

PUBLICATION OF AUDITED FINANCIAL STATEMENTS IN ACCORDANCE WITH SECTION 29 (2) OF THE BUSINESS FINANCE ACT NO 42 OF 2011



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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF KANRICH FINANCE LIMITED REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the financial statements of Kanrich Finance Limited ("the Company"), which comprise the statement of financial position as at 31 March 2021, and the statement of profit or loss, 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 of the Company give a true and fair view of the financial position of the Company as at 31 March 2021, and of their financial performance and 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.

EMPHASIS OF MATTER

We draw attention to Note 37 to the financial statements, which discusses the proposed change in business activities of the company in line with the Master Plan of Consolidation for the Non-Bank Financial Institutions of the Central Bank of Sri Lanka. Our opinion is not modified in respect of this matter.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that 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.

26 November 2021
Colombo

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March,	2021 Rs.	2020 Rs.
Gross Income	1,297,436,611	2,218,804,833
Interest Income, calculated using effective interest method	1,194,425,822	1,994,620,305
Interest Expense	(494,427,715)	(815,196,378)
Net Interest Income	699,998,108	1,179,423,927
Fee and Commission Income	16,382,397	63,492,098
Net Fair Value Gain/(loss) on Investment Properties	1,329,033	(17,096,805)
Net Other Operating Income	86,628,391	160,692,430
Total Operating Income	804,337,929	1,386,511,650
Net Impairment Charge for Loans and Other Losses	79,092,648	(193,627,134)
Loans and Receivables Write Off	(26,210,416)	(14,096,968)
Net Operating Income	857,220,162	1,178,787,547
Operating Expenses		
Personnel Expenses	(397,542,034)	(493,008,918)
Depreciation and Amortization	(113,932,367)	(136,051,310)
Other Operating Expenses	(586,852,310)	(800,669,379)
Operating Loss before Value Added Tax (VAT), Nation Building Tax (NBT) and Debt Recovery Levy (DRL) on Financial Services	(241,106,550)	(250,942,060)
VAT, NBT and DRL on Financial Services	-	(65,561,006)
Profit/(Loss) before Income Tax Expense	(241,106,550)	(316,503,066)
Income Tax (Expense) Credit	(80,254,178)	163,055,209
Profit/(Loss) for the Year	(321,360,727)	(153,447,856)
Other Comprehensive Income/(Loss)		
Items that are or may be Reclassified to Profit or Loss		
Net change in fair value of financial assets - AFS	-	-
Net change in fair value of financial assets - FVTOCI	157,725	(402,415)
	157,725	(402,415)
Items that will never be Reclassified to Profit or Loss		
Actuarial Gain/(Loss) arising on Employee Benefits	(2,607,712)	7,107,019
Deferred Tax Effect on Other Comprehensive Income	730,159	(1,989,965)
	(1,877,553)	5,117,054
Other Comprehensive Income/(Loss) for the Year, Net of Tax	(1,719,828)	4,714,639
Total Comprehensive Income/(Loss) for the Year	(323,080,555)	(148,733,217)
Earnings Per Share		
Earnings/(Loss) Per Share	(4.14)	(1.97)

KANRICH FINANCE LIMITED STATEMENT OF FINANCIAL POSITION

As at 31 March,	2021 Rs.	2020 Rs.
ASSETS		
Cash and Cash Equivalents	138,455,049	74,076,585
Placement with Banks & Other Financial Institutions	386,453,019	509,110,070
Loans and Advances to Customers	2,676,194,700	3,429,759,504
Lease Rental and Hire Purchase Receivables	906,164,307	1,599,918,798
Financial Investments - FVTOCI	36,585,317	35,643,419
Other Financial Assets	167,877,180	240,305,288
Real Estate Stock	675,178,112	856,438,705
Investment Properties	45,403,933	144,024,000
Other Non Financial Assets	75,673,957	231,460,766
Intangible Assets	9,976,564	15,296,508
Property, Plant & Equipment	79,789,122	133,475,050
Rights of Use Assets	167,840,792	246,109,529
Deferred Tax Assets	261,947,496	342,066,009
Total Assets	5,627,539,548	7,857,684,232
LIABILITIES		
Due to Banks & Financial Institutions	431,961,304	831,343,334
Deposits Due to Customers	914,158,305	958,959,541
Debt Instruments Issued and Other Borrowed Funds	2,195,501,367	3,643,429,289
Lease Liabilities	196,994,200	232,457,690
Other Financial Liabilities	66,342,995	88,585,158
Current Tax Liabilities	2,127,599	2,127,589
Other Liabilities	530,394,033	941,488,957
Employee Benefits	73,071,165	74,689,259
Compensation Reserve Fund	14,739,455	22,475,094
Total Liabilities	4,425,290,424	6,795,555,912
EQUITY		
Stated Capital	1,137,556,482	672,993,044
Reserves	49,936,982	50,261,570
Retained Earnings	14,755,660	338,873,706
Total Equity	1,202,249,124	1,062,128,320
Total Liabilities and Equity	5,627,539,548	7,857,684,232
Net Assets Value Per Share (Rs.)	7.97	13.67

Certification

I certify that these financial statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd.

Mr. O.V.A. Perera
Acting Head of Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. Approved and signed for and on behalf of the Board of Directors

Sgd.

Dr. Ravi Rathnayake
Chairman

Sgd.

Mr. Shiran Weerasinghe
Director/Chief Executive Officer

Colombo.

26 November 2021

SELECTED PERFORMANCE INDICATORS

	As at 31-03-2021	As at 31-03-2020
Regulatory Capital Adequacy (%)		
Tier 1 Capital Adequacy Ratio	7.43%	10.24%
Total Capital Adequacy Ratio	7.43%	10.24%
Capital Funds to Deposit Liabilities Ratio	36.58%	21.43%
Quality of Loan Portfolio (%)		
Gross Non-Performing Loans Ratio,	28.58%	25.98%
Net-Non-Performing Loans Ratio,	21.48%	10.62%
Net-Non-Performing Loans to Core Capital Ratio,	89.63%	70.07%
Provision Coverage Ratio	51.20%	45.18%
Profitability (%)		
Net Interest Margin	13.92%	15.66%
Return on Assets	-4.28%	-4.03%
Return on Equity	-20.05%	-29.80%
Cost to Income Ratio	86.20%	64.44%
Liquidity (%)		
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	174.07%	238.81%
Liquid Assets to External Funds	15.85%	12.34%
Memorandum information		
Number of Branches	30	30
External Credit Rating		
Regulatory penalties imposed last 6 months		
Amount (Rs. Mn)	1	-
Regulatory Deposit Restrictions		
Cap on total Deposits (Rs. mn)	1 Bn	1 Bn
Downsizing of Deposits - per month / quarter / year (Rs. mn)	-	-
Freezing of Deposits	-	-
Regulatory Borrowing Restrictions		
Cap on total Borrowings (Rs. mn)	8 Bn	8 Bn
Downsizing of Borrowings- per month (Rs. mn)	135	225
Freezing of Borrowings	-	-
Regulatory Lending Restrictions		
Cap on total Lending portfolio (Rs. mn)	-	-
Downsizing of Lending portfolio - per month/quarter/year (Rs. mn)	-	-
Restrictions on granting new credit facilities and/or extending the terms of existing credit facilities	Yes	Yes
Any Other Regulatory Restrictions	None	None



A Member of Mutual Holdings

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