2 Deferred Taxation

Deferred income tax is provided, using the liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax relating to items recognised directly in equity is recognised in the equity and not in the income statement.

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4.12.3 VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

4.12.4 IFRIC Interpretation 23 "Uncertainty over Income Tax Treatment"

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated within certain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex environment, it assessed whether the interpretation had an impact on its Financial Statements. Upon adoption of the interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company determined, based on its tax compliance and transfer pricing study that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the Financial Statements of the Company.

Except for the changes mentioned above, the Company has consistently applied the accounting policies for all periods presented in these Financial Statements.

4.13 Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

4.13.1 Interest Income and Interest expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

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Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

4.14 Cash Flow Statement

The cash flow statement has been prepared by using 'Indirect Method', of preparing cash flows in accordance with the LKAS 7 – "Statement of Cash Flow". Cash and cash equivalents comprise short term, highly liquid investments, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4.15 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Sri Lanka Accounting Standards have been issued by the Institute of Chartered Accountants of Sri Lanka which are not yet effective as at 31 March 2022.

The following new accounting standards/amendments have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these Financial Statements. Those accounting standards will have an effect on the accounting policies currently adopted by the Company and may have an impact on the future Financial Statements. None of those have been early adopted by the Company.

SLFRS 17 - Insurance Contracts

SLFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, SLFRS 17 will replace IFRS 4 Insurance Contracts (SLFRS 4). SLFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

SLFRS 17 is effective for annual reporting periods beginning on or after 01 January 2023.

The Company does not have a material impact from the above standard.

Amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets : Onerous Contracts – Costs of Fulfilling a Contract

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to LKAS 37 Provisions, Contingent Liabilities and Contingent Assets (LKAS 37) to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted.

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Amendments to SLFRS 9, LKAS 39, SLFRS 7, SLFRS 4 and SLFRS 16 - Interest Rate Benchmark Reform Phase 1 and 2

IBOR reform Phase 1

In 15 January 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued amendments to SLFRS 9, LKAS 39 and SLFRS 7 due to Interest Rate Benchmark Reform (Phase 1). However, the Company does not have a material impact from the above.

Amendments to LKAS 16 Property, Plant & Equipment : Proceeds before Intended Use

In 25 March 2021, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued LKAS 16 Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 01 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

SLFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to SLFRS standards process, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued an amendment to SLFRS 9 Financial Instruments (SLFRS 9). The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted.

Amendments to SLFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

On 4 December 2020, the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) issued Covid-19-Related Rent Concessions - amendment to SLFRS 16 Leases. The amendments provide relief to lessees from applying SLFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under SLFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, in 28 June 2021, CA Sri Lanka extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

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5. INTEREST INCOME	Company 2022 Rs.	Company 2021 Rs.
Leasing Interest Income	1,034,106,875	960,565,750
HP Interest Income	3,214,087	5,626,207
Loans and Receivables Interest Income	1,146,102,482	910,157,083
Interest income - Fixed Deposits	10,511,854	18,185,172
Interest Income - Government Securities	36,668,671	32,012,773
Interest Income on Saving Accounts	10,679,698	86,244
Total Interest Income	2,241,283,668	1,926,633,229

5.1 Interest Expenses

Interest on Public deposits	744,766,946	855,931,040
Overdrafts	1,761,646	(2,583,921)
Borrowings	443,995,441	770,941,967
Interest Expense on Lease Liabilities	8,748,896	12,617,192
Total Interest Expenses	1,199,272,930	1,636,906,278
Net Interest Income	1,042,010,738	289,726,951

6. FEE AND COMMISSION INCOME	Company 2022 Rs.	Company 2021 Rs.
Documentation Charges	20,942,753	11,314,335
Insurance Commission	27,186,405	7,736,083
Other fees recovered	77,984,313	67,957,664
Service Charges	1,771,395	6,739,652
Sundry Income	34,988,407	43,485,956
Total Fee and Commission Income	162,873,274	137,233,690

7. OTHER OPERATING INCOME	Company 2022 Rs.	Company 2021 Rs.
Gain on disposal of Land Stock	37,111,837	45,285,180
Unrealized Gains/(Losses) on Fair Value Through Profit or Loss investments	(1,334,302)	5,909,776
Other sundry income	5,304,812	2,877,096
Total Other Operating Income	41,082,347	54,072,052

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8. CREDIT LOSS EXPENSE ON FINANCIAL ASSETS AND OTHER LOSSES

8.1 The table below shows the expected credit loss (ECL) charges for financial instruments for the year 2022 recorded in the income statement.

	Rs. Stage 1	Rs. Stage 2	Rs. Stage 3	Total
Finance Leases	10,655,230	74,494,813	(110,702,077)	(25,552,035)
Hire Purchase	102,439	282,335	(4,394,705)	(4,009,930)
Other Loans	45,425,670	176,916,480	19,657,212	241,999,362
Repossessed stock	-	-	(437,763,958)	(437,763,958)
Investments in fixed deposits	-	-	-	-
Insurance commission receivables	-	-	-	-
	56,183,338	251,693,628	(533,203,528)	(225,326,562)
Written -off during the year	-	-	460,355,925	460,355,925
Written -off Recoveries during the year	-	-	(3,086,819)	(3,086,819)
	56,183,338	251,693,628	(75,934,422)	231,942,544

8.2 The table below shows the expected credit loss (ECL) charges for financial instruments for the year 2021 recorded in the income statement.

	Rs. Stage 1	Rs. Stage 2	Rs. Stage 3	Total
Finance Leases	(4,076,911)	(40,775,159)	115,286,148	70,434,078
Hire Purchase	(10,116)	(98,573)	77,687	(31,001)
Other Loans	555,061	(21,120,583)	140,978,913	120,413,390
Repossessed stock			(60,493,051)	(60,493,051)
Investments in fixed deposits		-	-	-
Insurance commission receivables	28,896,259			28,896,259
	(3,531,966)	(61,994,315)	195,849,697	159,219,675
Written -off during the year	-	-	-	-
Written -off Recoveries during the year	-	-	(1,200,000)	(1,200,000)
	(3,531,966)	(61,994,315)	194,649,697	158,019,675

9. PERSONNEL EXPENSES

	Company 2022 Rs.	Company 2021 Rs.
Remuneration	249,110,515	232,722,115
Contribution to Defined Contribution Plan	24,730,244	23,800,173
Gratuity Charge for the Year	3,012,519	4,943,935
	276,853,279	261,466,222

10. DEPRECIATION AND AMORTIZATION

	Company 2022 Rs.	Company 2021 Rs.
Depreciation of Property Plant & Equipment	30,673,044	33,422,512
Amortization of intangible assets	3,352,509	1,281,763
Depreciation of Right Of Use Assets	37,004,045	35,674,808
Depreciation of Investment In Property	1,064,220	1,064,220
	72,093,818	71,443,303

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11. OTHER OPERATING EXPENSES

	Company 2022 Rs.	Company 2021 Rs.
Directors' Emoluments	2,134,337	1,769,996
Auditors Remuneration	1,600,000	4,800,000
Legal fees	9,340,901	3,543,968
Professional fees	4,409,348	3,281,826
Office Administration & Establishment Expenses	76,481,789	78,903,963
Advertising & Business Promotional Expenses	75,337,077	101,354,821
Other Expenses	52,067,097	39,430,211
	221,370,550	233,084,784

12. TAXATION

12.1 The major components of income tax expense for the years ended 31st March are as follows.

Income Statement	Company 2022 Rs.	Company 2021 Rs.
Current Income Tax		
Income Tax for the year	-	-
Under/ (Over) Provision of Current Taxes in respect of Previous Years	-	-
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Note 27)	115,737,409	(92,643,192)
	115,737,409	(92,643,192)

12.2 Reconciliation of Accounting Profit and Taxable Income

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the years ended 31 March are as follows.

	Company 2022 Rs.	Company 2021 Rs.
Accounting Profit Before Income Taxation	349,278,609	(246,911,857)
Income Tax Expense at the statutory income tax rate	-	-
Tax effect of Non deductible Expenses	-	-
Tax effect of Other allowable Credits	-	-
Tax Effect of Exempt Income	-	-
	-	-

13. BASIC/DILUTED EARNINGS PER ORDINARY SHARE

13.1 Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

13.2 The following reflect the income & shares details used in the Basic/Diluted Earning per Share computation.

	Company 2022 Rs.	Company 2021 Rs.
Profit attributable to Ordinary shareholders	233,541,199	(154,268,665)
Weighted Average Number of Ordinary Shares during the year	143,091,973	126,999,736
Basic/Diluted Earnings per ordinary share (Rs.)	1.63	(1.21)
* Restated Basic/Diluted Earnings per ordinary share (Rs.)		(1.08)
No of Shares Issued	14,000,000	21,750,000
Weighted Average No of Shares	3,758,904	9,416,667

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14. CASH AND BANK BALANCES	Company 2022 Rs.	Company 2021 Rs.
Cash at Bank	1,187,172,904	1,166,827,474
Cash in Hand	72,381,919	28,040,951
	1,259,554,823	1,194,868,424

15. INVESTMENTS IN FIXED DEPOSITS/REPO	Company 2022 Rs.	Company 2021 Rs.
Fixed Deposits	227,452,093	169,440,240
Repo Investment	350,071,918	-
Less: Allowance for Expected Credit Losses	(431,695)	(431,695)
	577,092,316	169,008,545

15.1 The movement in provision for credit losses are as follows.	2022 Rs.	2021 Rs.
Balance as at 01st April	431,695	431,695
Charge /(Reversal) for the year	-	-
Balance as at 31 st March	431,695	431,695

16. LOAN RECEIVABLES AT AMORTIZED COST	2022 Rs.	2021 Rs.
Total loan rentals receivable	10,141,416,863	9,114,028,311
Less: Unearned loan interest income	(1,491,328,867)	(1,912,563,385)
Gross loan receivables	8,650,087,997	7,201,464,927
Less : Allowance for Expected Credit Losses (Note 16.1)	(1,034,690,844)	(792,691,482)
	7,615,397,153	6,408,773,444

16.1 Analysis of loan receivables on maximum exposure to credit risk
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Loan receivables subject to Expected Credit Losses	4,197,034,243	1,723,285,443	2,729,768,311	8,650,087,997
Allowance for Expected Credit Losses	(61,223,957)	(299,574,343)	(673,892,544)	(1,034,690,844)
	4,135,810,285	1,423,711,101	2,055,875,767	7,615,397,153

16.2 Allowance for Expected Credit Losses/Impairment
Loans subject to collective impairment

	2022 Rs.	2021 Rs.
Impact of adoption of SLFRS 09 as at 01st April 2018	-	-
Balance as at 01st April	792,691,482	672,278,092
Charge to income statement	241,999,362	120,413,390
Written-off during the year	-	-
Balance as at 31st March	1,034,690,844	792,691,482

16.3 Movement in allowance for expected credit losses
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	15,798,288	122,657,862	654,235,332	792,691,482
Transfer to Stage 01	84,039,357	(20,227,822)	(63,811,535)	-
Transfer to Stage 02	(4,194,768)	77,840,724	(73,645,956)	-
Transfer to Stage 03	(360,004)	(22,804,042)	23,164,046	-
New Assets Originated or Purchased	45,301,230	180,162,445	218,659,393	444,123,068
Financial Assets Derecognised or Repaid	(81,939,886)	(43,933,936)	(76,249,884)	(202,123,706)
Written-off during the year	-	-	-	-
Balance as at 31st March 2022	58,644,217	293,695,231	682,351,396	1,034,690,844

Loan receivables include receivables amounting to Rs. 593,333,627/- as at 31 March 2022 (2021-Rs 3,445,764,731/-) that have been assigned under securitization & term loan funding arrangement.

16.3 Movement in allowance for expected credit losses
As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	15,243,227	143,778,446	513,256,419	672,278,092
Transfer to Stage 01	37,905,810	(31,056,113)	(6,849,696)	-
Transfer to Stage 02	(2,477,941)	33,630,401	(31,152,460)	-
Transfer to Stage 03	(785,856)	(21,326,727)	22,112,583	-
New Assets Originated or Purchased	8,477,848	47,162,068	254,176,235	309,816,151
Financial Assets Derecognised or Repaid	(42,564,800)	(49,530,213)	(97,307,749)	(189,402,762)
Written-off during the year	-	-	-	-
Balance as at 31st March 2021	15,798,288	122,657,862	654,235,332	792,691,482

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17. LEASE RECEIVABLES AT AMORTIZED COST

At Amortized cost	2022 Rs.	2021 Rs.
Total lease rentals receivable	8,062,521,462	9,584,875,759
Less: Unearned lease interest income	(1,703,278,854)	(2,166,635,078)
Gross lease receivable	6,359,242,608	7,418,240,681
Less: Allowance for expected credit losses/ collective impairment (Note 17.1)	(594,474,133)	(620,026,167)
	5,764,768,476	6,798,214,514

Lease receivables include receivables amounting to Rs.2,849,053,905/-as at 31 March 2022 (2021- Rs.3,389,160,009/-) that have been assigned under securitization & term loan funding arrangement.

17.1 Analysis of lease receivables on maximum exposure to credit risk
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross lease receivables- subject to collective impairment	4,175,606,822	1,328,003,685	855,632,102	6,359,242,608
Allowance for Expected Credit Losses (ECL)	(25,205,451)	(192,541,650)	(376,727,031)	(594,474,133)
	4,150,401,371	1,135,462,034	478,905,071	5,764,768,476

17.2 Allowance for expected credit losses/Impairment
Loans subject to collective impairment

	2022 Rs.	2021 Rs.
Balance as at 01st April	620,026,167	549,592,089
Charge/ (Reversal) to income statement	(25,552,035)	70,434,078
Written -off during the year	-	-
Balance as at 31st March	594,474,133	620,026,167

17.3 Movement in allowance for expected credit losses
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	14,550,221	118,046,837	487,429,109	620,026,167
Transfer to Stage 01	55,120,906	(24,371,640)	(30,749,266)	-
Transfer to Stage 02	(4,278,912)	51,927,615	(47,648,703)	-
Transfer to Stage 03	(549,520)	(15,470,599)	16,020,119	-
New Assets Originated or Purchased	63,466,527	43,778,218	49,572,559	156,817,304
Financial Assets Derecognised or Repaid	(57,083,994)	(43,643,825)	(81,641,519)	(182,369,338)
Written -off during the year	-	-	-	-
Balance as at 31st March 2022	71,225,228	130,266,606	392,982,299	594,474,133

17.3. Movement in allowance for expected credit losses
As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	18,627,132	158,821,996	372,142,961	549,592,089
Transfer to Stage 01	44,044,543	(31,529,865)	(12,514,679)	-
Transfer to Stage 02	(4,503,062)	16,577,150	(12,074,088)	-
Transfer to Stage 03	(556,716)	(18,337,744)	18,894,460	-
New Assets Originated or Purchased	7,291,112	65,315,561	190,664,127	263,270,800
Financial Assets Derecognised or Repaid	(50,352,790)	(72,800,261)	(69,683,671)	(192,836,722)
Written -off during the year	-	-	-	-
Balance as at 31st March 2021	14,550,221	118,046,837	487,429,109	620,026,167

18. HIRE PURCHASE RECEIVABLES AT AMORTIZED COST

	2022 Rs.	2021 Rs.
Total hire purchase rentals receivable	17,203,871	50,089,008
Less: Unearned hire purchase interest income	(2,968,625)	(8,585,075)
Gross hire purchase receivable	14,235,246	41,503,933
Less: Allowance for expected credit losses/ collective impairment(Note 18.1)	(3,931,716)	(7,941,647)
	10,303,529	33,562,286

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18. HIRE PURCHASE RECEIVABLES AT AMORTIZED COST (Contd...)

18.1 Analysis of hire purchase receivables on maximum exposure to credit risk
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Gross hire purchase receivables- subject to collective impairment	8,730,440	2,649,227	2,855,579	14,235,246
Allowance for expected credit losses (ECL)	(209,108)	(867,030)	(2,855,579)	(3,931,716)
	8,521,332	1,782,197	-	10,303,529

18.2 Allowance for expected credit losses/Impairment
Loans subject to collective impairment

	2022 Rs.	2021 Rs.
Balance as at 01st April	7,941,647	7,972,648
Charge/ (Reversal) to income statement	(4,009,931)	(31,001)
Written -off during the year	-	-
Balance as at 31st March	3,931,716	7,941,647

18.3 Movement in allowance for expected credit losses
As at 31 March 2022

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2021	106,669	146,226	7,688,752	7,941,647
Transfer to Stage 01	-	-	-	-
Transfer to Stage 02	-	-	-	-
Transfer to Stage 03		(17,045)	17,045	-
New Assets Originated or Purchased	102,439	310,574	2,620,939	3,033,952
Financial Assets Derecognised or Repaid		(11,194)	(7,032,689)	(7,043,883)
Written -off during the year	-	-	-	-
Balance as at 31st March 2022	209,108	428,561	3,294,046	3,931,716

18.3 Movement in allowance for expected credit losses
As at 31 March 2021

	Stage 1 Rs.	Stage 2 Rs.	Stage 3 Rs.	Total Rs.
Balance as at 01st April 2020	116,785	244,799	7,611,065	7,972,648
Transfer to Stage 01	-	-	-	-
Transfer to Stage 02	-	-	-	-
Transfer to Stage 03	-	-	-	-
New Assets Originated or Purchased	39,811	16,053	503,561	559,425
Financial Assets Derecognised or Repaid	(49,926)	(114,626)	(425,874)	(590,426)
Written -off during the year	-	-	-	-
Balance as at 31st March 2021	106,669	146,226	7,688,752	7,941,647

19. OTHER FINANCIAL ASSETS

	Company 2022 Rs.	Company 2021 Rs.
Gross Repossessed Stock	235,288,494	700,779,063
Less: Provision for repossessed stock (Note 19.2)	(163,152,063)	(600,916,021)
Net Repossessed Stock	72,136,431	99,863,042
Gross Insurance Commission receivable	29,260,661	53,059,420
Less: Provision for Insurance Commission receivable	(28,654,636)	(28,654,636)
Net Insurance Commission receivable	606,025	24,404,784
Other financial assets	51,851,546	9,218,825
	124,594,002	133,486,650

19.1 Other Non-Financial Assets

	2022 Rs.	2021 Rs.
Pre paid expenses	26,109,185	17,229,078
Advance payments	15,668,761	13,837,251
Refundable deposit	4,120,000	3,820,000
Other non-financial assets	5,250,162	63,337,161
	51,148,108	98,223,490
	175,742,110	231,710,140

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19. OTHER FINANCIAL ASSETS

19.2 Movement in provision for repossessed stock
As at 31 March 2022

	Lease Rs.	Hire purchase Rs.	Loan Rs.	Total Rs.
Balance as at 01 April 2021	402,233,995	28,817,972	169,864,054	600,916,021
Charge/(Reversal) during the Year	10,428,818	(485,692)	12,648,840	22,591,967
Other movements/write off	(321,303,089)	(14,746,490)	(124,306,346)	(460,355,925)
Balance as at 31 March 2022	91,359,724	13,585,790	58,206,549	163,152,063

Repossessed stock of the company and the corresponding ECL allowances are grouped under Stage 3.

As at 31 March 2021	Lease Rs.	Hire purchase Rs.	Loan Rs.	Total Rs.
Balance as at 01 April 2020	447,497,810	36,443,213	177,468,049	661,409,072
Charge/(Reversal) during the Year	(45,263,815)	(7,625,241)	(7,603,995)	(60,493,051)
Other movements	-	-	-	-
Balance as at 31 March 2021	402,233,995	28,817,972	169,864,054	600,916,021

20. FINANCIAL INVESTMENTS - FAIR VALUE THROUGH OCI	2022 Rs.	2021 Rs.
Investment in Credit Information Bureau Ordinary Shares	593,100	593,100
Investment in Finance Houses Consortium Shares	200,000	200,000
Treasury Bills	671,614,003	454,999,757
Treasury Bonds	-	2,987,609
	672,407,103	458,780,465

The above Ordinary share investments have been made primarily for regulatory purposes. Such investments are recorded at cost due to unavailability of information to fair value such investment.

20.1 Financial Investments - Fair Value through Profit or Loss

	Company 2022			Company 2021		
Investment in quoted shares	**Number of Shares**	**Cost**	**Market Value**	**Number of Shares**	**Cost**	**Market Value**
Piramal Glass Ceylon PLC	423,728	1,567,794	4,830,499	423,728	1,567,794	4,703,381
Sampath Bank PLC	184,764	8,573,050	8,462,191	184,764	8,573,050	9,940,303
Hatton National Bank PLC	2,140	267,286	224,700	2,140	267,286	208,008
			13,517,390			14,851,692

The above share investments are recorded at Fair Value, which was determined base on market price as of 31st March 2022.

21. GOODWILL	2022 Rs.	2021 Rs.
Opening Balance	315,790,723	315,790,723
Impairment	-	-
Closing Balance	315,790,723	315,790,723

Goodwill has been recognised in respect of acquisition of Chilaw Finance PLC. The company carried out an impairment assessment as at 31 March 2022 and concluded that there is no impairment based on the future earnings projections.

The Company performed its annual impairment test on Goodwill based on an earnings growth model. The assumptions applied in the computations are reviewed each year. The key assumptions used to determine the recoverable amount are as follows:

Business growth rate	The volume growth has been budgeted on a reasonable and realistic basis by taking in to account historical growth rate and business plan of the 3 branches related to Chilaw Finance PLC.
Discount rate	The discount rate used is the risk free rate, adjusted by an appropriate risk premium.
Inflation rate	Inflation rate is based on projected economic conditions.

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22. PROPERTY, PLANT AND EQUIPMENT

22.1 Gross Carrying Amounts	Balance As at 31.03.2021 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
Land	130,687,500		-	-	130,687,500
Building	21,179,491	826,380	-	-	22,005,871
Motor Vehicles	75,733,383		-	-	75,733,383
Furniture & Fittings	84,879,367	2,244,790	-	-	87,124,157
Machinery	1,197,479		-	-	1,197,479
Office Equipments	47,576,406	3,351,924	-	-	50,928,330
Computer Equipment	42,848,487	4,143,650	-	-	46,992,137
Total Value of Depreciable Assets	404,102,112	10,566,744	-	-	414,668,856

22.2 Depreciation	Balance As at 31.03.2021 Rs.	Charge for the year Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
Land	-		-	-	-
Building	3,504,321	536,374	-	-	4,040,695
Motor Vehicles	42,788,064	12,404,153	-	-	55,192,216
Furniture & Fittings	70,528,322	9,609,497	-	-	80,137,820
Machinery	1,197,479	-	-	-	1,197,479
Office Equipments	37,540,282	5,337,465	-	-	42,877,747
Computer Equipment	39,388,148	2,785,555	-	-	42,173,702
	194,946,615	30,673,044	-	-	225,619,659

22.3 Net book Values	Balance As at 31.03.2021 Rs.	Additions Rs.	Transfers Rs.	Disposals Rs.	Balance As at 31.03.2022 Rs.
Land	130,687,500	-	-	-	130,687,500
Building	17,675,170	(11,577,773)	-	-	17,965,176
Motor Vehicles	32,945,319	(12,404,153)	-	-	20,541,166
Furniture & Fittings	14,351,045	(7,364,707)	-	-	6,986,338
Machinery	-	-	-	-	-
Office Equipments	10,036,124	(1,985,541)	-	-	8,050,583
Computer Equipment	3,460,339	1,358,095	-	-	4,818,434
Total Carrying Amount of Property, Plant and Equipment	209,155,497	(31,974,078)	-	-	189,049,198

22.4 The useful life of the assets is estimated as follows.

Building	40 years
Motor Vehicles	4-5 years
Furniture & Fittings	4-5 years
Machinery	4 years
Office Equipments	4-5 years
Computer Equipment	3-4 years

23. Intangible Assets

Computer Software	Company 2022 Rs.	Company 2021 Rs.
Cost		
At the beginning of the year	25,232,308	21,760,408
Additions	4,208,667	3,471,900
At the end of the year	29,440,976	25,232,308
Amortization		
At the beginning of the year	12,360,701	11,078,938
Additions	3,352,509	1,281,763
At the end of the year	15,713,210	12,360,701
Carrying Value		
At the beginning of the year	12,871,608	10,681,470
At the end of the year	13,727,766	12,871,608

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24. RIGHT-OF-USE ASSETS

24.1 Set out below are the carrying amounts of right-of-use assets recognised and movements during the year.

	2022 Rs.	2021 Rs.
Cost		
Balance as at 01st April	136,963,455	136,963,455
Effect of Adoption SLFRS 16 as at 01 April 2019	-	-
Restated Balance as at 01 April	136,963,455	136,963,455
Additions & Improvements	38,648,748	-
Balance at 31st March	175,612,203	136,963,455
Accumulated Amortisation		
Balance as at 01st April	71,148,708	35,473,899
Charge for the year	37,004,045	35,674,808
Disposals during the Year	-	-
Accumulated Amortisation as at 31 March	108,152,753	71,148,708
Net Book Value as at 31 March	67,459,450	65,814,747

24.2 Lease liability against right of use asset

Set out below are the carrying amounts of lease liabilities during the period in accordance with SLFRS

	2022 Rs.	2021 Rs.
Balance as at 01st April	73,890,156	104,988,085
Additions & Reassessment	32,237,868	-
Restated Balance as at 01 April	106,128,024	104,988,085
Additions & Reassessment		
Finance cost on Lease Liability	8,748,896	12,617,192
Payments during the year	(45,359,189)	(43,715,121)
Lease liabilities as at 31 March	69,517,732	73,890,156

24.3 Maturity analysis of Lease Liability

	2022 Rs.	2021 Rs.
Less than one year	24,899,577	34,705,758
Between one and five years	34,773,826	39,184,398
More than five years	9,844,328	-
	69,517,732	73,890,156

24.4 Undiscounted Maturity Analysis of Lease Liability

	2022 Rs.	2021 Rs.
Less than one year	30,997,922	44,838,838
Between one and five years	43,580,611	42,114,074
More than five years	11,681,085	-

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25. INVESTMENT PROPERTY

	2022 Rs.	2021 Rs.
Cost at the beginning of the year	72,697,100	72,618,800
Net Additions/(Disposals)	(3,675,000)	78,300
Transfers	-	-
Depreciation of Investment In Property	(3,192,660)	(2,128,440)
At the end of the year	65,829,440	70,568,660

Information of investment properties

Location	Range of estimates for unobservable input Price per perch for land	Extent Perches	Fair value (Level 3) 2022 Rs.	Fair value (Level 3) 2021 Rs.
Bazzar Street Chilaw	3,129,350	7.19	22,500,000	22,500,000
Pahala Kotramulla Village Chilaw	20,000	160.00	3,200,000	3,200,000
Bazzar Street Chilaw	4,100,000	10.25	42,000,000	42,000,000
Èlpitiya	87,500	40.00	3,500,000	3,500,000
			71,200,000	71,200,000

The Company earned rental income from the above properties, details are given below.

	2022 Rs.	2021 Rs.
Rental income from investments properties	4,408,622	1,370,556
Direct operating expenses incurred to generate rental income	129,224	332,500

26. INCOME TAX PAYABLES/(RECEIVABLES)

	2022 Rs.	2021 Rs.
Opening balance	(37,114,271)	(37,114,282)
Tax Paid - Current year	-	-
Tax Paid - Last year	-	-
Adjustment (WHT etc.)	-	11
Provision for the year	-	-
Closing balance	(37,114,271)	(37,114,271)

26.1 Income Tax Receivables

	2022 Rs.	2021 Rs.
Economic Service Charge	11,914,313	11,914,313
Withholding Tax	969,310	969,310
Income Tax paid	16,727,913	16,727,913
Income Tax (Overpayment) Last Year	7,502,735	7,502,735
	37,114,271	37,114,271

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27. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the following

	2022 Rs.	2021 Rs.
Deferred Tax Liability		
Capital Allowances for tax purposes	43,362,386	63,985,817
Impairment provision	30,002,551	-
	73,364,937	63,985,817
Deferred Tax Assets		
Defined Benefit Plans	4,411,002	4,495,216
Tax Losses*	39,639,763	137,772,677
Right-Of-Use Asset	493,988	1,938,098
Impairment provision	-	6,831,641
	44,544,753	151,037,632
Net Deferred Tax Liability/ (Asset)	28,820,184	(87,051,815)
Deferred Income Tax Charge/(Reversal)	115,871,998	(92,978,104)
Deferred Tax Charge/(Reversal) Recognized in Income Statement	115,737,409	(92,643,192)
Deferred Tax Charge /(Reversal) Recognized in Other comprehensive Income	134,589	(334,912)
	115,871,998	(92,978,104)

*Total brought forward Tax Loss amounts to Rs. 165,165,680

28. DUE TO CUSTOMERS

	2022 Rs.	2021 Rs.
Fixed Deposit	9,830,670,272	8,519,735,814
Savings	79,159,392	84,952,421
	9,909,829,664	8,604,688,236

29. DEBT ISSUED AND OTHER BORROWED FUNDS

	2022 Rs.	2021 Rs.
Bank of Ceylon	478,248,148	194,792,631
Hatton National Bank PLC	1,901,708,975	2,433,070,546
Cargills Bank Limited	83,486,348	133,517,881
HDFC Bank of Sri Lanka	-	39,728,482
Indian bank	-	12,291,581
MCB Bank Limited Sri Lanka Branch	6,543,718	24,890,414
Nation Trust Bank PLC	165,132,274	417,084,902
National Development Bank PLC	-	18,750,000
People's Bank	343,535,391	22,649,162
Sampath Bank PLC	333,835,394	566,365,555
Seylan Bank PLC	626,092,946	614,094,315
Commercial Bank of Ceylon PLC	281,665,395	375,554,394
Richard Pieris and Company PLC	-	280,476,000
Arpico Insurance PLC	100,170,411	100,170,000
Namunukula Plantations PLC	200,340,822	200,340,000
	4,520,759,821	5,433,775,863
Payable within one year	2,012,320,161	3,523,663,597
Payable after one year	2,508,439,661	1,910,112,266
	4,520,759,821	5,433,775,863

30. OTHER PAYABLES

	2022 Rs.	2021 Rs.
Payable to Group Companies	(55,221,119)	7,586,412
Payable to Suppliers	211,352,192	268,280,652
Other Payables	275,723,259	271,823,373
Lease liability	69,517,732	73,890,156
VAT Payables	7,524,862	9,053,268
	508,896,925	630,633,862

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31. RETIREMENT BENEFIT OBLIGATIONS

	Company 2022 Rs.	2021 Rs.
Benefit Expenses for the Year	2,451,733	6,339,402
Balance at the beginning of the year	18,730,065	14,030,625
Gratuity Paid during the Period	(2,802,622)	(1,639,962)
Balance at the end of the year	18,379,176	18,730,065

31.1 Expenses on Defined Benefit Plan

	Company 2022 Rs.	2021 Rs.
Net Current Service Cost for the year	1,874,414	3,535,370
Interest cost for the year	1,138,105	1,408,565
(Gain)/Loss arising from changes in the assumptions of the previous year	(560,787)	1,395,467
	2,451,733	6,339,402

The retirement age extension from 55 years to 60 years resulted in a past service income amounting to Rs.1,004,253 and has been net off in the current service cost for the year.

31.2 Assumptions

	Company 2022	2021
Discount Rate	14.00%	7.50%
Salary Increment	8%	4% to 8%
Retirement Age	60 Years	55 Years

31.3 Sensitivity Analysis

Values appearing in the Financial Statements are very sensitive to the changes in financial and non financial assumptions used. The sensitivity was carried for both the salary increment rate and discount rate. Simulation made for retirement benefit obligation show that an increase or decrease by 1% of salary increment rate and discount rate has the following effect of the retirement benefit obligation

	Company 2022	2021
Discount Rate		
1% increase	(17,618,605)	(17,956,111)
1% decrease	19,206,899	19,577,441
Salary Increment Rate		
1% increase	19,305,848	19,453,438
1% decrease	(17,516,874)	(18,057,523)

31.4 The Expected Benefit Payout in the Future Years for Retirement Gratuity

	Company 2022	2021
Within the Next 12 Months	2,776,817	2,404,259
Between 2 and 5 Years	10,697,382	11,616,535
Beyond 5 Years	4,904,977	4,709,270

32. STATED CAPITAL

32.1 Issued and Fully Paid-Ordinary shares

	2022 No of Shares	2022 Rs.	2021 No of Shares	2021 Rs.
At the beginning of the year	139,333,069	1,610,830,690	117,583,069	1,175,830,690
Issued during the year	14,000,000	280,000,000	21,750,000	435,000,000
At the end of the year	153,333,069	1,890,830,690	139,333,069	1,610,830,690

The Company issued 14,000,000 Ordinary shares to their Parent Company (Richard Pieris and Company PLC).

33. STATUTORY RESERVE FUND

	2022 Rs.	2021 Rs.
Opening balance	76,761,350	76,761,350
Transfer during the year	11,677,060	-
Closing balance at 31st March	88,438,410	76,761,350

The statutory reserve fund is maintained by Finance Companies (Capital Funds) Direction No. 1 of 2003 as per Finance Companies Act (amended) issued to Registered Finance Companies. As per the said Direction, every Registered Finance Company shall maintain a reserve fund, out of the net profit for each year after provisions for taxation and bad and doubtful debts. Accordingly, 5% of the net profit for the year transferred to reserve fund as long as the capital funds are not less than 25% of total deposit liabilities.

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34. FAIR VALUE

Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the financial instruments.

Financial Investments - Held for Trading

Financial investments measured at fair value are quoted equities. For quoted equities Company uses quoted market price in active markets as at the reporting date.

Financial Investments - Fair Value through Other Comprehensive Income

Financial Investments - Fair Value through Other Comprehensive Income, primarily consist of equity securities and Government debt securities are valued using valuation techniques or pricing models. These assets are valued using models that use observable data. Government debt securities are valued using yield curves published by the Central Bank of Sri Lanka and quoted equities are valued using quoted market prices in the active markets as at the reporting date.

34.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

Level 1 : quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or

Level 3: techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy.

Company

As at 31 March 2022	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial investments - at Fair Value through OCI				
Government Securities	671,614,003	-	-	671,614,003
Unquoted equities	-	-	793,100	793,100
Total Financial Assets	671,614,003	-	793,100	672,407,103

As at 31 March 2021	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial investments - at Fair Value through OCI				
Government Securities	457,987,365	-	-	457,987,365
Unquoted equities	-	-	793,100	793,100
Total Financial Assets	457,987,365	-	793,100	458,780,465

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35. FAIR VALUE OF FINANCIAL INSTRUMENTS

35.1 Determination of Fair Value and Fair Value Hierarchy

Set out below is the comparison, by class, of the carrying amounts of fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non- financial assets and non- financial liabilities.

Company		2022		2021	
	Level	Carrying Amount Rs.	Fair Value Rs.	Carrying Amount Rs.	Fair Value Rs.
Financial Assets					
Lease Receivable at Amortized Cost	Level 2	5,764,768,476	5,284,132,539	6,798,214,514	6,500,502,332
HP Receivable at Amortized Cost	Level 2	10,303,529	10,247,319	33,562,286	26,333,349
Loans and Receivables at Amortized Cost	Level 2	7,615,397,153	6,169,767,909	6,408,773,444	5,326,322,449
		13,390,469,158	11,464,147,767	13,240,550,245	11,853,158,130
Financial Liabilities					
Debt Issued and Other Borrowed Funds	Level 2	4,520,759,821	4,264,709,456	5,433,775,863	5,098,406,859
Due to Customers	Level 2	9,909,829,664	10,076,433,014	8,604,688,236	8,757,452,640
		14,430,589,486	14,341,142,470	14,038,464,099	13,855,859,499

Fair Value of Financial Assets and Liabilities not Carried at Fair Value

The following describes the methodologies and assumptions used to determine the fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets & Liabilities for which Fair Value Approximates Carrying Value

For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair values.(Cash and Bank Balance,Invesment in Fixed Deposits and Other Payables)

Long term deposits accepted from customers for which periodical interest is paid and loans and advances granted to customers with a variable rate are also considered to be carried at fair value in the books.

Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. All credit facilities with fixed interest rates were fair valued using market rates at which fresh credit facilities were granted during the last month of the reporting year. Conversely, fixed deposits with remaining tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the last month of the reporting year.

Reclassification of Financial Assets

There were no reclassifications during 2021/22.

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36. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Company

As at 31 March 2022

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31/03/2022
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and Bank Balances	1,259,554,823	-	-	-	-	1,259,554,823
Investments in Fixed Deposits/REPO	413,070,352	164,453,659		-	-	577,524,011
Lease Receivable at Amortized Cost	1,548,025,341	1,414,346,011	2,479,424,355	914,363,832	3,083,070	6,359,242,609
HP Receivable at Amortized Cost	5,710,177	3,046,617	5,478,453			14,235,246
Loans and Receivables at Amortized Cost	2,800,872,433	2,468,594,064	2,436,117,198	842,951,248	101,553,053	8,650,087,997
Other Financial Assets	287,746,065	-	-	-	-	287,746,065
Other Non Financial Assets	51,148,108	-	-	-	-	51,148,108
Land Stock			1,149,294,636			1,149,294,636
Financial investments - at Fair Value through Profit or Loss	13,517,390	-	-	-	-	13,517,390
Financial investments - at Fair Value through OCI	622,220,023	50,187,080		-	-	672,407,103
Goodwill	-	-	-	-	315,790,723	315,790,723
Deferred Tax Assets	-	-	-	-	-	-
Intangible Assets	-	-	-		13,727,766	13,727,766
Investment Property	-	-	-	-	65,829,440	65,829,440
Income Taxation Receivables	-	-	37,114,271	-	-	37,114,271
Right of use Assets	-	-	67,459,450	-	-	67,459,450
Property, Plant and Equipment	-	-	-	-	189,049,198	189,049,198
Total Assets	7,001,864,712	4,100,627,431	6,174,888,363	1,757,315,080	689,033,250	19,723,728,835
Liabilities						
Bank Overdraft	194,431,250	-	-	-	-	194,431,250
Due to Customers	5,687,815,826	3,103,361,437	1,083,990,434	34,661,967	-	9,909,829,664
Debt Issued and Other Borrowed Funds	771,607,094	1,240,713,067	763,389,660	1,445,050,000	300,000,000	4,520,759,821
Other Payables	439,379,194	24,899,577	24,705,434	10,068,392	9,844,328	508,896,925
Deferred Taxation Liabilities	-	28,820,184	-	-	-	28,820,184
Retirement Benefit Obligations	-	-	18,379,176	-	-	18,379,176
Total Liabilities	7,093,233,363	4,397,794,265	1,890,464,704	1,489,780,359	309,844,328	15,181,117,019
Net Assets/(Liability)	(91,368,651)	(297,166,835)	4,284,423,658	267,534,721	379,188,922	4,542,611,816

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36. CURRENT AND NON CURRENT ANALYSIS OF ASSETS AND LIABILITIES (Contd...)

Company
As at 31 March 2021

	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31/03/2021
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets						
Cash and Bank Balances	1,194,868,424	-	-	-	-	1,194,868,424
Investments in Fixed Deposits	12,043,268	157,396,972		-	-	169,440,240
Lease Receivable at Amortized Cost	1,746,930,529	1,627,887,003	3,039,460,437	978,266,305	25,696,407	7,418,240,681
HP Receivable at Amortized Cost	18,481,348	6,470,458	15,797,267	754,861	-	41,503,933
Loans and Receivables at Amortized Cost	2,484,996,078	1,187,163,277	2,329,019,844	1,091,654,302	108,631,425	7,201,464,927
Other Financial Assets	734,402,671	-	-	-	-	734,402,671
Other Non Financial Assets	98,223,490	-	-	-	-	98,223,490
Land Stock			1,412,027,195			1,412,027,195
Financial investments - at Fair Value through Profit or Loss	14,851,692	-	-	-	-	14,851,692
Financial investments - at Fair Value through OCI	425,692,776	30,100,080	2,987,609	-	-	458,780,465
Goodwill	-	-	-	-	315,790,723	315,790,723
Deferred Tax Assets	-	-	-	-	87,051,815	87,051,815
Intangible Assets	-	-	-		12,871,608	12,871,608
Investment Property	-	-	-	-	70,568,660	70,568,660
Income Taxation Receivables	-	-	37,114,271	-	-	37,114,271
Right of use Assets	-	-	65,814,747	-	-	65,814,747
Property, Plant and Equipment	-	-	-	-	209,155,497	209,155,497
Total Assets	6,730,490,276	3,009,017,791	6,902,221,370	2,070,675,468	829,766,134	19,542,171,038
Liabilities						
Bank Overdraft	580,704,225	-	-	-	-	580,704,225
Due to Customers	3,130,194,125	4,592,606,280	797,306,283	84,581,548	-	8,604,688,236
Debt Issued and Other Borrowed Funds	1,282,389,154	2,241,274,443	1,330,112,266	580,000,000		5,433,775,863
Other Payables	556,743,706	37,085,646	35,042,113	1,762,396.54	-	630,633,862
Deferred Taxation Liabilities	-	-	-	-	-	-
Income Taxation Payable	-	-	-	-	-	-
Retirement Benefit Obligations	-	-	18,730,065	-	-	18,730,065
Total Liabilities	5,550,031,210	6,870,966,370	2,181,190,727	666,343,944	-	15,268,532,251
Net Assets/(Liability)	1,180,459,066	(3,861,948,579)	4,721,030,644	1,404,331,523	829,766,134	4,273,638,787

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37. RISK MANAGEMENT

37.1 Introduction

Risk is inherent in the Company's activities but is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for managing the risk exposures relating to his / her functional areas.

The Company identifies the following key financial risks in its business operations.

- Credit Risk
- Liquidity Risk
- Market Risk

RISK MANAGEMENT STRUCTURE

The board is primarily responsible for risk management initiatives. Integrated Risk Management committee, which is a sub-committee of the board has been established and delegated risk management responsibilities. This committee plays a vital role in establishing best practices in relation to risk policies and practices in relation to risk policies and practices within the company. The quantum and level of risks that the company is willing to accept is decided at the Board Risk Committee level, and the decisions made by this committee is communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the integrated Risk Management Committee meetings. The committee fulfils the requirement set out in the Finance Leasing Direction No.4 of 2009 on Corporate Governance for Finance Leasing Establishments issued by Central Bank of Sri Lanka (CBSL) under Finance Leasing Act, No.56 of 2000.The Committee consists of such number of members, as the board may determine from time to time. The committee currently consists of membership of 2 Directors. Chief Executive Officer and Key management personnel supervising broad risk categories, i.e. credit, market, liquidity, operational and strategic risks.

37.2 Credit Risk

Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers/other Companies and investments in debt securities. Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorized into three types; default, concentration and settlement risk.

Default risk as the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive buildup of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

Settlement risk is the risk of loss arising from trading/investment activities when there is a mutual undertaking to deliver on a progressive basis,

The following table shows the maximum exposure to credit risk by class of financial asset. It further shows the total fair value of collateral, any surplus collateral (the extent to which the fair value of collateral held is greater than the exposure to which it relates), and the net exposure to credit risk.

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37. RISK MANAGEMENT (Contd...)

37.2 Credit Risk

37.2.1 Net Exposure to credit Risk

Company

As at 31 March 2022	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
Cash and Bank Balances	1,259,554,823	1,259,554,823
Investments in Fixed Deposits/REPO	577,092,316	577,092,316
Lease Receivable at Amortized Cost	5,764,768,476	-
HP Receivable at Amortized Cost	10,303,529	-
Loans and Receivables at Amortized Cost	7,615,397,153	1,927,668,383
Financial investments - at Fair Value through OCI	672,407,103	672,407,103
Total Financial Assets	15,899,523,400	4,436,722,626

As at 31 March 2021	Maximum Exposure to Credit Risk Rs.	Net Exposure Rs.
Cash and Bank Balances	1,194,868,424	1,194,868,424
Investments in Fixed Deposits	169,008,545	169,008,545
Lease Receivable at Amortized Cost	6,798,214,514	-
HP Receivable at Amortized Cost	33,562,286	-
Loans and Receivables at Amortized Cost	6,408,773,444	892,396,254
Financial Investments - Fair Value through OCI	458,780,465	458,780,465
Total Financial Assets	15,063,207,679	2,715,053,689

37.2.2 Credit Quality by Class of Financial Assets

Company

As at 31 March 2022	Neither Past Due Nor Impaired* Rs.	Past Due But Not Impaired* Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and Bank Balances	1,259,554,823	-	-	1,259,554,823
Investments in Fixed Deposits	577,092,316	-	-	577,092,316
Lease Receivable at Amortized Cost	2,694,564,228	3,664,678,380	-	6,359,242,608
HP Receivable at Amortized Cost	-	14,235,246	-	14,235,246
Loans and Receivables at Amortized Cost	2,254,395,270	6,395,692,727	-	8,650,087,997
Financial investments - at Fair Value through OCI	672,407,103	-	-	672,407,103
Collective impairment Provision	-	-	-	(1,633,096,693)
Total Financial Assets	7,458,013,741	10,074,606,353	-	15,899,523,401

*Collectively assessed for impairment

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37. RISK MANAGEMENT (Contd...)

37.2.2 Credit Quality by Class of Financial Assets (Contd...)

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets.

	Past Due But Not Impaired				
	Less than 31 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Lease Receivable at Amortized Cost	910,572,843	630,737,673	421,601,163	1,701,766,701	3,664,678,380
HP Receivable at Amortized Cost	-	8,730,440	-	5,504,806	14,235,246
Loans and Receivables at Amortized Cost	1,460,385,428	559,629,809	504,002,945	3,871,674,545	6,395,692,727
	2,370,958,271	1,199,097,923	925,604,108	5,578,946,052	10,074,606,353

Company

As at 31 March 2021

	Neither Past Due Nor Impaired*	Past Due But Not Impaired*	Individually Impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash and Bank Balances	1,194,868,424	-	-	1,194,868,424
Investments in Fixed Deposits	169,008,545	-	-	169,008,545
Lease Receivable at Amortized Cost	3,295,352,060	4,122,888,621	-	7,418,240,681
HP Receivable at Amortized Cost	-	41,503,933	-	41,503,933
Loans and Receivables at Amortized Cost	2,055,687,320	5,145,777,607	-	7,201,464,927
Financial Investments - Available for Sale	458,780,465	-	-	458,780,465
Collective impairment Provision	-	-	-	(1,420,659,297)
Total Financial Assets	7,173,696,814	9,310,170,161	-	15,063,207,678

*Collectively assessed for impairment

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not impaired loans, by class of financial assets.

	Past Due But Not Impaired				
	Less than 31 days	31 to 60 days	61 to 90 days	More than 90 days	Total
Lease Receivable at Amortized Cost	3,982,870,226	116,218,886	22,028,714	1,770,795	4,122,888,621
HP Receivable at Amortized Cost	38,972,291			2,531,642	41,503,933
Loans and Receivables at Amortized Cost	4,432,819,344	683,333,816	23,876,917	5,747,530	5,145,777,607
	8,454,661,861	799,552,702	45,905,632	10,049,967	9,310,170,161

37.2.3 Sensitivity Analysis of Allowance for Impairment Losses

Changed Criteria	Change Factor	Sensitivity Effect on Allowance for Impairment Losses	
		2022	2021
Loss Given Default (LGD)	Increased by 1%	57,962,530	56,932,802
Probability of Default (PD)	Increased by 1%	8,820,748	2,083,371
Economic Factor Adjustment (EFA)	Increased by 1%	1,898,041	2,083,371

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37. **RISK MANAGEMENT (Contd...)**

37.2.4 **Weigted ages assigned for each scenario is given below**

Scenario	2022 Weightage	2021 Weightage
Base Case	30%	30%
Best Case	30%	30%
Worst Case	40%	40%

37.2.5 **Analysis of Risk Concentration**

INDUSTRY ANALYSIS

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Company
As at 31 March 2022

Sector wise Breakdown	Leases Rs.	Hire Purchase Rs.	Loans and Advances Rs.	Total Rs.
Agriculture	618,992,118	1,991,293	769,310,069	1,390,293,480
Manufacturing	678,796,210	8,730,440	1,589,395,131	2,276,921,781
Construction	598,311,405	-	1,166,836,979	1,765,148,384
Financial Services	242,590,397	2,649,227	381,241,878	626,481,502
Trading	1,189,540,291	-	1,889,188,546	3,078,728,838
Telecommunication	88,282,510	303,937	191,636,722	280,223,169
Transportation	1,333,597,031	560,348	935,897,148	2,270,054,527
Services	1,310,843,795	-	1,308,905,140	2,619,748,935
Other	298,288,850	-	417,676,384	715,965,234
Total	6,359,242,608	14,235,246	8,650,087,997	15,023,565,850

Company
As at 31 March 2021

Sector wise Breakdown	Leases Rs.	Hire Purchase Rs.	Loans and Advances Rs.	Total Rs.
Agriculture	778,031,320	1,981,293	699,383,727	1,479,396,340
Manufacturing	894,794,888	11,199,820	1,384,160,361	2,290,155,070
Construction	623,146,898	-	960,247,323	1,583,394,220
Financial Services	397,575,797	3,309,135	428,066,767	828,951,699
Trading	1,295,807,840	24,095,814	1,796,620,293	3,116,523,947
Telecommunication	121,502,086	367,522	132,539,158	254,408,765
Transportation	1,585,766,626	550,348	685,397,481	2,271,714,455
Services	1,377,369,152	-	765,806,765	2,143,175,917
Other	344,246,074	-	349,243,053	693,489,128
Total	7,418,240,681	41,503,933	7,201,464,927	14,661,209,541

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37. RISK MANAGEMENT (Contd...)

37.3 Liquidity Risk & Funding Management

In the context of a financial institution liquidity risk arises primarily due to mismatches in the maturity profile of assets and liabilities. Liquidity risk for or a financial institution can take two forms; transactions liquidity, a property of assets or markets, and funding liquidity, which is more closely related to creditworthiness.

Transaction liquidity risk is the risk of moving the price of an asset adversely in the act of buying or selling it. Company's transaction liquidity risk is low if assets can be liquidated without moving the price too much.

Funding liquidity risk means the Company's inability to finance assets continuously at an acceptable borrowing rate. Funding liquidity risk generally arises when creditors either withdraw credit or change the terms on which it is granted in such a way they are no longer profitable. Funding liquidity risk would increase if the Company's credit quality is, or at least perceived to be, deteriorating, but also because financial conditions as a whole are deteriorating.

The company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the company regularly analyses and monitors liquidity positions and, maintain an adequate margin of safety in liquid assets.

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022. The table does not reflect the expected cash flows indicated by its deposit retention history and loan recovery patterns. The estimated maturity profiles of undiscounted cash flows may also differ, due to rollover of loans and advances and Covid-19 related events.

37.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

Company
The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2022

As at 31 March 2022	On Demand Rs.	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Total as at 31/03/2021 Rs.
Financial Assets							
Cash and Bank Balances	1,259,554,823	-	-	-	-	-	1,259,554,823
Investments in Fixed Deposits/REPO		413,070,352	164,453,659	-	-	-	577,524,011
Lease Receivable at Amortized Cost	1,064,804,140	877,700,736	1,978,719,582	3,158,891,430	979,139,819	3,265,756	8,062,521,462
HP Receivable at Amortized Cost	4,850,979	1,976,614	4,154,885	6,221,393			17,203,871
Loans and Receivables at Amortized Cost	2,298,194,253	800,722,643	2,938,283,439	3,054,553,915	941,295,704	108,366,909	10,141,416,863
Financial investments - at Fair Value through OCI	-	622,220,023	50,187,080	-	-	-	672,407,103
Total Financial Assets	4,627,404,195	2,715,690,368	5,135,798,645	6,219,666,738	1,920,435,523	111,632,665	20,730,628,133
Financial Liabilities							
Bank Overdraft	194,431,250	-	-	-	-	-	194,431,250
Due to Customers	300,012,499	5,387,803,327	3,103,361,437	1,083,990,434	34,661,967	-	9,909,829,664
Debt Issued and Other Borrowed Funds	-	771,607,094	1,240,713,067	763,389,660	1,445,050,000	300,000,000	4,520,759,821
Other Payables	-	439,379,194	24,899,577	24,705,434	10,068,392	9,844,328	508,896,925
Total Financial Liabilities	494,443,749	6,598,789,614	4,368,974,082	1,872,085,529	1,489,780,359	309,844,328	15,133,917,660
Total Net Financial Assets/(Liabilities)	4,132,960,447	(3,883,099,247)	766,824,563	4,347,581,209	430,655,164	(198,211,663)	5,596,710,474

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37. RISK MANAGEMENT (Contd...)

37.3.1 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities (Contd...)

Company
The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2021.

As at 31 March 2021	**On Demand Rs.**	**Up to 03 Months Rs.**	**03-12 Months Rs.**	**01-03 Years Rs.**	**03-05 Years Rs.**	**Over 05 Years Rs.**	**Total as at 31/03/2021 Rs.**
Financial Assets							
Cash and Bank Balances	1,194,868,424	-	-	-	-	-	1,194,868,424
Investments in Fixed Deposits		11,787,061	163,973,870	-	-	-	175,760,930
Lease Receivable at Amortized Cost	91,227,477	76,470,258	562,873,151	6,656,724,691	2,175,771,070	21,809,113	9,584,875,760
HP Receivable at Amortized Cost	2,456,144	1,581,422	-	46,051,443	-		50,089,009
Loans and Receivables at Amortized Cost	724,159,646	137,327,646	627,484,006	5,319,561,933	2,056,569,003	248,926,078	9,114,028,310
Financial investments - at Fair Value through OCI	-	425,692,776	30,100,080	2,987,609	-	-	458,780,465
Total Financial Assets	2,012,711,691	652,859,162	1,384,431,108	12,025,325,675	4,232,340,073	270,735,191	20,578,402,899
Financial Liabilities							
Bank Overdraft	580,704,225	-	-	-	-	-	580,704,225
Due to Customers	84,952,421	2,827,215,602	5,192,827,249	1,402,033,405	12,250,357	-	9,519,279,033
Debt Issued and Other Borrowed Funds	-	1,274,934,564	2,172,057,421	1,675,561,477	592,058,279	-	5,714,611,742
Other Payables	-	556,743,706	37,085,646	35,042,113	1,762,397		630,633,862
Total Financial Liabilities	665,656,647	4,658,893,872	7,401,970,316	3,112,636,996	606,071,032	-	16,445,228,862
Total Net Financial Assets/(Liabilities)	1,347,055,045	(4,006,034,709)	(6,017,539,208)	8,912,688,679	3,626,269,039	270,735,191	4,133,174,038

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37. RISK MANAGEMENT (Contd...)

37.4 Market Risk

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, and equity prices. Among them, interest rate risk has been identified as the most critical risk given Company's business profile.

37.4.1 Interest Rate Risk

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the company, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Repricing risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve

Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

The Management of the Company is closely scrutinizing the impact on NII/NIMs resulting from interest rate related relief measures announced by CBSL to the Covid-19 affected groups.

INTEREST RATE SENSITIVITY

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the company's Net Interest Income.

Net Interest Income (NII) Sensitivity by Interest Rate Change

Company

		2022		2021	
Parallel Increase / Decrease of Basis Points (bps)*		**+/ - 100 bps**	**+/ - 200 bps**	**+/ - 100 bps**	**+/ - 200 bps**
Impact on NII (Rs)	Increase	149,478	298,957	7,508,291	15,016,581
	Decrease	(149478)	(298957)	(7,508,291)	(15,016,581)

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37. RISK MANAGEMENT (Contd...)

37.4 Market Risk (Contd...)

37.4.2 Interest Rate Risk Exposure on Financial Assets & Liabilities

The table below analyses the company's interest rate risk exposure on financial assets & liabilities. The company's assets & liabilities are included at carrying amount and categorized by the earlier of contractual repricing or maturity dates.

Company

As at 31st March 2022	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31/03/2022 Rs.
Assets							
Cash and Bank Balances	-	-	-	-	-	1,259,554,823	1,259,554,823
Investments in Fixed Deposits	413,070,352	164,453,659	-	-	-	-	577,524,011
Lease Receivable at Amortized Cost	1,548,025,341	1,414,346,011	2,479,424,355	914,363,832	3,083,070	-	6,359,242,609
HP Receivable at Amortized Cost	5,710,177	3,046,617	5,478,453	-	-	-	14,235,246
Loans and Receivables at Amortized Cost	2,800,872,433	2,468,594,064	2,436,117,198	842,951,248	101,553,053	-	8,650,087,997
Financial investments - at Fair Value through OCI	622,220,023	50,187,080	-	-	-	-	672,407,103
Other Financial Assets	-	-	-	-	-	287,746,065	287,746,065
Total Financial Assets	5,389,898,326	4,100,627,431	4,921,020,006	1,757,315,080	104,636,124	1,547,300,888	17,820,797,854
Financial Liabilities							
Bank Overdraft	194,431,250	-	-	-	-	-	194,431,250
Due to Customers	5,687,815,826	3,103,361,437	1,083,990,434	34,661,967	-	-	9,909,829,664
Debt Issued and Other Borrowed Funds	771,607,094	1,240,713,067	763,389,660	1,445,050,000	300,000,000	-	4,520,759,821
Other Payables	-	-	-	-	-	508,896,925	508,896,925
Total Financial Liabilities	6,653,854,169	4,344,074,504	1,847,380,094	1,479,711,967	300,000,000	508,896,925	15,133,917,660
INTEREST SENSITIVITY GAP	(1,263,955,843)	(243,447,074)	3,073,639,911	277,603,113	(195,363,876)	1,038,403,963	2,686,880,194

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37. RISK MANAGEMENT (Contd...)

37.4 Market Risk (Contd...)

37.4.2 Interest Rate Risk Exposure on Financial Assets & Liabilities (Contd...)

Company

As at 31st March 2021	Up to 03 Months Rs.	03-12 Months Rs.	01-03 Years Rs.	03-05 Years Rs.	Over 05 Years Rs.	Non Interest Bearing Rs.	Total as at 31/03/2021 Rs.
Assets							
Cash and Bank Balances	-	-	-	-	-	1,194,868,424	1,194,868,424
Investments in Fixed Deposits	12,043,268	157,396,972	-	-	-	-	169,440,240
Lease Receivable at Amortized Cost	1,746,930,529	1,627,887,003	3,039,460,437	978,266,305	25,696,407	-	7,418,240,681
HP Receivable at Amortized Cost	18,481,348	6,470,458	15,797,267	754,861	-	-	41,503,933
Loans and Receivables at Amortized Cost	2,484,996,078	1,187,163,277	2,329,019,844	1,091,654,302	108,631,425	-	7,201,464,927
Financial investments - at Fair Value through OCI	425,692,776	30,100,080	2,987,609	-	-	-	458,780,465
Other Financial Assets	-	-	-	-	-	734,402,671	734,402,671
Total Financial Assets	4,688,143,998	3,009,017,791	5,387,265,157	2,070,675,468	134,327,832	1,929,271,096	17,218,701,342
Financial Liabilities							
Bank Overdraft	580,704,225	-	-	-	-	-	580,704,225
Due to Customers	3,130,194,125	4,592,606,280	797,306,283	84,581,548	-	-	8,604,688,236
Debt Issued and Other Borrowed Funds	1,282,389,154	2,241,274,443	1,330,112,266	580,000,000	-	-	5,433,775,863
Other Payables	-	-	-	-	-	630,633,862	630,633,862
Total Financial Liabilities	4,993,287,505	6,833,880,723	2,127,418,549	664,581,548	-	630,633,862	15,249,802,186
INTEREST SENSITIVITY GAP	(305,143,506)	(3,824,862,933)	3,259,846,608	1,406,093,920	134,327,832	1,298,637,234	1,968,899,156

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38. RELATED PARTY TRANSACTIONS

The Company carried out transactions with parties who are defined as Related Parties as per the Sri Lanka Accounting Standard - LKAS 24 'Related Party Disclosures'.

Details of related party transactions during the year are as follows,

38.1 Transactions with Key Managerial Personnel (KMPs)

Related party includes KMPs defined as those persons having authority and responsibility for planning directing and controlling the activities for the Company. Such KMPs include the Board of Directors of the Company and Parent Company and Chief Executive Officer of the Company.

38.1.1 Key Management Personnel Compensation

	2022 Rs.	2021 Rs.
Short Term Employment Benefits	45,198,812	44,379,292
Directors Emoluments	2,134,337	1,769,996
	47,333,149	46,149,288

In addition to the above, the Company has also paid non cash benefits such as vehicles and fuel to key management personnel in line with the approved employment benefits of the Company.

38.1.2 Transactions, Arrangements and Agreements involving KMPs, and their Close Members of the Family (CFMs)

CFMs of a KMPs are those family members who may be expected to influence, or be influenced by, that KMP in their dealing with the entity.

Statement of Financial Position	**Reported Under**	**2022 Rs.**	**2021 Rs.**
Liabilities			
Fixed Deposits	Due to Customers	-	404,655
Assets			
Loans	Loans and Receivables	-	-
Income Statement			
Interest Expense on Fixed Deposits	Interest Expenses	-	23,326
Other Transactions			
Deposits Accepted During the Year		-	404,655
Loans Granted During the Year		-	-
		-	404,655

38.1.3 Transactions with Group Entities

The Group entities include the Parent, Fellow Subsidiaries and Associate companies of the parent.

Transactions with Parent Company

Statement of Financial Position		**2022 Rs.**	**2021 Rs.**
Receivables			
Head Office Current Accounts		36,411,295	-
Liabilities			
Head Office Current Accounts		-	19,219,915
Borrowings		-	280,476,000
Income Statement			
Interest Expense on current account	Interest Expenses	732,324	6,138,893
Interest Expense on Borrowings	Interest Expenses	25,767,288	29,042,464
Gain on disposal of Land Stock	Other Operating Income	29,612,095	40,401,013
Expenses for Head Office Services	Other Operating Expenses	3,273,151	3,274,593
		59,384,858	78,856,964

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38. RELATED PARTY TRANSACTIONS (Contd...)

38.1.3 Transactions with Group Entities

As at 31 March 2022

Name of the Company	Relationship	Nature of Transaction	Statement of Financial Position						Income Statement	
			(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits	Plant & Equip. Purchased /(sold)	Right of use Assets/ (Liability)	Guarantee	Income Earned	Cost Incurred
Richard Pieris and Company PLC	Parent Company	Recivables	(36,411,295)	-	-	-	-	-	-	732,324
		Borrowings*	-	-	-	-	-	-	-	25,767,288
		Gain on disposal of Land stock							29,612,095	
		Expenses for shared Services	-	-	-	-	-	-	-	3,273,151
Richard Pieris Distributors Ltd - Retailing	Fellow Subsidiary	Leases	-	744,398	-	-	-	-	96,285	-
		Right of use Assets	-	-	-	-	5,014,289	-	-	14,133,855
		Building rent	(17,861,519)	-	-	-	-	-	4,408,622	-
		Building rent & electricity	11,515,595	-	-	-	-	-	-	8,768,880
		Creditor payable	14,962,564	-	-	-	-	-	-	-
		Lease liability	-	-	-	-	(5,476,175)	-	-	1,745,920
Arpico Insurance PLC	Fellow Subsidiary	Borrowings*	-	-	100,170,411	-	-	-	-	12,440,411
Namunukula Plantations	Fellow Subsidiary	Borrowings*	-	-	200,340,822	-	-	-	-	24,880,822
Arpico Interior (Pvt) Ltd	Fellow Subsidiary	Fixed Asset Purchase	1,880,101	-	-	-	-	-	-	-
Arpitech (Pvt) Ltd	Fellow Subsidiary	Recivables	(4,000,000)	-	-	-	-	-	-	-
RPC Plantation Mgt.Services (Pvt) Ltd. (KPMS)	Fellow Subsidiary	Recivables	(4,900,000)	-	-	-	-	-	-	-
Kegalle Plantation PLC	Fellow Subsidiary	Guarantee**	-	-	-	-	-	-	162,000	-

The Company issued 14,000,000 Ordinary shares to their Parent Company (Richard Pieris and Company PLC) by converting Rs. 280Mn borrowing

Terms and Conditions

* 5 Year Subordinated unsecured Related Party Loan is at the rate of 12.44% per annum.
**The Guarantee came into effect from 10 March 2021 and settled during the year.
Outstanding balances with related parties are unsecured other than where there are leasing and similar arrangements and bear interest as applicable to relevant products.

As at 31 March 2021

Name of the Company	Relationship	Nature of Transaction	Statement of Financial Position						Income Statement	
			(Receivables) /Payables	Loans, Advances & Investments	Borrowings / Deposits	Plant & Equip. Purchased /(sold)	Right of use Assets/ (Liability)	Guarantee	Income Earned	Cost Incurred
Richard Pieris and Company PLC	Parent Company	Payables	19,219,915	-	-	-	-	-	-	6,138,893
		Borrowings	-	-	280,476,000	-	-	-	-	29,042,464
		Gain on disposal of Land stock							40,401,013	
		Expenses for shared Services	-	-	-	-	-	-	-	3,274,593
Richard Pieris Distributors Ltd - Retailing	Fellow Subsidiary	Leases	-	2,506,447	-	-	-	-	209,126	-
		Right of use Assets	-	-	-	-	19,148,107	-	-	14,133,855
		Building rent	(13,101,208)	-	-	-	-	-	1,370,556	-
		Building rent & electricity	4,752,597	-	-	-	-	-	-	8,166,854
		Creditor payable	21,706,759	-	-	-	-	-	-	-
		Lease liability	-	-	-	-	(20,640,635)	-	-	4,016,296
Arpico Insurance PLC	Fellow Subsidiary	Fixed Deposits	-	-	6,835,470	-	-	-	-	310,518
		Borrowings	-	-	100,170,000		-	-	-	10,496,904
Namunukula Plantations	Fellow Subsidiary	Borrowings	-	-	200,340,000		-	-	-	20,993,808
Arpico Interior (Pvt) Ltd	Fellow Subsidiary	Fixed Asset Purchase	2,158,108	-	-	-	-	-	-	-
Kegalle Plantation PLC	Fellow Subsidiary	Guarantee	-	-	-	-	-	10,000,000	-	-

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Richard Pieris Finance Limited

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2022

39. CAPITAL

The Company maintains capital in order to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka . The adequacy of the Company's Capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

39.1 Capital Management

The primary objective of Company's capital management policy is to ensure that the Company complies with externally imposed capital requirements and maintain healthy capital ratios in order to support its business and to maximize shareholders' value.

Computation of Capital Adequacy Ratios

	2022		2021	
Tier I Capital (Rs.000)	1,806,114		1,346,548	
Total Capital (Rs.000)	3,313,523		2,117,830	
Total Risk Weighted Amount (Rs.000)	18,200,929		17,090,673	
	Actual	**Required**	**Actual**	**Required**
Tier I Capital Ratio (%)	9.92%	7.00%	7.88%	6.50%
Total Capital Ratio (%)	18.21%	11.00%	12.39%	10.50%

40. EVENTS OCCURING AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosures in

41. COMMITMENTS AND CONTINGENCIES

There were no material Contingent Liabilities or Commitments as at reporting date except for the below

Commitments	**2022 Rs.**	**2021 Rs.**
Guarantee issued to Group entity		10,000,000

ERNST & YOUNG
Chartered Accountants
COLOMBO

Nine Year Summary

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
FINANCIAL CAPITAL									
Operating result									
Income	**2,445,239**	**2,117,939**	**3,100,038**	**3,035,267**	**2,310,234**	**1,870,991**	**1,271,817**	**801,326**	**281,985**
Interest Income	2,241,284	1,926,633	2,879,497	2,780,492	2,133,737	1,671,192	1,055,185	724,120	253,661
Interest Expenses	(1,199,273)	(1,636,906)	(2,053,314)	(1,660,379)	(1,211,243)	(935,493)	(573,300)	(377,641)	(104,226)
Net Interest Income	**1,042,011**	**289,727**	**826,184**	**1,120,113**	**922,494**	**735,699**	**481,885**	**346,478**	**149,435**
Non-Interest Income	203,956	191,306	220,541	254,775	176,497	199,799	216,632	77,207	28,324
Impairment and Other Losses	(231,943)	(158,020)	(1,089,206)	(216,717)	(102,108)	(176,583)	(190,661)	(64,500)	(18,700)
Other Operating Expenses*	(664,745)	(569,924)	(594,221)	(676,848)	(479,910)	(361,262)	(287,050)	(194,897)	(82,741)
Profit Before Tax (PBT)	**349,279**	**-246,912**	**-636,703**	**481,322**	**516,973**	**397,652**	**220,807**	**164,288**	**76,317**
Income Tax Expense	(115,737)	92,643	(7,304)	(152,620)	(118,621)	(9,001)	(6,060)	35,850	(26,761)
Profit After Tax	**233,541**	**(154,269)**	**(644,007)**	**328,701**	**398,352**	**388,651**	**214,746**	**200,138**	**49,555**
Return on Assets (ROA) (%)	**16.16%**	**-10.79%**	**-32.13%**	**2.93%**	**3.95%**	**3.62%**	**2.79%**	**3.74%**	**2.97%**
Financial Position									
Cash, Balances with Banks	1,259,555	1,194,868	273,750	653,263	348,985	272,493	48,146	32,933	15,011
Loans and Advances to Cutomers	13,390,469	13,240,550	13,530,072	15,171,677	11,779,188	10,667,073	8,265,654	5,110,945	2,453,649
Investments in T-Bills and Bonds	672,407	458,780	499,477	367,703	328,220	262,898	118,086	31,935	-
PPE and Intangible Asset	202,777	222,027	246,470	271,053	236,741	44,170	27,279	20,769	18,596
Other Asset	2,401,840	2,403,938	2,891,069	2,573,378	1,170,637	1,088,752	1,183,446	1,013,884	79,177
Total Assets	**17,927,048**	**17,520,164**	**17,440,838**	**19,037,074**	**13,863,772**	**12,335,386**	**9,642,612**	**6,210,466**	**2,566,433**
Deposits from customers	9,909,830	8,604,688	8,710,786	6,911,973	5,070,357	3,381,398	3,084,791	1,982,438	542,698
Borrowings	4,715,191	6,014,480	5,956,269	8,401,731	5,120,640	6,446,555	4,574,854	2,507,905	1,374,181
Other Liabilities	556,096	649,364	801,596	1,107,932	1,188,125	487,802	349,105	283,759	184,455
Shareholders' Funds	2,745,931	2,251,632	1,972,187	2,615,438	2,484,650	2,019,631	1,633,862	1,436,364	465,099
Total Liabilities and Equity	**17,927,048**	**17,520,164**	**17,440,838**	**19,037,074**	**13,863,772**	**12,335,386**	**9,642,612**	**6,210,466**	**2,566,433**
Capital Adequacy Ratios									
Tier 1 Capital/Core capital ratio	**9.92%**	**7.88%**	**6.26%**	**12.07%**	**16.83%**	**17.32%**	**19.81%**	**24.18%**	**18.76%**
Total Capital Ratio/Total risk weighted capital ratio (%)	**18.21%**	**12.39%**	**7.37%**	**13.21%**	**16.83%**	**10.42%**	**9.80%**	**24.33%**	**18.76%**
HUMAN CAPITAL									
Employees (Nos.)	**271**	**265**	**267**	**296**	**244**	**173**	**150**	**84**	**57**
MANUFACTURE AND INTELLECTUAL CAPITAL									
Branches (Nos.)	**15**	**12**	**12**	**12**	**12**	**2**	**2**	**1**	**1**
Credit Ratings									
Fitch Ratings Lanka	**AA- (lka) RWN**	**AA-(lka) Stable**	**A-(lka) Stable**	-	-	-	-	-	-

Notes:-

**Figures include Total operating expenses and Tax on Financial services (excluding impairment charges and other losses for loans and receivables)*

Corporate Information

NAME OF COMPANY
Richard Pieris Finance Limited

LEGAL FORM
A public limited liability company incorporated in Sri Lanka on 27th June 2011 under the Companies Act No.07 of 2007.

A Finance Company licensed by the Monetary Board of the Central Bank of Sri Lanka in terms of the Finance Business Act No. 42 of 2011.

A Registered Finance Leasing Establishment under the Finance Leasing Act No.56 of 2000.

COMPANY REGISTRATION NO
PB 4751

BOARD OF DIRECTORS
K. B. Wanigasekara (Chairman)
Non-Independent Non-Executive Director(Appointed as Chairman w.e.f. 08.10.2021)

R.S.Wijeweera
Senior Independent Non-Executive Director(Appointed w.e.f. 7.6.2021)

K.B. Wijeyeratne
Independent Non-Executive Director

A.P.U. Keppetipola
Independent Non-Executive Director

N.T.K.M.Senanayake
Non-Independent Non-Executive Director(Appointed w.e.f. 30.11.2021)

CHIEF EXECUTIVE OFFICER
W.L.S. Fonseka

REGISTERED OFFICE
310, High Level Road,
Navinna,
Maharagama.

HEAD OFFICE
69, Hyde Park Corner,
Colombo 2.

AUDITORS
Ernst & Young,
Chartered Accountants,
201, De Saram Place,
Colombo 10.

SECRETARIES
Richard Pieris Corporate Services (Private) Limited,
310, High Level Road,
Navinna,
Maharagama.

BANKERS
- Seylan Bank
- NDB Bank
- SampathBank
- Nations Trust Bank

CREDIT RATING
AA- (lka) (RWN*) by Fitch Ratings Lanka Ltd.
**Rating Watch Negative*