LOLC FINANCE PLC
(Formerly known as Lanka ORIX Finance PLC)

FINANCIAL STATEMENTS

31 MARCH 2016

Building a better working world

Ernst & Young
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INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF LOLC FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of LOLC Finance PLC (Formerly known as Lanka ORIX Finance PLC) ("the Company"), which comprise the statement of financial position as at 31 March 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. (set out on pages 07 to 64).

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2016, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

(Contd..2/)

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Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion, scope and limitations of the audit are as stated above.

b) In our opinion:

- 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, and

- the financial statements of the Company comply with the requirements of section 151 of the Companies Act No. 07 of 2007.

27 May 2016
Colombo

Ernst & Young

STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	2016 Rs.	2015 Rs.
ASSETS			
Cash and bank balances	29.1	3,497,994,396	2,975,305,230
Deposits with banks and other financial institutions		10,206,770,924	761,095,291
Investment in government securities	3	8,397,496,235	5,900,717,853
Derivative assets	4.1	98,163,191	2,740,000
Rentals receivable on leased assets	5	17,243,862,077	13,150,375,843
Hire purchases, loans and advances	6	53,335,175,248	36,647,328,869
Factoring receivable	6.4	13,598,600,891	6,200,201,741
Margin trading receivables	6.5	85,597,164	293,711,960
Other receivables	7	694,055,473	639,352,319
Investment securities	8	1,083,470,844	8,843,275
Amount due from related companies	9	3,271,183	2,882,510
Investment properties	10	930,200,000	1,142,800,000
Property plant and equipment	11	1,210,407,229	136,544,681
Total assets		110,385,064,854	67,861,899,570
LIABILITIES			
Bank overdraft	29.2	1,941,608,486	2,333,062,400
Interest bearing borrowings	12	35,070,151,714	11,040,027,979
Deposits from customers	13	60,197,200,894	41,309,960,471
Trade payables	14	637,849,803	645,905,072
Accruals and other payables	15	1,018,602,831	822,440,615
Derivative liabilities	4.2	17,859,000	57,514,900
Amount due to related companies	16	996,780,809	2,453,097,016
Current tax payable	27.1	309,887,595	434,425,679
Deferred tax liability	27.2	984,741,078	761,419,624
Employee benefits	17.2	12,248,571	10,450,090
Total liabilities		101,186,930,781	59,868,303,846
SHAREHOLDER'S FUNDS			
Stated capital	18	2,000,000,000	2,000,000,000
Statutory reserve	19.1	1,239,075,154	953,676,506
Investment fund reserve	19.2	-	-
Cash flow hedge reserve	19.3	22,747,657	-
Available for sale investment reserve	19.4	(160,153,753)	86,036,783
Retained earnings	19.5	6,096,465,015	4,953,882,436
Total equity		9,198,134,073	7,993,595,724
Total liabilities and equity		110,385,064,854	67,861,899,570

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

....
(Mrs.) S.S.Kotakadeniya
Chief Financial Officer-LOLC Group

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

....
W.D.K. Jayawardena - Chairman

....
A. Nissanka - Director / CEO

The annexed notes to the financial statements on pages 7 through 64 form an integral part of these financial statements.

ERNST & YOUNG Chartered Accountants COLOMBO

27 May 2016
Rajagiriya (Greater Colombo)

LOLC Finance PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2016

	Note	2016 Rs.	2015 Rs.
Interest income	20	13,137,597,016	10,871,226,902
Interest expense	21	(6,499,474,559)	(4,978,311,703)
Net interest income		6,638,122,457	5,892,915,199
Net other operating income	22	1,245,508,882	1,269,830,788
Direct expenses excluding interest cost	23	(911,716,942)	(428,891,690)
Allowance for impairment & write-offs	24	(1,568,576,077)	(1,497,302,317)
Personnel expenses	25.1	(1,100,549,812)	(897,363,959)
Depreciation		(32,717,251)	(12,166,033)
General & administration expenses		(1,974,524,385)	(1,860,446,851)
Profit from operations	25	2,295,546,872	2,466,575,137
Value added tax on financial service		(275,890,844)	(240,226,291)
Profit before tax		2,019,656,028	2,226,348,846
Income tax expense	27	(592,662,785)	(742,766,624)
Profit for the year		1,426,993,242	1,483,582,221
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability - gain / (loss)	17.2	1,372,202	(278,131)
Related tax	27.2	(384,217)	77,877
		987,985	(200,254)
Items that are or may be reclassified to profit or loss			
Available-for-sale financial assets :			
Net change in fair value	3.3	(246,190,536)	(23,755,959)
Gain / (loss) on cash flow hedges	19.3	34,156,257	-
Related tax	27.2	(11,408,600)	-
		(223,442,879)	(23,755,959)
Total other comprehensive income, net of tax		(222,454,894)	(23,956,213)
Total comprehensive income for the year		1,204,538,349	1,459,626,008
Basic earnings per share	28.1	0.51	0.53

The annexed notes to the financial statements on pages 7 through 64 form an integral part of these financial statements.

LOLC Finance PLC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2016

	Note	Stated Capital Rs.	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Cash flow Hedge Reserve Rs.	Available for Sale Investment Reserve Rs.	Retained Earnings Rs.	Total Equity Rs.
Balance as at 1 April 2014		2,000,000,000	879,497,395	391,850,336	-	109,792,742	3,152,829,244	6,533,969,716
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	1,483,582,221	1,483,582,221
Other comprehensive income, net of income tax								
Net change in fair value	3.3	-	-	-	-	(23,755,959)	-	(23,755,959)
Remeasurements of defined benefit liability - gain / (loss)	17.2 / 27.2	-	-	-	-	-	(200,254)	(200,254)
		-	-	-	-	(23,755,959)	(200,254)	(23,956,213)
Total comprehensive income for the year		-	-	-	-	(23,755,959)	1,483,381,967	1,459,626,008
Transactions recorded directly in equity								
Transfer to Investment Fund Reserve		-	-	32,935,748	-	-	(32,935,748)	-
Transferred to retained earnings during the year		-	-	(424,786,084)	-	-	424,786,084	-
Transfer to Statutory Reserve Fund		-	74,179,111	-		-	(74,179,111)	-
Total transactions recorded directly in equity		**-**	**74,179,111**	**(391,850,336)**	**-**	**-**	**317,671,225**	**-**
Balance as at 31 March 2015		**2,000,000,000**	**953,676,506**	**-**	**-**	**86,036,783**	**4,953,882,436**	**7,993,595,724**
Balance as at 1 April 2015		2,000,000,000	953,676,506	-	-	86,036,783	4,953,882,436	7,993,595,724
Total comprehensive income for the year								
Profit for the year		-	-	-	-	-	1,426,993,242	1,426,993,242
Other comprehensive income, net of income tax								
Net change in fair value	3.3	-	-	-	-	(246,190,536)	-	(246,190,536)
Remeasurements of defined benefit liability - gain / (loss)	17.2 / 27.2	-	-	-	-	-	987,985	987,985
Net movement of cashflow hedges	19.3	-	-	-	22,747,657	-	-	22,747,657
		-	-	-	22,747,657	(246,190,536)	987,985	(222,454,894)
Total comprehensive income for the year		-	-	-	22,747,657	(246,190,536)	1,427,981,228	1,204,538,349
Transactions recorded directly in equity								
Transfer to Statutory Reserve Fund		-	285,398,648	-	-	-	(285,398,648)	-
Total transactions recorded directly in equity		**-**	**285,398,648**	**-**	**-**	**-**	**(285,398,648)**	**-**
Balance as at 31 March 2016		**2,000,000,000**	**1,239,075,154**	**-**	**22,747,657**	**(160,153,753)**	**6,096,465,015**	**9,198,134,073**

The annexed notes to the financial statements on pages 7 through 64 form an integral part of these financial statements.

CASH FLOW STATEMENT

Year ended 31 March 2016

	Note	2016 Rs.	2015 Rs.
Cash flows from /(used in) operating activit			
Profit before income tax expense		2,019,656,028	2,226,348,846
Adjustments for:			
Depreciation	11	32,717,251	12,166,033
(Profit)/Loss on Sales of Investment property		32,315,560	-
Change in fair value of derivatives - forward contracts	4.3	(94,334,091)	60,242,400
Provision for fall / (increase) in value of investments	8.1	(8,502,569)	200,000
Impairment provision for the period	24	907,112,179	631,168,807
Provision for payables to clients	22	9,539,899	16,017,150
Change in fair value of investment property	10	(29,070,709)	(139,964,690)
Provision for defined benefit plans	17.2.a	3,651,323	3,126,017
Investment income		(593,897,130)	(611,873,253)
Finance costs	21	6,499,474,559	4,978,311,703
Operating profit before working capital changes		8,778,662,300	7,175,743,013
Change in other receivables		(37,911,218)	92,623,598
Change in inventories		-	12,080,000
Change in trade and other payables		178,567,046	629,027,885
Change in amounts due to/ due from related parties		(1,456,704,880)	1,806,834,413
Change in factoring receivables		(8,134,078,179)	(2,955,425,790)
Change in lease receivables		(4,038,795,335)	(1,905,624,582)
Change in hire purchase, loans and advances		(16,930,762,363)	(8,699,282,677)
Change in margin trading advances		208,114,796	(32,688,227)
Change in fixed deposits from customers		17,776,408,584	(1,592,806,882)
Change in savings deposits from customers		307,446,704	61,342,947
Cash used in operations		(3,349,052,545)	(5,408,176,302)
Finance cost paid on deposits		(3,936,071,366)	(4,269,028,902)
Gratuity paid	17.2	(480,640)	(962,473)
Income tax paid	27.1	(505,672,232)	(378,278,815)
Net cash used in operating activities		(7,791,276,783)	(10,056,446,492)
Cash flows from (used in) investing activities			
Acquisition of Property, Plant & Equipment & Investment property		(428,734,621)	-
Net proceeds from investments in term deposits		(9,445,675,633)	(294,618,937)
Net proceeds from investments in government securities		(2,742,968,918)	(987,651,691)
Interest received		593,897,130	611,873,253
Proceeds from sale of investment property		209,715,250	-
Investments in companies		(66,125,000)	-
Investments in Unit trust		(1,000,000,000)	-
Net cash flows used in investing activities		(12,879,891,792)	(670,397,375)
Cash flows from (used in) financing activities			
Net proceeds from interest bearing loans & borrowings		23,292,962,000	4,756,448,137
Proceeds from issue of debentures		-	5,000,000,000
Lease rentals paid		(111,557,233)	(54,189,936)
Finance cost paid on borrowings		(1,596,093,112)	(433,388,020)
Net cash flows from financing activities		21,585,311,655	9,268,870,181
Net increase / (decrease) in cash and cash equivalents		914,143,080	(1,457,973,690)
Cash and cash equivalents at the beginning of the period		642,242,830	2,100,216,520
Cash and cash equivalents at the end of the period (note 29)		1,556,385,910	642,242,830

The annexed notes to the financial statements on pages 7 through 64 form an integral part of these financial statements.

1. GENERAL

1.1 REPORTING ENTITY

1.1.1 Corporate Information

LOLC Finance PLC (Formerly known as Lanka ORIX Finance PLC) (“the Company”) is a quoted public Company with limited liability incorporated on 13 December 2001 and domiciled in Sri Lanka. The registered office of the Company is at No.100/1, Sri Jayewardenepura Mawatha, Rajagiriya.

The Company has been registered with the Central Bank of Sri Lanka as a Finance Company under the provisions of the Finance Business Act No. 42 of 2011. The Company has obtained registration from the Securities and Exchange Commission, as a Market Intermediary to perform the functions of a Margin Provider under section 19A of the Securities & Exchange Commission Act No.36 of 1987 as amended by Act Nos. 26 of 1991 & 18 of 2003.

1.1.2 Parent entity and Ultimate Parent Company

The Company’s immediate and ultimate parent undertaking and controlling entity is Lanka ORIX Leasing Company PLC, which is incorporated in Sri Lanka.

1.1.3 Principal Activities and Nature of Operations

The principal activities of the Company comprised of leasing, hire purchase, margin trading, loans, property development, mobilization of public deposits and Islamic financing.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

1.1.4 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.

1.1.5 Number of Employees

The staff strength of the Company as at 31 March 2016 was 771 (2015– 642).

1.2 BASIS OF PREPARATION

1.2.1 Statement of compliance

The Financial Statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards (SLAS) prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS), promulgated by the Institute of Chartered Accountants of Sri Lanka (ICASL) and comply with the requirements of the Companies Act, No. 7 of 2007, the Regulation of Finance Business Act No.42 of 2011 and the listing rules of the Colombo Stock Exchange.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing the information on the financial performance of the Company for the year under review;
- a Statement of Financial Position providing the information on the financial position of the Company as at the year-end;
- a Statement of Changes in Equity depicting all changes in shareholders of Changes in Equity and depicting all changes the Company;
- a Statement of Cash Flows providing the information to the users, on the ability of the Company to generate cash and cash equivalents and the needs of entity to utilize those cash flows; and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

Details of the Company's accounting policies are included in Note 2

1.2.2 Date of authorization for issue

The Financial Statements were authorized for issue by the Board of Directors on 27 May 2016.

1.2.3 Basis of measurement

These financial statements have been prepared on a historical cost basis except for the following material items, which are measured on an alternative basis on each reporting date:

Items	**Measurement basis**	**Note No.**
Derivative financial instruments	Fair value	4
Non-derivative financial instruments at fair value through profit or loss	Fair value	8.1
Available for sale financial assets	Fair value	3.2
Investment property	Fair value	10
Net defined benefit assets / (liabilities)	Actuarially valued and recognized at the present value	17.2

No adjustments have been made for inflationary factors affecting the Financial Statements.

The Company presents its statement of financial position in order of liquidity.

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 settled the liability simultaneously.

1.2.4 Materiality and aggregation

Each material class of similar items are presented separately. Items of dissimilar nature or function are presented separately unless they are immaterial.

1.2.5 Going concern

The Directors have made an assessment of the Company's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis.

1.2.6 Comparative information

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous period. Comparative information has not been reclassified or restated.

1.3 FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

These financial statements are presented in Sri Lankan Rupees, the Company's functional and presentation currency.

There was no change in the Company's presentation and functional currency during the year under review.

All financial information has been rounded to the nearest Rupee unless otherwise specifically indicated.

1.4 SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with SLFRSs/LKASs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors, including expectations of future events that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. The respective carrying amounts of assets and liabilities are given in the related Notes to the financial statements.

Information about critical judgments, estimates and assumptions in applying accounting policies that have the most significant effect on the amounts recognized in the Financial Statements are included in the following notes:

Critical Accounting estimate / judgment	**Disclosure reference**
	Note
Fair value measurement of financial instruments and investment properties	1.4.1 / 10.1
Financial assets and liability classification	1.4.2
Impairment losses on loans and advances	1.4.3
Impairment losses on available for sale investments	1.4.4
Impairment losses on other assets	1.4.5
Defined benefit obligation	1.4.6
Provisions for liabilities and contingencies	1.4.7

1.4.1 Fair value measurement

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values and reports directly to the Group CFO.

The team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, are used to measure fair values, then the team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant judgements used in valuation and issues that arises are reported to the Company's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information on assumptions made in measuring fair values and the fair value measurement level is included in the following notes:

Note 10 – Investment property; and

Note 2.2 & 2.24 – Financial instruments;

1.4.2 Financial assets and liability classification into categories

The Company's accounting policies provide scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances.

In classifying financial assets or liabilities into categories, the Company has determined that it meets the description of trading assets and liabilities set out in Note 2.2.1.c. In classifying financial assets as held to maturity, the Company has determined that it has both the positive intention and ability to hold the assets unit their maturity date as required by Note 2.2.1.c

1.4.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Profit or Loss and Other Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance made.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorizing them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio and judgment on the effect of concentrations of risks and economic data.

The policy on impairment loss on loans and advances is disclosed in more detail in Note 2.2.9.

1.4.4 Impairment losses on available for sale investments

The Company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgments as applied to the individual assessment of loans and advances. The Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged decline' in fair value below their cost requires judgment. In making this judgment, the Company evaluates, among other factors, historical price movements and duration and extent to which the fair value of an investment is less than its cost.

The impairment loss on available for sale investments is disclosed in Note 2.2.9.

1.4.5 Impairment losses on other assets

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit at each reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the circumstances that necessitate doing so. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

Specific Accounting Policies on impairment of Non-financial assets are discussed in Note 2.6.

1.4.6 Defined benefit obligation

The cost of the defined benefit plans is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. Refer Note 2.7.3 and 17.2.c for the accounting policy and assumptions used.

1.4.7 Provisions for liabilities and contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgments as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

2. SIGNIFICANT ACCOUNTING POLICIES

Set out below is an index of the significant accounting policies, the details of which are available on the pages that follow:

Index	Accounting policy
2.1	Foreign currency
2.2	Financial assets and financial liabilities
2.3	Leases
2.4	Investment property
2.5	Property plant and equipment
2.6	Impairment - non-financial assets
2.7	Employee benefits
2.8	Provisions
2.9	Equity movements
2.10	Capital commitments and contingencies
2.11	Events occurring after the reporting date
2.12	Interest income and interest expense
2.13	Fees, commission and other income
2.14	Dividends
2.15	Expenditure recognition
2.16	Income tax expense
2.17	Earnings per share
2.18	Cash flow statements
2.19	Related party transactions
2.20	Operating segments
2.21	Fair value measurement
2.22	New accounting standards issued but not effective as the reporting date.

2.1 Foreign currency transactions

Sri Lankan rupee is the functional currency of the Company. Transactions in foreign currencies are translated into the functional currency of the Company at the spot exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the spot exchange rate at the end of the year.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated to the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated using the spot exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognized in profit or loss. However, foreign currency differences arising from the retranslation of the available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to profit or loss) are recognized in other comprehensive income.

SIGNIFICANT ACCOUNTING POLICIES - RECOGNITION OF ASSETS AND LIABILITIES

2.2 Financial assets and financial liabilities

2.2.1 Non-derivative financial assets

2.2.1.a Initial recognition of financial assets

Date of recognition
The Company initially recognizes loans and receivables and deposits with other financial institutions on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets
The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial instruments are measured initially at their fair value plus transaction costs that are directly attributable to acquisition or issue of such financial instrument, except in the case of financial assets at fair value through profit or loss as per the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'.

Transaction cost in relation to financial assets at fair value through profit or loss are dealt with through the statement of profit or loss

'Day 1' profit or loss on employee loans below market rates
When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'.

In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

2.2.1.b Classification of financial assets

The Company classifies non-derivative financial assets into the following categories:
- financial assets at fair value through profit or loss;
- held-to-maturity financial assets;
- loans and receivables; and
- available- for-sale financial assets.

2.2.1.c Subsequent measurement of financial assets

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's investment strategy. Attributable transaction costs are recognized in statement of profit or loss as incurred.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with changes in fair value recognized in the statement of profit or loss

Financial assets at fair value through profit or loss comprises of quoted equity instruments and unit trusts unless otherwise have been classified as available-for-sale.

Held-to-maturity financial assets

Financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold it to maturity. Held-to-maturity financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate (EIR). The EIR amortization is included in interest income in the Statement of Profit or Loss and Other Comprehensive Income. The losses arising from impairment are recognized as impairment cost in the Statement of Profit or Loss and Other Comprehensive Income.

The Company has not classified any instrument as held to maturity.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents, deposits with banks and other financial institutions, investments in Standing Deposit Facilities (REPO's), lease receivables, hire purchase receivables, advances and other loans granted, factoring receivables, amount due from related parties and other receivables.

- *Cash and cash equivalents*

  Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

- *Finance leases and hire purchase*

  When the Company is the lessor in a lease agreement that transfers substantially all of the risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease and a receivable equal to the net investment in the lease is recognized. Amounts receivable under finance leases are included under "Rentals receivable on leased assets". Leasing balances are stated in the statement of financial position after deduction of initial rentals received, unearned lease income and the provision for impairment losses.

- *Advances and other loans to customers*

  Advances and other loans to customers comprised of revolving loans and loans with fixed installment

  Loans to customers are reflected in the Statement of Financial Position at amounts disbursed less repayments and provision for impairment losses.

- *Financial guarantees*

  Financial guarantees are contracts that require the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The Company in its normal course of the business issues guarantees on behalf of the depositors, holding the deposit as collateral.

Available-for-sale financial assets

'Available-for-sale investments' are non-derivative investments that are designated as available-for-sale or are not classified as another category of financial assets. Available-for-sale investments comprise equity securities and debt securities. Unquoted equity securities whose fair value cannot be measured reliably are carried at cost. All other available-for-sale investments are measured at fair value after initial recognition.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Company becomes entitled to the dividend. Impairment losses are recognised in profit or loss.

Other fair value changes, other than impairment losses, are recognised in OCI and presented in the AFS reserve within equity. When the investment is sold, the gain or loss accumulated in equity is reclassified to profit or loss.

2.2.2 Non-derivative financial liabilities

Classification and subsequent measurement of financial liabilities
The Company initially recognizes non-derivative financial liabilities on the date that they are originated.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Other financial liabilities comprise of bank overdrafts, interest bearing borrowings, customer deposits, trade payables, accruals & other payables and amounts due to related parties:

Bank overdrafts

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Deposits and bank borrowings - classified as other financial liabilities carried at amortized cost

Deposits and bank borrowings are the Company's sources of debt funding.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. Subsequent to initial recognition deposits and bank borrowings are measured at their amortized cost using the effective interest method.

2.2.3 Derivatives held for risk management purposes and hedge accounting

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. Derivatives held for risk management purposes are measured at fair value in the statement of financial position. Derivatives are recognized as assets when their fair value is positive and as liabilities when their fair value is negative.

The Company designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Company formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Company makes an assessment, both at inception of the hedge relationship and on an ongoing basis, of whether the hedging instrument(s) is(are) expected to be highly effective in offsetting the changes in the cash flows of the respective hedge item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

These hedging relationships are discussed below.

i. Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk (in the same line item in the statement of profit or loss and OCI as the hedged item).

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Company does not have any fair value hedges.

ii. Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve within equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment in the same period as the hedged cash flows affect profit or loss, and in the same line item in the statement of profit or loss and OCI.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for cash flow hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

iii. Net investment hedges

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of changes in the fair value of the hedging instrument is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the changes in the fair value of the derivative is recognised immediately in profit or loss. The amount recognised in OCI is reclassified to profit or loss as a reclassification adjustment on disposal of the foreign operation.

The Company does not have any net investment hedges.

2.2.3.a Other non-trading derivatives

If a derivative is not held for trading, and is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of other income.

2.2.4 Reclassification of financial assets and liabilities

The Company reclassifies non-derivative financial assets out of the 'held-for-trading' category and into the 'available-for-sale', 'loans and receivables', or 'held-to-maturity' categories as permitted by the Sri Lanka Accounting Standard – LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category.

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

Reclassification is at the election of the Management and is determined on an instrument-by-instrument basis.

The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the Company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

No reclassifications of financial instruments were done during the year.

2.2.5 Derecognition of financial assets and financial liabilities

Financial assets
The Company derecognizes a financial asset when the rights to receive cash flows from the asset have expired or 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.

(a) The Company has transferred substantially all the risks and rewards of the asset, or

(b) The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of;

(i) The consideration received (including any new asset obtained less any new liability assumed) and

(ii) Any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Financial liabilities

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

2.2.6 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal 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 liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs, or for gains and losses arising from a group of similar transactions such as in the Company's trading activity

2.2.7 Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

2.2.8 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Determination of fair value

The fair value of financial instruments that are traded in an active market at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, a discounted cash flow analysis or other valuation models.

2.2.9 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Company, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Company considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans receivables with similar risk characteristics.

In assessing collective impairment the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an impairment allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying losses accumulated in the AFS reserve in equity, to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss recognized previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income, If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognized in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognized in profit or loss.

2.3 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

2.3.1 Finance Leases

Finance leases – Company as a lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in finance cost in the statement of profit or loss.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Finance leases – Company as a lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in "Rentals receivable on leased assets". The finance income receivable is recognised in 'interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

2.3.2 Operating Leases

Leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased items to the lessee are operating leases.

Operating leases – Company as a lessee
Operating lease payments are recognized as an expense in the statement of profit or loss on a straight line basis over the lease term. Contingent rent payable is recognized as an expense in the period in which they are incurred.

Operating leases – Company as a lessor
Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

2.4 Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.5 Property plant and equipment

2.5.1 Recognition and measurement

Property, plant and equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured.

Items of property, plant and equipment are measured at cost/ revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of property, plant and equipment, and is recognized in other income/other expenses in profit or loss.

2.5.1.a Cost model

The Company applies the cost model to all property, plant and equipment except freehold land and buildings; and is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

2.5.1.b Revaluation model

The Company revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the statement of profit or loss. A decrease in value is recognized in the statement of profit or loss where it exceeds the increase previously recognized in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

2.5.2 Subsequent costs

The cost of replacing a component of an item of property, plant or equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

2.5.3 Depreciation

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current year are as follows:

Motor vehicles	4-8 years
Buildings	40 years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

2.6 Impairment - non-financial assets

The carrying amounts of the Company's non-financial assets, other than, deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognized in the statement of profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), if any, and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.7 Employee benefits

2.7.1 Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognized for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.7.2 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available All employees of the Company are members of the Employees' Provident Fund (EPF) and Employees' Trust Fund (ETF), to which the Company contributes 12% and 3% of employee salaries respectively.

2.7.3 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

The Company recognizes all actuarial gains and losses / remeasurement component arising from defined benefit plans immediately in other comprehensive income.

The obligation is not externally funded.

2.8 Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. 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 the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

2.9 Equity movements

2.9.1 Ordinary shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

2.9.2 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors in accordance with the Articles of Association. Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

2.9.3 Share issue costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

2.10 Capital commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of financial position but are disclosed unless they are remote.

2.11 Events occurring after the reporting date

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

All material post reporting date events have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES –RECOGNITION OF INCOME AND EXPENSES

2.12 Interest income and interest expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss includes the interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

2.12.1 Income from leases, hire purchases and term loans

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognized as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

2.12.2 Factoring

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client's current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

2.13 Fees, commission and other income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognized as the related services are performed.

Collections on contracts written off and interest on overdue rentals are accounted for on cash basis.

2.14 Dividends

Dividend income is recognized when the right to receive income is established.

2.15 Expenditure recognition

Expenses are recognized in the statement of profit or loss on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

2.15.1 Value Added Tax (VAT) on financial services

The base for the computation of Value Added Tax on financial services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on the prescribed rate.

The VAT on financial service is recognized as expense in the period it becomes due.

2.15.2 Nation Building Tax on financial services (NBT)

With effect from January 01, 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on financial services.

2.15.3 Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.16 Income tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income. Note 27 represent the major components of income tax expense to the financial statements.

2.16.1 Current tax expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Management has used its judgment on the application of tax laws in determining the current tax liability including transfer pricing regulation involving identification of associated undertakings, estimation of the respective arm’s length prices and selection of appropriate pricing mechanism.

2.16.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The relevant disclosures are given in Note 27.2 to the financial statements.

2.17 Earnings per share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Specific disclosures are included in Note 28.1. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees. The relevant disclosures are given in 28.2 to the financial statements.

SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

2.18 Cash flow statements

The cash flow statement has been prepared using the indirect method and direct method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

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. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

SIGNIFICANT ACCOUNTING POLICIES – GENERAL

2.19 Related Party Transactions

Transactions with related parties are conducted in the normal course of business. The relevant disclosures are given in Note 32 to the Financial Statements.

2.20 Operating Segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has three reportable segments, Conventional financial services, Islamic financial services and Factoring, which are the Company's strategic divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 34. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

2.21 Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. External professional valuers are involved for valuation of significant assets such as investment properties.

Fair Value Hierarchy
The Company measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement.

Level 1
Inputs that are unadjusted quoted market prices in an active market for identical instruments
When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2
Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices)

This category includes instruments valued using;

(a) quoted market in active markets for similar instruments,
(b) quoted prices for identical or similar instruments in markets that are considered to be less active, or
(c) other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3
Inputs that are unobservable
This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's value.

Valuation techniques include net present value and discounted cash flow models comparisons with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgment and estimation while reducing uncertainty associated in determining the fair values.

2.22 Impending Accountings standards / standards issued not yet effective

Certain new accounting standards and amendments / improvements to existing standards have been published, that are not mandatory for 31 March 2016 reporting periods. None of those have been early adopted by the Company.

SLFRS 9 Financial Instruments

SLFRS 9 replaces the existing guidance in LKAS 39 Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

SLFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

SLFRS 14 Regulatory Deferral Accounts

SLFRS 14 is an interim standard which provides relief for first time -adopters of SLFRS in relation to the accounting for certain balances that arise from rate-regulated activities (‘regulatory deferral accounts’). The standard permits these entities to continue to apply their previous GAAP accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral accounts.

SLFRS 14 is effective for annual periods beginning on or after 1 January 2016.

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.

SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

Management believes that the SLFRS 14 would not be applicable for the Company, as it is an existing SLFRS preparer/does not involve in rate regulatory activities. Pending the completion of the detailed impact analysis, possible Impact from SLFRS 9 and SLFRS 15 is not reasonably estimable as of the reporting date.

The following amendments and improvements are not expected to have a significant impact on the Company's financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to SLFRS 11).
- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to LKAS 16 and LKAS 38).
- Equity Method in Separate Financial Statements (Amendments to LKAS 27).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to SLFRS 10 and LKAS 28).
- Annual Improvements to SLFRSs.
- Investment Entities: Applying the Consolidation Exception (Amendments to SLFRS 10, SLFRS 12 and LKAS 28).
- Disclosure Initiative (Amendments to LKAS 1).

2.23 Financial risk management

2.23.1 Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

2.23.2 Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has established the Integrated Risk Management Committee (IRMC), which is responsible for developing and monitoring the Company's risk management policies. The committee reports regularly to the Board of Directors on its activities.

The Company's risk management policies are established to identify and analyses the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. All the Company level risks are escalated to the parent Company IRMC and the Board. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Audit Committee oversees the reports submitted by the Enterprise Risk Management and monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

2.23.3 Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to financial instruments fails to meet its contractual obligations. Credit risk is mainly arising from Company's receivable from customers.

2.23.3.1 Management of credit risk

1. Facilities granted to customers

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit department. Credit department, reporting to the Credit Committee, is responsible for management of the Company's credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements.

2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by the Chief Credit Officer, CEO and the Board of Directors as appropriate.

3. Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

4. Monitoring limiting concentrations of exposure to counterparties, geographies and industries

5. Developing and maintaining a risk grading for significant clients in order to categories exposures according to the degree of risk of financial loss faced and to focus management on the associated risks.

6. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, and product types.

7. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

2) Allowances for impairment

The Company establishes an allowance for impairment losses on assets carried at amortized cost that represents its estimate of incurred losses in its lease and loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortized cost, a collective loan loss allowance established for groups of homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired.

3) Write-off policy

The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when the Board of Directors determines that the loan or security is uncollectible. This determination is made after considering information such as occurrence of significant changes in the borrower’s/issuer’s financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status. The Company generally writes off balances on its past due status reaching 12 months and if no collateral is available.

The Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral usually is not held against investment securities, and no such collateral was held at 31 March 2016 (2015: no collateral held).

Credit quality by class of financial assets ***(In Rs'mn)***

	Leases		Hire Purchases		Mortgage Loans		Other Loans and Advances		Margin Trading		Factoring Receivables		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Carrying amount	**17,243**	**13,150**	**17**	**88**	**799**	**618**	**52,520**	**35,941**	**86**	**294**	**13,599**	**6,200**	**84,263**	**56,291**
Assets at amortized cost														
Individually impaired - Gross amount	224	289	-	2	14	141	1,048	959	-	-	728	-	2,014	1,391
Less : Allowance for impairment	(210)	(249)	-	(1)	-	-	(547)	(414)	-	-	(500)	-	(1,257)	(664)
Carrying amount	**14**	**40**	**-**	**1**	**14**	**141**	**501**	**545**	**-**	**-**	**228**	**-**	**757**	**727**
Portfolio subject to collective impairment - Gross amount	17,281	13,177	19	88	831	558	52,844	36,075	86	294	13,766	6,359	84,826	56,552
Less : Allowance for impairment	(52)	(67)	(2)	(1)	(46)	(82)	(824)	(679)	-	-	(395)	(159)	(1,320)	(988)
Carrying amount	**17,229**	**13,110**	**17**	**87**	**785**	**477**	**52,019**	**35,396**	**86**	**294**	**13,371**	**6,200**	**83,507**	**55,564**

An estimate made at the time of borrowing / at the time of impairment evaluation, of the fair value of collateral and other security enhancements held against loans and advances to customers is shown below;

(In Rs'mn)	**2016**	**2015**
Against individually impaired customers :		
Property	617	1,548
Vehicles	123	167

(In Rs'mn)	**2016**	**2015**
Against Collectively impaired customers :		
Vehicles	62,174	49,535
Others	75,530	73,950

Details of non-financial assets obtained by the Company by taking possession of collateral held as security against loans and advances as well as calls made on credit enhancements during the period and held at the year ended 31 March are shown below;

(In Rs'mn)	**2016**	**2015**
Property	-	788
Vehicles	123	167

Income from individually impaired customers recognized in the statement of profit or loss;

(In Rs'mn)	**2016**	**2015**
Leases	12	28
Hire purchase	-	-
Mortgage Loan	-	15
Other loans & advances	92	103

The Company's policy is to pursue timely realization of the collateral in an orderly manner. The properties have been considered as Investment Properties of the Company.

Age analysis of facilities considered for collective impairment as at 31 March 2016. ***Rs' Mn***

Category	**Leases**	**Hire Purchases**	**Mortgage Loans**	**Other Loans and Advances**	**Margin Trading**	**Factoring Receivables**	**Total**
Not due / current	11,001	13	266	38,111	86	11,859	61,335
Overdue :							
Less than 30 days	4,325	2	316	6,496	-	792	11,931
31 - 60 days	1,118	1	19	5,838	-	277	7,253
61 - 90 days	359	-	-	628	-	299	1,286
91 - 120 days	184	-	1	253	-	108	546
121 - 150 days	68	1	1	152	-	107	329
151 - 180 days	56	-	-	58	-	72	186
above 180 days	170	2	228	1,308	-	252	1,960
Total	**17,281**	**19**	**831**	**52,844**	**86**	**13,766**	**84,826**

Age analysis of facilities considered for collective impairment as at 31 March 2015 ***Rs' Mn***

Category	**Leases**	**Hire Purchases**	**Mortgage Loans**	**Other Loans and Advances**	**Margin Trading**	**Factoring Receivables**	**Total**
Not due / current	8,376	45	216	25,155	294	5,583	39,667
Overdue :							
Less than 30 days	2,963	27	87	6,657	-	422	10,156
31 - 60 days	938	4	2	2,080	-	78	3,103
61 - 90 days	405	4	31	750	-	71	1,261
91 - 120 days	229	1	7	209	-	18	465
121 - 150 days	61	2	3	176	-	12	255
151 - 180 days	53	1	-	45	-	12	111
above 180 days	152	4	211	1,003	-	163	1,534
Total	**13,177**	**88**	**558**	**36,075**	**294**	**6,359**	**56,552**

Other than the lending portfolio reflected above no other financial assets shown in note 2.24 was subject to impairment.

4) Concentrations of credit risk

The Company monitors concentrations of credit risk by sector to which the lending was made. The analysis is provided in Note 6.6.1 to the financial statements

2.23.4 Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

2.23.4.1 Management of liquidity risk

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking the financial position of the Company while maintaining regulatory requirements and debt covenants agreed with the fund providers. The treasury manages the liquidity position as per the treasury policies and procedures and regulatory requirements.

The treasury receives information from the business regarding the liquidity profile of the financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, funding arrangements, to ensure that sufficient liquidity is maintained within the Company.

The liquidity requirements of business units are discussed at the ALCO meetings (Asset Liability Committee) and are arranged by the Treasury.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The Company relies on deposits from customers and bank borrowings as its primary sources of funding. The deposits from customers and banks largely have shorter maturities. The short-term nature of these deposits increases the Company's liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

The maturity analysis of financial liabilities based on undiscounted gross outflow is reflected below

In Rs'Mn

As at 31st March 2016	Carrying amounts	Gross nominal outflow / (inflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
Bank overdraft	1,942	1,942	1,942	-	-	-	-
Borrowings	35,070	40,150	7,852	13,588	9,001	7,649	2,060
Deposits from customers	60,197	65,428	26,310	21,188	12,678	5,252	-
Trade payables	638	638	-	-	-	-	-
Accruals and other payables	660	660	660	-	-	-	-
Derivative liabilities	18	374	374	-	-	-	-
Amount due to related companies	997	997	997	-	-	-	-
Total liabilities	**99,522**	**110,188**	**38,135**	**34,776**	**21,679**	**12,901**	**2,060**
As at 31st March 2015							
Bank overdraft	2,333	2,333	2,333	-	-	-	-
Borrowings	11,040	13,008	4,533	1,024	1,303	6,148	-
Deposits from customers	41,310	47,427	11,452	15,092	10,360	10,523	-
Trade payables	646	646	646	-	-	-	-
Accruals and other payables	649	649	617	32	-	-	-
Derivative liabilities	58	1,211	590	621	-	-	-
Amount due to related companies	2,453	2,453	2,453	-	-	-	-
Total liabilities	**58,489**	**67,727**	**22,624**	**16,769**	**11,663**	**16,671**	**-**

The maturity analysis of financial assets based on undiscounted gross inflows / (outflows) is reflected below.

In Rs'mn

	Carrying amount	Gross nominal inflow / (outflow)	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years
As at 31st March 2016							
Cash and cash equivalents	3,498	3,498	3,498	-	-	-	-
Deposits with banks and other financial institutions	10,207	10,465	1,914	8,551	-	-	-
Investment in government securities	8,397	10,739	6,290	151	1,382	368	2,549
Derivative assets	98	3,017	228	2,789	-	-	-
Rentals receivable on leased assets	17,244	22,975	2,069	5,454	10,872	4,199	381
Hire purchases, loans and advances	53,335	62,506	8,489	13,383	17,547	21,620	1,468
Factoring receivable	13,598	13,598	13,598	-	-	-	-
Margin trading receivables	86	86	86	-	-	-	-
Other receivables	252	373	43	47	122	107	54
Investment securities	1,083	1083	-	1,017	66	-	0
Amount due from related companies	3	4	4	-	-	-	-
	107,802	**128,344**	**36,219**	**31,391**	**29,989**	**26,294**	**4,452**
As at 31st March 2015							
Cash and cash equivalents	2,975	2,975	2,975	-	-	-	-
Deposits with banks and other financial institutions	761	766	497	269	-	-	-
Investment in government securities	5,901	6,403	4,400	338	206	1,139	319
Derivative assets	3	(382)	-	(382)	-	-	-
Rentals receivable on leased assets	13,150	17,868	1,731	4,519	7,954	3,096	568
Hire purchases, loans and advances	36,647	43,720	4,192	9,485	15,072	14,197	774
Factoring receivable	6,200	6,200	6,200	-	-	-	-
Margin trading receivables	294	294	294	-	-	-	-
Other receivables	187	287	13	40	104	88	42
Investments in shares	9	9	-	9	-	-	0
Amount due from related companies	3	3	3	-	-	-	-
	66,130	**78,143**	**20,306**	**14,278**	**23,337**	**18,519**	**1,703**

Contractual Maturities of Commitments & Contingencies

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

As at 31-3-2016 (In Rs'Mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the Company	671	-	-	-	-	671
Total						
Commitments						
Unutilized loan facilities & letters of credit	9,088	134	-	-	-	9,221
Total						

As at 31-3-2015 (In Rs'Mn)

Item	On demand	Within 3 months	3-12 months	1-5 years	over 5 years	Total
Contingent liabilities						
Guarantees issued to banks and other institutions - backed by deposits held with the Company	636	-	-	-	-	636
Total	**636**	**-**	**-**	**-**	**-**	**636**
Commitments						
Unutilized loan facilities & letters of credit	5,824	31	-	-	-	5,855
Total	**5,824**	**31**	**-**	**-**	**-**	**5,855**

2.24.5 Market risk

The Company is exposed to the market risk due to changes in market, such as Foreign exchange rates, Interest rate, and equity prices.

Company is exposed to foreign currency risk mainly due to the foreign currency borrowings. The Company manages its exposure to the foreign exchange rates by entering in to forward rate contracts with the banks and placing deposit / maintaining financial assets in the same currency. In this way the Company eliminates substantial exposure on foreign currency risk.

The Company ensures the mix of variable and fixed rate borrowings to manage any exposure due to interest rate movement in the market. These are monitored by the treasury division.

An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows.

Sensitivity analysis as at 31st March 2016

Item	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.16
Interest earning assets						
Deposits with banks and other financial institutions	1,910	8,297	-	-	-	10,207
Investment in government securities	6,210	-	892	71	1,224	8,397
Rentals receivable on leased assets	1,879	3,640	8,098	3,592	326	17,506
Hire purchases, loans and advances	7,404	11,028	14,199	20,898	1,226	54,755
Factoring receivable	14,493	-	-	-	-	14,493
Margin trading receivables	86	-	-	-	-	86
Total interest earning assets	**31,982**	**22,965**	**23,190**	**24,561**	**2,776**	**105,444**
Interest bearing liabilities						
Bank overdraft	1,942	-	-	-	-	1,942
Interest bearing borrowings	7,768	12,204	6,672	6,863	1,563	35,070
Deposits from customers	25,969	19,475	10,685	4,068	-	60,197
Total interest bearing liabilities	**35,679**	**31,679**	**17,356**	**10,931**	**1,563**	**97,209**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(3,727)	(8,714)	5,833	13,630	1,212	8,235
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualized effect	(37)	(87)	58	136	12	-
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualized effect	37	87	(58)	(136)	(12)	-

Sensitivity analysis as at 31 March 2015

Item	**Up to 3 Months**	**3 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**More than 5 Years**	**Total as at 31.03.15**
Interest earning assets						
Deposits with banks and other financial institutions	494	267	-	-	-	761
Investment in government securities	4,358	240	-	1,026	277	5,901
Rentals receivable on leased assets	1,565	3,038	5,912	2,516	435	13,467
Hire purchases, loans and advances	4,669	7,476	12,033	13,036	610	37,824
Factoring receivable	6,359	-	-	-	-	6,359
Margin trading receivables	294	-	-	-	-	294
Total interest earning assets	**17,739**	**11,021**	**17,945**	**16,578**	**1,322**	**64,606**
Interest bearing liabilities						
Bank overdraft	2,333	-	-	-	-	2,333
Interest bearing borrowings	4,523	615	276	5,626	-	11,040
Savings	-	-	-	-	-	-
Deposits from customers	11,300	14,285	8,242	7,483	-	41,310
Total interest bearing liabilities	**18,156**	**14,900**	**8,518**	**13,109**	**-**	**54,683**
Gap in interest earning assets and interest bearing liabilities - net assets / (liabilities)	(417)	(3,879)	9,427	3,470	1,322	9,923
Effect on profitability by 1 percent increase in interest rates - increase / (decrease) in profits - annualized effect	(4)	(39)	94	35	13	
Effect on profitability by 1 percent decrease in interest rates - increase / (decrease) in profits - annualized effect	4	39	(94)	(35)	(13)	

2.23.6 Capital Management

The Company's capital management is performed primarily considering regulatory capital.

The Company's lead regulator, the Central Bank of Sri Lanka (CBSL) sets and monitors capital requirements for the Company.

The Company is required to comply with the provisions of the Finance Companies (Capital Funds) Direction No.01 of 2003, Finance Companies (Risk Weighted Capital Adequacy Ratio) Direction No.02 of 2006 and Finance Companies (Minimum Core Capital) Direction No.01 of 2011 in respect of regulatory capital.

The Company's regulatory capital consists of tier 1 capital, which includes ordinary share capital, retained earnings and statutory reserves. Other negative reserves are included under prudence basis. Tier II capital includes unsecured subordinated debentures, which is included in the capital base consequent to obtaining the approval of CBSL.

The Company's policy is to maintain a strong capital base so as to ensure investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Company recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Company's regulatory capital under the CBSL guidelines is as follows;

In Rs'mn

Capital element	**As at 31.03.2016**	**As at 31.03.2015**
Ordinary share capital	2,000	2,000
Statutory Reserve	1,239	954
Retained earnings	6,096	4,954
Other negative reserves	(160)	-
Tier I capital	**9,175**	**7,908**
Unsecured subordinated debentures	3,163	3,016
Tier II capital	**3,163**	**3,016**
Total capital	**12,338**	**10,924**

2.24 Financial assets and liabilities

2.24.1 Accounting classifications and fair values

The table below sets out the carrying amounts of the Company's financial assets and financial liabilities.

In Rs' Mn

As at 31st March 2016	**Fair value – derivatives**	**Fair value - held for trading**	**Fair value through other comprehensive income / Carried at cost – available for sale**	**Amortized cost / Not measured at fair value**	**Total Carrying amount**	**Fair value**	**Fair value measurement level**
Cash and cash equivalents	-	-	-	3,498	3,498	3,498	
Deposits with banks	-	-	-	10,207	10,207	10,207	
Investment in government securities							
- Measured at fair value	-	-	2,188		2,190	2,190	Level 1
- Measured at amortized cost	-	-		6,209	6,207	6,207	
Derivative assets	98	-	-	-	98	98	Level 2
Investment securities	-	1,017	66	-	1,083	1,083	Level 1
Rentals receivable on leased assets	-	-	-	17,244	17,244	17,325	Level 2
Hire purchases, loans and advances	-	-	-	53,335	53,335	53,271	Level 2
Factoring receivable	-	-	-	13,599	13,599	13,599	
Margin trading receivables	-	-	-	86	86	86	
Amount due from related companies	-	-	-	3	3	3	
Other financial assets	-	-	-	252	252	252	
Total financial assets	**98**	**1,017**	**2,254**	**104,432**	**107,802**	**107,819**	
Bank overdraft	-	-	-	1,942	1,942	1,942	
Interest bearing borrowings	-	-	-	35,070	35,070	34,938	Level 2
Deposits from customers	-	-	-	60,197	60,197	59,832	Level 2
Trade payables	-	-	-	638	638	638	
Accruals and other payables	-	-	-	660	660	660	
Derivative liabilities	18	-	-	-	18	18	Level 2
Amount due to related companies	-	-	-	997	997	997	
Total financial liabilities	**18**	**-**	**-**	**99,503**	**99,521**	**99,024**	

In Rs' Mn

As at 31st March 2015	Fair value – derivatives	Fair value - held for trading	Fair value through other comprehensive income – available for sale	Amortized cost / Not measured at fair value	Total Carrying amount	Fair value	Fair value measurement level
Cash and cash equivalents	-	-	-	2,975	2,975	2,975	
Deposits with banks	-	-	-	761	761	761	
Investment in government securities	-	-	-	-	-	-	
- Measured at fair value	-	-	2,285	-	2,285	2,285	Level 1
- Measured at amortized cost	-	-	-	3,616	3,616	3,616	
Derivative assets	3	-	-	-	3	3	Level 2
Investment in shares	-	9	-	-	9	9	Level 1
Rentals receivable on leased assets	-	-	-	13,150	13,150	13,765	Level 2
Hire purchases, loans and advances	-	-	-	36,647	36,647	37,325	Level 2
Factoring receivable	-	-	-	6,200	6,200	6,200	
Margin trading receivables	-	-	-	294	294	294	
Amount due from related companies	-	-	-	3	3	3	
Other financial assets	-	-	-	204	204	204	
Total financial assets	**3**	**9**	**2,285**	**63,851**	**66,147**	**67,440**	
Bank overdraft	-	-	-	2,333	2,333	2,333	
Interest bearing borrowings	-	-	-	11,040	11,040	10,122	Level 2
Deposits from customers	-	-	-	41,310	41,310	40,698	Level 2
Trade payables	-	-	-	646	646	646	
Accruals and other payables	-	-	-	649	649	649	
Derivative liabilities	58	-	-	-	58	58	
Amount due to related companies	-	-	-	2,453	2,453	2,453	
Total financial liabilities	**58**	**-**	**-**	**58,431**	**58,489**	**56,959**	

2.24.2 Valuation technique

Level 2 fair value – market comparison technique

- Derivative assets and liabilities / Forward exchange contracts – fair value is based on broker quotes of similar contracts and the quotes reflect the actual transaction in similar instrument

Level 2 fair value – discounted cash flows

Financial instruments not measured at fair value

For the purpose of disclosing fair value of the financial instruments not measured at fair value (carried at amortized cost) discounted cash flows have been used to derive the fair value.

		2016	2015
3.	**INVESTMENT IN GOVERNMENT SECURITIES**	**Rs.**	**Rs.**
	Financial instruments classified as loans and receivables (note 3.1)	6,209,704,562	3,616,000,000
	Financial instruments classified as available for sale - carried at fair value (note 3.2)	2,187,791,673	2,284,717,853
		8,397,496,235	5,900,717,853

		2016		2015	
		Carrying value	**Fair value**	**Carrying value**	**Fair value**
		Rs.	**Rs.**	**Rs.**	**Rs.**
3.1	**Financial instruments classified as loans and receivables**				
	Investment in Government Standing Deposit Facilities (REPO's)	6,209,704,562	6,209,704,562	3,616,000,000	3,616,000,000
3.2	**Financial instruments classified as available for sale - carried at fair value**				
	Investment in Treasury Bills	-	-	981,724,999	981,724,999
	Investment in Treasury Bonds	2,187,791,673	2,187,791,673	1,302,992,854	1,302,992,854
		2,187,791,673	2,187,791,673	2,284,717,853	2,284,717,853

		2016	2015
3.3	**Fair value adjustments recognized in other comprehensive income - current period (net of transfers to P&L)**		
	Investment in Treasury Bills	1,389,895	(33,329,374)
	Investment in Treasury Bonds	(247,580,431)	9,573,415
		(246,190,536)	(23,755,959)
3.4	**Fair value adjustments recognized in other comprehensive income - cumulative**		
	Investment in Treasury Bills	-	(1,389,895)
	Investment in Treasury Bonds	(160,153,753)	87,426,678
		(160,153,753)	86,036,783
4.	**DERIVATIVES HELD FOR RISK MANAGEMENT**		
	Net derivative assets / (liabilities)		
	Derivative assets (note 4.1)	98,163,191	2,740,000
	Derivative liabilities (note 4.2)	17,859,000	57,514,900
	Net derivative assets / (liabilities)	80,304,191	(54,774,900)
4.1	**Derivative assets**		
	Forward contracts	98,163,191	2,740,000
4.2	**Derivative liabilities**		
	Forward contracts	17,859,000	57,514,900
4.3	**Change in fair value during the period**		
	Recognized in profit or loss	94,334,091	(60,242,400)
	Recognized in OCI (note 19.3)	40,745,000	-
		135,079,091	(60,242,400)
5.	**RENTALS RECEIVABLE ON LEASED ASSETS**		
	Rentals receivable	24,778,917,217	19,066,313,886
	Unearned income	(6,177,140,405)	(4,897,416,672)
	Net rentals receivable (note 5.1)	18,601,776,812	14,168,897,214
	Deposits received from lessees	(1,096,189,207)	(702,104,944)
	Allowance for impairment (note 5.2)	(261,725,528)	(316,416,427)
		17,243,862,077	13,150,375,843

5. RENTALS RECEIVABLE ON LEASED ASSETS (Cont...)

5.1 Net Rentals Receivable

	2016 Rs.	2015 Rs.
Receivable from one to five years		
Rentals receivable	16,792,953,235	12,380,272,055
Unearned income	(3,680,615,120)	(2,815,295,106)
	13,112,338,116	9,564,976,948
Receivable within one year		
Rentals receivable	7,470,916,461	6,236,705,658
Unearned income	(2,496,525,285)	(2,082,121,566)
	4,974,391,176	4,154,584,093
Overdue		
Rentals receivable	515,047,520	449,336,173
	515,047,520	449,336,173
	18,601,776,812	14,168,897,214

5.2 Allowance for impairment

	2016	2015
Balance as at 1st of April	316,416,427	361,570,335
Provision / (reversal) for the year	(54,690,899)	(45,153,908)
Balance as at 31st March	261,725,528	316,416,427

5.2.1 Individually significant impairment

	2016	2015
Balance as at 1st of April	249,181,536	145,886,358
Provision for the year	(39,449,749)	103,295,178
Balance as at 31st March	209,731,787	249,181,536

5.2.2 Individually non-significant impairment (Collective impairment)

	2016	2015
Balance as at 1st of April	67,234,891	215,683,977
Provision for the year	(15,241,150)	(148,449,086)
Balance as at 31st March	51,993,741	67,234,891

6. HIRE PURCHASES, LOANS AND ADVANCES

	2016	2015
Hire Purchases (note 6.1)	16,479,699	88,409,064
Mortgage Loans (note 6.2)	798,692,789	617,640,169
Sundry Loans (note 6.3)	52,520,002,760	35,941,279,635
	53,335,175,248	36,647,328,869

6.1 Hire Purchases

	2016	2015
Rentals receivable	18,766,649	98,183,447
Unearned income	(122,879)	(7,349,396)
Net rentals receivable (note 6.1.1)	18,643,770	90,834,051
Allowance for impairment (note 6.1.2)	(2,164,071)	(2,424,986)
	16,479,699	88,409,064

6. HIRE PURCHASES, LOANS AND ADVANCES (Contd...)

6.1.1 Net rentals receivable - Hire Purchases

	2016 Rs.	2015 Rs.
Receivable from one to five years		
Rentals receivable	7,692,179	14,846,275
Unearned income	124,554	(1,178,700)
	7,816,733	13,667,575
Receivable within one year		
Rentals receivable	3,992,929	71,609,693
Unearned income	(247,433)	(6,170,696)
	3,745,495	65,438,996
Overdue		
Rentals receivable	7,081,541	11,727,479
	18,643,770	90,834,051

6.1.2 Allowance for impairment - Hire Purchases

	2016 Rs.	2015 Rs.
Balance as at 1st of April	2,424,986	17,059,134
Provision / (reversal) for the year	(260,916)	(14,634,147)
Balance as at 31st March	2,164,071	2,424,986

6.1.2.a Individually significant impairment

	2016 Rs.	2015 Rs.
Balance as at 1st of April	1,357,028	1,069,639
Provision / (reversal) for the year	(1,357,028)	287,389
Balance as at 31st March	-	1,357,028

6.1.2.b Individually non-significant impairment (Collective impairment)

	2016 Rs.	2015 Rs.
Balance as at 1st of April	1,067,958	15,989,495
Provision / (reversal) for the year	1,096,113	(14,921,537)
Balance as at 31st March	2,164,071	1,067,958

6.2 Mortgage Loans

	2016 Rs.	2015 Rs.
Rentals receivable	1,100,573,875	880,061,288
Unearned income	(255,516,707)	(180,849,498)
Net rentals receivable (note 6.2.1)	845,057,168	699,211,790
Allowance for impairment (note 6.2.2)	(46,364,379)	(81,571,621)
	798,692,789	617,640,169

6.2.1 Net rentals receivable - Mortgage Loans

	2016 Rs.	2015 Rs.
Receivable from one to five years		
Installments receivable	683,362,878	488,744,139
Unearned income	(171,909,530)	(102,998,513)
	511,453,348	385,745,627
Receivable within one year		
Installments receivable	214,740,160	210,193,268
Unearned income	(83,607,177)	(77,850,985)
	131,132,983	132,342,282
Overdue		
Installments receivable	202,470,837	181,123,881
	845,057,168	699,211,790

		2016	2015
6.	**HIRE PURCHASES, LOANS AND ADVANCES (Contd...)**	**Rs.**	**Rs.**
6.2.2	**Allowance for impairment - Mortgage Loans**		
	Balance as at 1st of April	81,571,621	34,706,089
	Provision / (reversal) for the year	(35,207,241)	46,865,531
	Balance as at 31st March	46,364,379	81,571,621
6.2.2.a	**Individually significant impairment**		
	Balance as at 1st of April	-	2,557,913
	Reversal for the year	-	(2,557,913)
	Balance as at 31st March	-	-
6.2.2.b	**Individually non-significant impairment (Collective impairment)**		
	Balance as at 1st of April	81,571,621	32,148,177
	Provision / (reversal) for the year	(35,207,241)	49,423,444
	Balance as at 31st March	46,364,379	81,571,621
6.3	**Sundry Loans**		
	Total receivable	61,203,640,749	43,083,043,311
	Unearned income	(7,312,317,867)	(6,048,827,694)
	Net receivable (note 6.3.1)	53,891,322,882	37,034,215,617
	Allowance for impairment (note 6.3.2)	(1,371,320,123)	(1,092,935,982)
		52,520,002,760	35,941,279,635
6.3.1	**Net receivable - Sundry Loans**		
	Receivable from one to five years		
	Installments receivable	39,711,490,383	28,587,956,109
	Unearned income	(3,907,935,042)	(3,279,289,996)
		35,803,555,340	25,308,666,113
	Receivable within one year		
	Installments receivable	20,256,697,557	13,508,052,092
	Unearned income	(3,404,382,825)	(2,769,537,698)
		16,852,314,732	10,738,514,395
	Overdue		
	Installments receivable	1,235,452,810	987,035,110
		53,891,322,882	37,034,215,617
6.3.2	**Allowance for impairment - Sundry Loans**		
	Balance as at 1st of April	1,092,935,982	1,032,440,834
	Provision for the year	278,384,140	60,495,148
	Balance as at 31st March	1,371,320,123	1,092,935,982
6.3.2.a	**Individually significant impairment**		
	Balance as at 1st of April	414,363,854	563,398,934
	Provision / (reversal) for the year	132,312,912	(149,035,080)
	Balance as at 31st March	546,676,766	414,363,854
6.3.2.b	**Individually non-significant impairment (Collective impairment)**		
	Balance as at 1st of April	678,572,128	469,041,900
	Provision for the year	146,071,228	209,530,228
	Balance as at 31st March	824,643,357	678,572,128

		2016 Rs.	2015 Rs.
6.4	**Factoring Receivables**		
	Gross receivable	14,493,158,118	6,359,079,938
	Allowance for impairment (note 6.4.1)	(894,557,226)	(158,878,197)
		13,598,600,891	6,200,201,741
6.4.1	**Allowance for impairment**		
	Balance as at 1st of April	158,878,197	123,723,527
	Provision for the year	735,679,029	35,154,670
	Balance as at 31st March	894,557,226	158,878,197
6.4.1.a	**Individually significant impairment**		
	Balance as at 1st of April	-	-
	Provision / (reversal) for the year	500,000,000	-
	Balance as at 31st March	500,000,000	-
6.4.1.b	**Individually non-significant impairment (Collective impairment)**		
	Balance as at 1st of April	158,878,197	123,723,527
	Provision for the year	235,679,029	35,154,670
	Balance as at 31st March	394,557,226	158,878,197

		2016 Rs.	2015 Rs.
6.5	**MARGIN TRADING RECEIVABLES**		
	Gross amount outstanding at year end	85,597,164	293,711,960
	Allowance for impairment (note 6.5.1)	-	-
	Net balance on margin trading	85,597,164	293,711,960
6.5.1	**Allowance for impairment**		
	Balance as at 1st of April	-	137,615,343
	Provision / (reversal) for the year	-	(137,615,343)
	Balance as at 31st March	-	-
6.5.1.a	**Individually significant impairment**		
	Balance as at 1st of April	-	137,615,343
	Provision / (reversal) for the year	-	(137,615,343)
	Balance as at 31st March	-	-

6.6 Portfolio Analysis

		2016 Rs.	2015 Rs.
6.6.1	**Sectorwise exposure of the lending portfolio - before provision**		
	Agriculture	6,279,146,181	4,401,047,025
	Manufacturing	7,904,558,795	6,254,708,088
	Economics And Social	1,410,104,727	1,034,271,827
	Trade	21,588,238,172	16,435,846,064
	Factoring	14,493,158,119	6,359,079,938
	Margin Trading	85,597,164	293,711,960
	Tourism	1,382,648,751	958,279,700
	Services	13,615,749,820	10,044,760,265
	Transportation	4,653,101,968	4,459,685,609
	Construction	4,217,704,574	2,851,866,731
	Mining and Quarrying	348,480,756	404,836,371
	Others	10,860,877,680	4,445,752,048
		86,839,366,707	57,943,845,626

6. HIRE PURCHASES, LOANS AND ADVANCES (Contd...)	2016 Rs.	2015 Rs.
6.6.2 Product wise analysis of portfolio		
Lease receivables	14,202,393,777	11,500,023,910
Hire Purchase receivables	18,643,770	90,834,051
Loans & Advances	47,138,267,302	32,516,279,192
Factoring receivables	14,493,158,118	6,359,079,938
Margin trading receivables	85,597,164	293,711,960
Islamic business portfolio - Ijarah receivables	3,303,193,828	1,966,768,361
Islamic business portfolio - Other receivables (Murabaha,	7,598,112,748	5,217,148,215
Gross portfolio	86,839,366,707	57,943,845,626
Less : Impairment provision	(2,576,131,327)	(1,652,227,214)
Net portfolio (note 6.6.3)	84,263,235,380	56,291,618,412
6.6.3 Net portfolio		
Rentals receivable on Leased Assets (note 5)	17,243,862,077	13,150,375,843
Hire Purchases, Loans and Advances (note 6)	53,335,175,248	36,647,328,869
Factoring receivable (note 6.4)	13,598,600,891	6,200,201,741
Margin trading receivables (note 6.5)	85,597,164	293,711,960
	84,263,235,380	56,291,618,412

7. OTHER RECEIVABLES

	2016 Rs.	2015 Rs.
Financial Assets		
Staff loans	224,602,047	187,184,897
Other accomodations	628,406,930	686,056,855
Provision for other accomodations	(628,406,930)	(686,056,855)
Letter of credit charges	4,307,575	7,736,815
Insuarance premium receivables	22,597,474	8,829,213
	251,507,096	203,750,925
Non Financial Assets		
VAT receivable	158,765,387	195,505,346
Prepaid staff cost	71,147,704	75,443,991
Miscellaneous receivables	212,635,286	164,652,057
	442,548,377	435,601,394
Total Other receivables	694,055,473	639,352,319

8. INVESTMENT SECURITIES

8.1 Investments held for trading

	2016 Rs.	2015 Rs.
Expo Lanka Holdings PLC		
Original cost	18,000,000	18,000,000
Carrying amount as at 1st April	8,500,000	8,700,000
Adjustment for change in fair value - recognized in profits	(1,500,000)	(200,000)
Carrying amount as at 31st March	7,000,000	8,500,000
Investment in Unit Trusts		
Original cost	1,000,000,000	-
Carrying amount as at 1st April	-	-
Investments during the year	1,000,000,000	-
Adjustment for change in fair value - recognized in profits	10,002,569	-
Carrying amount as at 31st March	1,010,002,569	-

8. INVESTMENT SECURITIES (Contd…)

8.2 Available for sale investments carried at cost

	2016 Rs.	2015 Rs.
Credit Information Bureau Ltd.		
Cost / Carrying amount	343,275	343,275
LOLC Myanmar Micro Finance Company Ltd		
Cost / Carrying amount	66,125,000	-
Total investments	1,083,470,844	8,843,275

These investments are unquoted and has no active market from which a reliable fair value could be obtained. The different valuation methods used did not provide a reasonable range of values. As a result these investments are carried at cost since the fair value cannot be determined reliably.

9. AMOUNTS DUE FROM RELATED COMPANIES

	2016 Rs.	2015 Rs.
EDEN Resorts Ltd	932,830	141,994
Commercial Leasing and Finance PLC	-	2,653,108
LOLC General Insurance Ltd	419,339	-
LOLC Life Assurance Ltd	1,449,190	-
LOLC Securities Ltd	90,041	39,429
BG Air services Ltd	3,468	-
BRAC Lanka finance PLC	3,468	-
Dickwella Resorts Ltd	6,806	3,645
LOLC Technologies Ltd	366,041	44,334
	3,271,183	2,882,510

These are unsecured balances and are settled on a continuous basis.

10. INVESTMENT PROPERTIES

	2016 Rs.	2015 Rs.
Balance as at 1st April	1,142,800,000	215,173,229
Additions to Investment Properties from foreclosure of contracts	-	787,662,081
Additions and improvements	360,101	-
Disposals	(242,030,810)	-
Change in fair value	29,070,709	139,964,690
Balance as at 31st March	930,200,000	1,142,800,000

- Investment Properties includes bare lands and land and buildings acquired by the company from clients who defaulted on accomodations granted. These properties are held by the Company for capital appreciation.

- The company incurred expenses for the improvements of the investment properties and received rent income amounting to Rs.1,748,564 during the current financial year. (2014-2015 :Nil).

- During the financial year company has incurred expenses amounting to Rs.1,713,781 for maintanance of the investment property. (2014-2015- Rs 200,000)

- Changes in fair values are recognised as gains in profit or loss and included in 'Net other operating income'.

10.1 Measurement of fair values

1.) Fair value hierarchy

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Company's investment property portfolio every year and the latest valuation was done on 31 March 2016.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

10. INVESTMENT PROPERTIES (Contd…)

2.) Valuation technique

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Interrelationship between key unobservable input and fair value measurement
Market comparison method - value derived based on recent transactions of similar properties	Per perch value was derived based on similar property values. The value of a perch in the property portfolio ranges from Rs.600,000 to Rs.4,500,000 in the Colombo area and Rs.138,889 to Rs.1,400,000 outside the Colombo area.	The estimated fair value would increase (decrease) if: - Per perch value was higher / (lesser)
Depreciated replacement cost method	Value per square feet determined based on similar properties value and depreciated for period used.	The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

11. PROPERTY, PLANT AND EQUIPMENT

	Land Rs.	Building Rs.	Leasehold Motor Vehicles Rs.	Total Rs.
Cost/Valuation				
Balance as at 01 April 2015	-	-	152,533,965	152,533,965
Additions	275,850,000	17,174,800	938,555,000	1,231,579,800
Disposals	(125,000,000)			(125,000,000)
Balance as at 31 March 2016	150,850,000	17,174,800	1,091,088,965	1,259,113,765
Accumulated Depreciation				
Balance as at 01 April 2015	-	-	15,989,284	15,989,284
Charge for the year	-	243,495	32,473,756	32,717,251
Balance as at 31 March 2016	-	243,495	48,463,040	48,706,535
Carrying Amount				
As at 31 March 2016	150,850,000	16,931,305	1,042,625,925	1,210,407,229

11.a

	Land Rs.	Building Rs.	Leasehold Motor Vehicles Rs.	Total Rs.
Cost/Valuation				
Balance as at 01 April 2014	-	-	53,966,073	53,966,073
Additions	-	-	98,567,892	98,567,892
Balance as at 31 March 2015	-	-	152,533,965	152,533,965
Accumulated Depreciation				
Balance as at 01 April 2014	-	-	3,823,251	3,823,251
Charge for the year	-	-	12,166,033	12,166,033
Balance as at 31 March 2015	-	-	15,989,284	15,989,284
Carrying Amount				
As at 31 March 2015	-	-	136,544,681	136,544,681

Property, plant and equipment pledged as security for liabilities

The carrying value of motor vehicles amounting to Rs. 1,042,625,925 as at 31 March 2016 (2015 - Rs. 136,544,681) are purchased under finance leases and have been pledged as security for the related finance lease liabilities, details of which are disclosed in Note 12.2

Temporarily idle property, plant and equipment

There were no property, plant and equipment idle as at 31st March 2016 and 31st March 2015.

Fully depreciated property, plant and equipment

There were no property, plant and equipment fully depreciated as at 31st March 2016 and 31st March 2015.

12. INTEREST BEARING BORROWINGS

	2016 Rs.	2015 Rs.
Short-term loans	8,302,302,662	4,691,000,000
Long-term borrowings (note 12.1)	20,453,223,681	764,975,600
Finance leases (note 12.2)	1,094,417,463	527,769,416
Debentures (note 12.3)	4,950,000,000	4,950,000,000
Total borrowings	34,799,943,806	10,933,745,016
Interest payable	270,207,908	106,282,962
Liability recognized in statement of financial position	35,070,151,714	11,040,027,979

12.1 Long-term borrowings

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	764,975,600	649,527,463
Loans obtained during the year	20,421,823,681	500,000,000
Repaid during the year	(733,575,600)	(384,551,863)
Balance at the end of the year	20,453,223,681	764,975,600
Long-term borrowings - current	11,052,982,201	216,875,600
Long-term borrowings - non-current (note 12.1.a)	9,400,241,481	548,100,000
	20,453,223,681	764,975,600

12.1.a Analysis of non-current portion of long-term borrowings

	2016 Rs.	2015 Rs.
Repayable within 1-3 years	6,148,697,091	48,100,000
Repayable after 3 years	3,251,544,390	500,000,000
	9,400,241,481	548,100,000

12.2 12.2 Finance leases

	2016 Rs.	2015 Rs.
Gross lease rentals payable as at 1 April	665,812,229	163,773,482
Lease obtained during the year	727,505,000	590,297,840
Lease rentals paid during the year	(111,557,233)	(88,259,093)
Gross lease rentals payable as at 31 March	1,281,759,996	665,812,229
Less: Interest in suspense	(187,342,533)	(138,042,813)
Balance at the end of the year / present value of minimum lease payments	1,094,417,463	527,769,416

12.2.1 Analysis of finance leases

	2016 Rs.	2015 Rs.
Repayable within one year (note 12.2.1.a)	346,631,427	107,459,448
Repayable within 1-5 years (note 12.2.1.b)	747,786,036	420,309,968
	1,094,417,463	527,769,416

12.2.1.a Repayable within one year

	2016 Rs.	2015 Rs.
Gross lease rentals payable	439,381,431	162,809,173
Less: interest in suspense	(92,750,004)	(55,349,725)
	346,631,427	107,459,448

12.2.1.b Repayable within 1-5 years

	2016 Rs.	2015 Rs.
Gross lease rentals payable	842,378,565	503,003,056
Less: interest in suspense	(94,592,529)	(82,693,088)
	747,786,036	420,309,968

12.3 Debentures

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	4,950,000,000	-
Debenture issued during the year (net of transaction cost)	-	4,950,000,000
Balance at the end of the year	4,950,000,000	4,950,000,000

The Company issued fifty million (50,000,000) rated unsecured subordinated redeemable debentures at a value of Rs.100 each, totalling to Rs. 5Bn, with a 5 year maturity during the financial year 2014-2015. These debentures are listed in the Colombo Stock Exchange. A transaction cost of Rs. 50Mn was incurred on the issue of these debentures. The amortization of the transaction cost is included in the interest payable amount.

13. DEPOSITS FROM CUSTOMERS

	2016	2015
	Rs.	Rs.
Customer deposits	57,839,986,244	39,756,130,956
Interest / profit payable		
Interest payable on deposits	2,263,236,953	1,485,523,342
Profits payable to IBU deposit holders	93,977,697	68,306,173
	2,357,214,650	1,553,829,515
Deposit liability recognized in statement of financial position	60,197,200,894	41,309,960,471

13.1 Analysis of customer deposits based on nature

	2016	2015
Fixed deposits - conventional	48,494,192,006	31,744,365,457
Fixed deposits - Islamic - Mudharabah	4,230,559,233	4,034,438,048
Fixed deposits - Islamic - Wakala	1,569,100,000	780,000,000
Fixed deposits - foreign currency	1,561,953,342	1,499,733,592
Fixed deposit bonds	415,529,000	436,387,900
Savings deposits - conventional	1,000,844,109	749,347,623
Savings deposits - Islamic	466,058,778	384,263,173
Savings deposits - foreign currency	101,749,776	127,595,163
Total deposits	57,839,986,244	39,756,130,956

13.2 Deposits based on maturity

	2016	2015
Deposits maturing within one year	44,386,778,927	24,476,945,707
Deposits maturing after one year	13,453,207,317	15,279,185,249
	57,839,986,244	39,756,130,956

14. TRADE PAYABLES

	2016	2015
Creditors for lease equipment	637,849,803	645,905,072

15. ACCRUALS AND OTHER PAYABLES

	2016	2015
Excess payments received from clients	109,355,895	90,097,189
Insurance payable	48,382,723	36,932,014
VAT / other tax payable	8,971,300	132,298,954
Other miscellaneous creditors	620,162,118	248,190,355
Payable on matured deposits	212,002,623	266,022,493
Stamp duty payable	12,523,615	16,567,230
IBU charity fund	7,204,557	32,332,380
	1,018,602,831	822,440,615

16. AMOUNTS DUE TO RELATED COMPANIES

	2016	2015
Lanka Orix Leasing Company PLC	203,769,488	1,882,124,255
Lanka Orix Leasing Company PLC-Refinance Loans	48,602,436	67,656,218
LOLC Insurance Ltd	-	82,332
LOLC Micro Credit Ltd	136,016,886	65,381,543
LOLC Factors Ltd	605,271,399	411,632,609
LOLC Motors Ltd	3,120,600	26,220,059
	996,780,809	2,453,097,016

These are unsecured balances and are settled on a continuous basis.

17. EMPLOYEE BENEFITS

17.1 Defined contribution plans

Following contributions have been made to Employees' Provident Fund and Employees' Trust Fund during the year.

	2016 Rs.	2015 Rs.
Employees' Provident Fund		
Employers' contribution	21,844,675	16,757,650
Employees' contribution	14,563,117	11,171,767
Employees' Trust Fund	5,461,169	4,189,413

As at 31 March,

17.2 Defined benefit plan

Movement in the present value of the defined benefit obligation

	2016 Rs.	2015 Rs.
Defined benefit obligation as of 01 April	10,450,090	8,008,415
Expense included in Personnel Expenses	3,651,323	3,126,017
Remeasurement Component	(1,372,202)	278,131
	2,279,121	3,404,148
Benefits paid	(480,640)	(962,473)
Defined benefit obligation as at 31st March	**12,248,571**	**10,450,090**

17.2.a Expense included in Personnel Expenses

	2016 Rs.	2015 Rs.
Current Service Cost	2,658,565	2,325,176
Interest Cost	992,758	800,841
	3,651,323	**3,126,017**

17.2.b Actuarial gains and losses recognised in other comprehensive income

	2016 Rs.	2015 Rs.
Cumulative loss as at 1st April	4,312,855	4,034,724
(Gain) / loss recognised during the period	(1,372,202)	278,131
Cumulative loss as at 31st March	**2,940,653**	**4,312,855**

Acturial valuation for defined benefit obligation was carried out as at 31 March 2016 by Mr. P.S. Goonatilleke, a Fellow of the Society of Actuaries (USA). The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

17.2.c Key assumptions used in the above valuation are as follows:

	2016	2015
Discount Rate	11.00%	9.50%
Salary Increment Rate	8.50%	8.50%
Retirement Age	55	55
Staff Turnover	2.5% - 15%	2.5% - 15%

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 Years of service.

Assumptions regarding future mortality are based on published statistics and mortality tables.
The plan is not externally funded.

17.2.d Sensitivity analysis of the defined benefit obligation

The effect on the defined benefit obligation at the year end, as a result of changes in the actuarial assumptions used, is shown below.

As at 31 March,	2016 Rs.	2015 Rs.
The defined benefit obligation under current assumptions	12,248,571	10,450,090
The defined benefit obligation if the discount rate increased by 100 basis points	11,167,201	9,436,882
The defined benefit obligation if the discount rate reduced by 100 basis points	13,503,799	11,637,369
The defined benefit obligation if the salary increment rate increased by 1%	13,669,609	11,688,134
The defined benefit obligation if the salary increment rate reduced by 1%	11,015,220	9,378,762
The change in the defined benefit obligation if the discount rate increased by 100 basis points	(1,081,370)	(1,013,208)
The change in the defined benefit obligation if the discount rate reduced by 100 basis points	1,255,228	1,187,279
The change in the defined benefit obligation if the salary increment rate increased by 1%	1,421,038	1,238,044
The change in the defined benefit obligation if the salary increment rate reduced by 1%	(1,233,351)	(1,071,328)

18. STATED CAPITAL

	2016		2015	
	Number of shares	Rs.	Number of shares	Rs.
Balance at the beginning of the year	2,800,000,000	2,000,000,000	2,800,000,000	2,000,000,000
Balance at the end of the year	2,800,000,000	2,000,000,000	2,800,000,000	2,000,000,000

Rights, preference and restrictions of classes of capital

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to have one vote per individual present at meetings of the shareholders or one vote per share in case of a poll. They are entitled to participate in any surplus assets of the Company in winding up. There are no preferences or restrictions on Ordinary Shares.

19. RESERVES

	2016 Rs.	2015 Rs.
Statutory reserve (note 19.1)	1,239,075,154	953,676,506
Investment fund reserve (note 19.2)	-	-
Cash flow hedge reserve (note 19.3)	22,747,657	-
Available for sale investment reserve (note 19.4)	(160,153,753)	86,036,783
Retained earnings (note 19.5)	6,096,465,015	4,953,882,436
	7,198,134,073	5,993,595,725

19.1 Statutory reserve

Balance at the beginning of the year	953,676,506	879,497,395
Transferred during the year	285,398,648	74,179,111
Balance at the end of the year	1,239,075,154	953,676,506

The reserve is created according to Direction No.1 of 2003 issued under the Finance Business Act No.42 of 2011. The Company transferred 20% (2014/15 - 5%) of its annual net profit after tax to this reserve in compliance with this direction.

19.2 Investment fund reserve

Balance at the beginning of the year	-	391,850,336
Transferred during the year	-	32,935,748
Transferred to retained earnings during the year	-	(424,786,084)
Balance at the end of the year	-	-

The reserve was created in accordance with the Central Bank of Sri Lanka (CBSL) guidelines issued to create an Investment fund reserve. 8% of the profits liable for VAT on Financial Services and 5% of the profits liable for self assessment income tax payable was transferred to this reserve when the payment of such taxes became due. The period for which such a reserve was to be built up lapsed during the previous financial year and in line with the directive issued by CBSL the balance was transferred to retained earnings.

19.3 Cash flow hedge reserve

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	-	-
Gain / (loss) arising from cash flow hedge recognized in OCI	34,156,257	-
Related tax	(11,408,600)	-
Balance at the end of the year	22,747,657	-

The cash flow hedge reserve is maintained to recognise the change in the fair value of, the derivative (forward exchange contract) designated under the hedge relationship and the hedge item (portion of a foreign currency borrowing). The objective of the hedge is to mitigate the risk arising on the movement in foreign exchange rates and the resulting cash flows.

The hedging instrument is a forward exchange contract and as at 31-3-2016 had a fair value of Rs. 40,745,000/-.

The portion of the foreign currency loan that is subject to hedge accounting is to be settled during the financial years 2016/17 - 2022/23 and the derivative will be rolled over until that date.

The hedge is considered to be effective and is in effect at the reporting date and therefore no reclassification to profit or loss was made.

19. RESERVES (Contd...)

19.4 Available for Sale Investment Reserve

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	86,036,783	109,792,742
Fair value changes during the year - increase / (decrease)	(246,190,536)	(23,755,959)
Balance at the end of the year	(160,153,753)	86,036,783

This reserve is maintained to recognize the fair value changes of Available for Sale Financial Assets.

19.5 Retained Earnings

	2016 Rs.	2015 Rs.
Balance at the beginning of the year	4,953,882,436	3,152,829,244
Profit for the year	1,426,993,242	1,483,582,221
Remeasurements of defined benefit liability - gain / (loss)	987,985	(200,254)
Transferred to Investment fund reserve	-	(32,935,748)
Transferred from Investment fund reserve	-	424,786,084
Transfer to Statutory reserve fund	(285,398,648)	(74,179,111)
Balance at the end of the year	6,096,465,015	4,953,882,436

20. INTEREST INCOME

	2016 Rs.	2015 Rs.
Interest on leases	2,827,065,239	2,385,531,572
Interest on hire purchases	7,320,164	39,378,078
Interest on loans	7,496,881,646	6,437,056,647
Factoring income	1,649,596,359	790,918,262
Interest on margin trading	33,284,619	31,354,285
Income from operating lease and hire	50,836,841	22,396,462
Interest on overdue rentals and others	1,072,612,148	1,164,591,596
	13,137,597,016	10,871,226,902

21. INTEREST EXPENSE

	2016 Rs.	2015 Rs.
Interest on fixed deposits	4,148,247,834	3,896,412,257
Interest on savings deposits	45,818,046	34,027,508
Profit distributed to IBU deposit holders	480,400,473	469,765,238
Interest on foreign currency deposits	64,990,148	92,448,609
Interest on re-red refinancing	3,773,910	6,747,174
Finance lease interest	71,259,352	34,069,157
Interest on short term loan & bank overdraft	1,684,984,796	444,841,760
	6,499,474,559	4,978,311,703

22. NET OTHER OPERATING INCOME

	2016 Rs.	2015 Rs.
Sundry income	37,957,849	45,879,238
Service charges	241,789,835	151,613,219
Arrangement and documentation fees	207,007,494	143,953,894
Collections from contracts written off	159,584,229	179,814,249
Fair value change in investment properties	29,070,709	139,964,690
Interest income and capital gain on government securities	527,505,599	611,873,253
Interest income on term deposits	66,226,107	42,593,333
Change in fair value of derivatives - forward contracts (note 4.3)	94,334,091	(60,242,400)
Net exchange loss	(138,188,264)	(32,222,568)
Provision for payables to clients	(9,539,899)	(16,017,150)
Adjustment for increase / (decrease) in value of investments (note 8.1)	8,502,569	(200,000)
Dividend income	165,424	36,000
Interest income from staff loan	53,408,699	62,785,030
Disposal gain / (loss) on investment property	(32,315,560)	-
	1,245,508,882	1,269,830,788

23. DIRECT EXPENSES EXCLUDING INTEREST COST

Factored insurance	251,794,016	83,643,256
VAT on general expenses	194,393,911	83,402,364
Portfolio handling fee	465,529,015	255,788,870
Others	-	6,057,200
	911,716,942	428,891,690

24. ALLOWANCE FOR IMPAIRMENT & WRITE OFFS

Impairment provision / (reversal) for lease rentals receivable (Note 5.2)	(54,690,899)	(45,153,908)
Impairment provision / (reversal) for receivables from hire purchases (Note 6.1.2)	(260,916)	(14,634,147)
Impairment provision / (reversal) for mortgage loan (Note 6.2.2)	(35,207,241)	46,865,531
Impairment provision / (reversal) for receivables from sundry loans (Note 6.3.2)	278,384,140	60,495,148
Impairment provision / (reversal) for factoring receivables (Note 6.4.1)	735,679,029	35,154,670
Impairment provision / (reversal) for margin trading receivables (Note 6.5.1)	-	(137,615,343)
Impairment provision / (reversal) for other receivables	(57,649,925)	686,056,855
Impairment provision / (reversal) for insurance receivable	40,857,990	-
Written-off during the year	661,463,899	866,133,510
	1,568,576,077	1,497,302,317

25. PROFIT FROM OPERATIONS

Profit from operations is stated after charging all expenses including the following,

Directors' emoluments	57,103,370	37,831,375
Audit fees and expenses - Audit Services	2,013,000	1,830,000
- Audit Related Services	904,050	861,000
- Non Audit Services	Nil	Nil
Depreciation on property, plant and equipment	32,717,251	12,166,033

25.1 Personnel expenses

- Salaries, wages & other related costs	1,069,592,645	873,290,880
- Defined contribution plans - EPF & ETF	27,305,844	20,947,063
- Defined benefit plan cost	3,651,323	3,126,017
	1,100,549,812	897,363,959

26. MATURITY OF ASSETS AND LIABLITIES

26.1 An analysis of the total assets of the Company as at the year end based on the remaining period at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.16	Total as at 31.03.15
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and cash equivalents	3,497,994,396	-	-	-	-	3,497,994,396	2,975,305,230
Deposits with banks and other financial institutions	1,909,923,509	8,296,847,415	-	-	-	10,206,770,924	761,095,291
Investment in government securities	6,209,704,563	-	892,469,819	71,127,074	1,224,194,779	8,397,496,235	5,900,717,853
Derivative assets	11,762,900	86,400,291	-	-	-	98,163,191	2,740,000
Rentals receivable on leased assets	1,849,026,805	3,640,411,892	8,098,404,680	3,591,731,798	326,012,431	17,505,587,605	13,466,792,270
Allowance for impairment	-	-	-	-	-	(261,725,528)	(316,416,427)
Hire purchases, loans and advances	7,404,192,680	11,028,005,718	14,198,822,117	20,898,334,014	1,225,669,291	54,755,023,819	37,824,261,458
Allowance for impairment	-	-	-	-	-	(1,419,848,573)	(1,176,932,589)
Factoring receivable	14,493,158,118	-	-	-	-	14,493,158,118	6,359,079,938
Allowance for impairment	-	-	-	-	-	(894,557,226)	(158,878,197)
Margin trading receivables	85,597,164	-	-	-	-	85,597,164	293,711,960
Allowance for impairment	-	-	-	-	-	-	-
Other receivables	410,849,540	35,434,418	100,317,654	95,390,459	52,063,401	694,055,473	639,352,319
Investments securities	1,017,002,569	-	-	-	66,468,275	1,083,470,844	8,843,275
Amount due from related companies	3,271,183	-	-	-	-	3,271,183	2,882,510
Investment properties	-	-	930,200,000	-	-	930,200,000	1,142,800,000
Property plant and equipment	-	-	-	-	1,210,407,229	1,210,407,229	136,544,681
Total Assets as at 31.03.2016	**36,892,483,426**	**23,087,099,734**	**24,220,214,270**	**24,656,583,345**	**4,104,815,407**	**110,385,064,854**	
Total Assets as at 31.03.2015	**21,122,942,840**	**11,062,679,750**	**19,172,212,507**	**16,656,827,704**	**1,499,463,984**	**67,861,899,570**	**67,861,899,570**

26.2 An analysis of the total liabilities of the Company as at the year end based on the remaining period at the reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	More than 5 Years	Total as at 31.03.16	Total as at 31.03.15
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Bank overdraft	1,941,608,486	-	-	-	-	1,941,608,486	2,333,062,400
Interest bearing borrowings	7,767,820,252	12,204,303,946	6,671,545,160	6,862,995,219	1,563,487,137	35,070,151,714	11,040,027,979
Deposits from customers	25,969,142,871	19,475,036,675	10,684,729,909	4,068,291,440	-	60,197,200,894	41,309,960,471
Trade payables	637,849,803	-	-	-	-	637,849,803	645,905,072
Accruals and other payables	856,036,636	22,925,700	102,838,645	36,801,849	-	1,018,602,831	822,440,615
Derivative liabilities	17,859,000	-	-	-	-	17,859,000	57,514,900
Amount due to related companies	996,780,809	-	-	-	-	996,780,809	2,453,097,016
Current tax payable	-	309,887,595	-	-	-	309,887,595	434,425,679
Deferred tax liability	-	-	984,741,078	-	-	984,741,078	761,419,624
Employee benefits	-	-	-	12,248,571	-	12,248,571	10,450,090
Stated capital	-	-	-	-	2,000,000,000	2,000,000,000	2,000,000,000
Statutory reserve	-	-	-	-	1,239,075,154	1,239,075,154	953,676,506
Cash flow hedge reserve	-	-	-	-	22,747,657	22,747,657	-
Available for sale investment reserve	-	-	-	-	(160,153,753)	(160,153,753)	86,036,783
Retained earnings	-	-	-	-	6,096,465,015	6,096,465,015	4,953,882,436
Total Liabilities & Equity as at 31.03.2016	**38,187,097,856**	**32,012,153,916**	**18,443,854,793**	**10,980,337,079**	**10,761,621,210**	**110,385,064,854**	
Total Liabilities & Equity as at 31.03.2015	**22,150,417,200**	**15,386,324,957**	**9,279,344,292**	**13,134,218,645**	**7,911,594,476**	**67,861,899,570**	**67,861,899,570**

27. INCOME TAX EXPENSE

The major components of income tax expense for the year ended 31 March are as follows:

	2016 Rs.	2015 Rs.
Current tax		
Current tax charge	379,870,141	526,979,445
Under provision of current taxes in respect of prior years	1,264,007	3,007,361
	381,134,148	529,986,806
Deferred Tax		
Deferred tax charge (27.2)	211,528,638	212,779,819
Income tax expense reported in statement of profit or loss	**592,662,785**	**742,766,624**
Deferred tax charge / (reversal) recognized in OCI	**11,792,817**	**(77,877)**

27.1 Current tax payable

	2016	2015
Tax payable as at 1st April	434,425,679	282,717,688
Current tax expense for the year	381,134,148	529,986,806
Tax paid during the year	(505,672,232)	(378,278,815)
Tax payable as at 31st March	**309,887,595**	**434,425,679**

A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows:

	2016		2015	
	%	Rs.	%	Rs.
Accounting profit before income tax		2,019,656,028		2,226,348,846
Tax effect at the statutory income tax rate of 28%	28%	565,503,688	28%	623,377,677
Tax effect of other allowable credits	-7%	(138,683,364)	-7%	(158,453,355)
Tax effect of non deductible expenses	8%	164,578,455	12%	274,834,942
Under / (over) provision in the previous years	0%	1,264,007	0%	3,007,361
Income tax expense	29%	592,662,785	33%	742,766,624

27.2 Deferred Taxation

Recognized deferred tax assets and liabilities are attributable to the following.

	Statement of Financial Position		Statement of Profit or loss and Other Comprehensive Income	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Deferred tax liability - recognized in profit or loss - expense / (reversal)				
Lease receivables	1,011,144,217	843,296,720	167,847,496	275,109,972
Net forward exchange contracts	11,076,573	-	11,076,573	(1,530,900)
Propery, Plant & Equipment	760,358	-	760,358	-
	1,022,981,148	843,296,720	179,684,428	273,579,072
Deferred tax assets - recognized in profit or loss - expense / (reversal)				
Defined benefit plans	2,606,217	1,718,426	(887,791)	(605,792)
Net forward exchange contracts	-	15,336,972	15,336,972	(15,336,972)
Finance lease liability	46,219,070	63,614,099	17,395,029	(44,856,489)
	48,825,287	80,669,497	31,844,210	(60,799,253)
Deferred tax assets - recognized in OCI - expense / (reversal)				
Defined benefit plans	823,383	1,207,599	384,217	(77,877)
	823,383	1,207,599	384,217	(77,877)
Deferred tax liability - recognized in OCI - expense / (reversal)				
Fair value change in derivatives recognized in hedge reserve	11,408,600	-	11,408,600	-
	11,408,600	-	11,408,600	-
Deferred tax expense / (reversal) for the current year - recognized in profit or loss			**211,528,638**	**212,779,819**
Deferred tax expense / (reversal) for the current year - recognized in OCI			**11,792,817**	**(77,877)**
Net deferred tax liability	**984,741,078**	**761,419,624**		

27.2.a Movement in temporary differences

	2016 Rs.	2015 Rs.
Taxable temporary differences		
Lease receivables	3,611,229,345	3,011,774,001
Forward exchange contracts (net) - recognized in profit or loss	39,559,191	-
Forward exchange contracts - recognized in OCI	40,745,000	-
Propery, Plant & Equipment	2,715,565	-
	3,694,249,101	3,011,774,001
Deductible temporary differences		
Defined benefit plans - recognized in profit or loss	9,307,918	6,137,235
Defined benefit plans - recognized in OCI	2,940,653	4,312,855
Forward exchange contracts (net)	-	54,774,900
Finance lease liability	165,068,107	227,193,210
	177,316,678	292,418,200
Net taxable temporary differences	**3,516,932,423**	**2,719,355,800**

28. EARNINGS PER SHARE

28.1 Basic earnings per share

Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

The following reflects the income and share data used in the Basic Earnings Per Share computations.

	2016 Rs.	2015 Rs.
Amounts used as the numerator:		
Profit attributable to ordinary shareholders for basic earnings per share	1,426,993,242	1,483,582,221

	2016 No.	2015 No.
Number of ordinary shares used as the denominator:		
Ordinary shares in issue at the beginning of the year	2,800,000,000	2,800,000,000
Weighted average number of ordinary shares in issue applicable to basic earnings per share	2,800,000,000	2,800,000,000
Basic earnings per share (Rs.)	**0.51**	**0.53**

28.2 Diluted earnings per share

There were no potential dilution at the year end. Therefore, diluted earnings/ (loss) per share is the same as basic earnings/ (loss) per share shown above.

29. CASH AND CASH EQUIVALENTS

	2016 Rs.	2015 Rs.
29.1 Favourable cash & cash equivalents balance		
Cash in hand and at bank	3,497,994,396	2,975,305,230
29.2 Unfavourable cash & cash equivalent balances		
Bank overdraft	(1,941,608,486)	(2,333,062,400)
Total cash and cash equivalents for the purpose of cash flow statement	**1,556,385,910**	**642,242,830**

30. COMPARATIVE FIGURES

Comparative information has not been reclassified or restated.

31. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of Assets	Nature of Liability	Carrying Amount Pledged 2016 Rs.	Carrying Amount Pledged 2015 Rs.
Leased assets	Short term borrowing	6,934,283,508	1,572,508,215

32. RELATED PARTY DISCLOSURES

32.1 Parent and Ultimate Controlling Party

The Company's immediate and ultimate controlling party is Lanka ORIX Leasing Company PLC.

32.2 Transactions with Key Management Personnel (KMPs)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities directly or indirectly. Accordingly the KMP include members of the Board of Directors and General Managers and Deputy General Managers of the Company and its ultimate Parent Company Lanka ORIX Leasing Co. PLC . Close Family Members (CFM) of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Company.

32.2.1 Compensation of KMPs

	2016 Rs.	2015 Rs.
Short term employment benefits	68,341,180	53,142,480
Post employment benefits	-	-
Total	68,341,180	53,142,480

The short term employement benefits include only the directors fees and emoluments paid to Directors & KMPs.

32.2.2 Transactions, arrangements and agreements involving KMPs, and their close family members (CFMs)

CFMs of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMPs domestic partner and children, children of the KMPs domestic partner and dependents of the KMP or the KMPs domestic partner. The transactions are carried out on an arms length basis. The details of the transactions are as follows :

	2016 Rs.	2015 Rs.
Deposits held with the Company	793,236,470	724,402,049
Interest paid / charge	101,490,974	134,974,177
Interest payable	34,918,747	11,648,649
Loans granted (excluding Directors)	14,659,498	14,516,954
Capital outstanding on facilities granted to KMP (excluding Directors)	22,293,019	21,940,078
Accommodation outstanding as a percentage of the Company's Capital Funds	0.18%	0.20%

No impairment losses have been recorded against balances outstanding with KMP and CFM.

32. RELATED PARTY DISCLOSURES (Contd...)

32.3 Transactions with related parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard (LKAS) - 24, Related Party Disclosures, on an arms length basis. Details of related party transactions are reported below. (For information regarding outstanding balances (receivables / payables) at 31 March 2016 and 2015, refer notes no.9 and 16 accordingly).

Relationship	Nature of Transactions	Transaction value 2016 Rs.	Transaction value 2015 Rs.
Parent Company	Net funds granted by the Parent during the year (excluding opening balance)	118,841,696	763,267,839
	Shared expenses (including vat)	1,461,164,236	1,251,656,237
	Asset hire charges	121,534,520	121,534,520
	Interest on re-red refinancing	3,773,910	6,747,174
	Treasury management fee	481,000,000	283,000,000
	Fund transfer interest	172,801,102	40,663,758
	Charges for service provided	-	120,000,000
Fellow Subsidiaries & Associates	Deposits & other borrowings by the company	2,388,847,172	219,877,919
	Interest paid/charge	46,747,799	5,760,057
	Interest payable	5,808,869	3,338,378
	IT service fee	120,000,000	120,000,000
	Portfolio handling fee	465,529,015	375,788,870
	Supply of leased vehicles	697,047,184	281,650,671
	Yard fee	12,679,192	13,418,572
	Loan/ lease granted	228,986,025	253,030,258
	Rental collections	314,057,143	276,867,747
	Interest income	181,424,350	183,265,876
	Capital outstanding on facilities granted	1,071,267,248	949,236,810
Other Related Companies/Affiliates	Supply of leased vehicles	169,763,578	72,932,141
	Debentures issued	-	2,745,000,000
	Interest paid/charge	235,825,582	-
	Rental collections	130,993,610	107,915,781
	Interest income	8,274,211	17,760,491
	Capital outstanding on facilities granted	6,548,235	50,380,100
Other Related Organizations	Deposits held with the company	233,545,815	43,843,776
	Interest paid/charge	1,803,564	2,121,703
	Interest payable	6,267,987	392,326
Accommodation outstanding as a percentage of the Company's Capital Funds		8.78%	9.15%

All of the above transactions (including borrowing and lending transactions) with related parties are on arm's length basis and are on terms that are generic to non-related parties.

33. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no material events occurring after the reporting date that require adjustment to or disclosure in the financial statements.

34. OPERATING SEGMENTS

	Operating Segment				
	Conventional Financial Services	**Islamic Financial Services**	**Factoring Business**	**Others/ Adjustments**	**Total**
	Rs.	**Rs.**	**Rs.**	**Rs.**	**Rs.**
For the year ended 31st March 2016					
Total revenue - Interest income & other income	10,869,523,435	1,636,308,151	1,877,274,311	-	14,383,105,898
External revenue	10,869,523,435	1,636,308,151	1,877,274,311	-	14,383,105,898
Net interest cost	(4,885,942,079)	(612,957,203)	(1,000,575,276)	-	(6,499,474,559)
Profit before operating expenses	5,983,581,356	1,023,350,948	876,699,035	-	7,883,631,339
Operating expenses	(3,934,236,139)	(452,640,283)	(1,201,208,044)		(5,588,084,467)
Value added tax on financial services	(220,325,401)	(55,565,443)	-		(275,890,844)
Results from operating activities	1,829,019,815	515,145,222	(324,509,010)	-	2,019,656,027
For the year ended 31st March 2015					
Total revenue - Interest income & other income	9,942,829,178	1,270,726,997	927,501,515	-	12,141,057,690
External revenue	9,942,829,178	1,270,726,997	927,501,515	-	12,141,057,690
Net interest cost	(3,933,757,372)	(529,019,768)	(515,534,563)	-	(4,978,311,703)
Profit before operating expenses	6,009,071,806	741,707,229	411,966,952	-	7,162,745,987
Operating expenses	(4,006,143,142)	(371,027,481)	(319,000,227)	-	(4,696,170,850)
Value added tax on financial services	(198,321,185)	(31,221,289)	(10,683,817)	-	(240,226,291)
Results from operating activities	1,804,607,480	339,458,458	82,282,908	-	2,226,348,846
For the year ended 31st March 2016					
Provision for / (reversal of provision for) doubtful debts and bad debts written off	757,041,446	75,855,602	735,679,029	-	1,568,576,077
Depreciation	32,717,251	-	-	-	32,717,251
For the year ended 31st March 2015					
Provision for / (reversal of provision for) doubtful debts and bad debts written off	1,377,131,365	85,016,282	35,154,670	-	1,497,302,317
Depreciation	12,166,033	-	-	-	12,166,033
Capital expenditure - Property Plant and equipment					
For the year ended 31st March 2016	1,231,579,800	-	-	-	1,231,579,800
For the year ended 31st March 2015	98,567,892	-	-	-	98,567,892
As at 31-03-2016					
Total assets	88,717,036,225	11,043,205,173	13,598,600,891	(2,973,777,435)	110,385,064,854
Total liabilities	80,834,236,663	9,727,870,662	13,598,600,891	(2,973,777,435)	101,186,930,781
As at 31-03-2015					
Total assets	55,120,942,251	7,774,857,506	6,200,201,741	(1,234,101,928)	67,861,899,570
Total liabilities	48,065,753,695	6,836,450,338	6,200,201,741	(1,234,101,928)	59,868,303,846

35. COMMITMENTS AND CONTINGENCIES

	2016	**2015**
	Rs.	**Rs.**
35.1 Contingent liabilities		
Guarantees issued to banks and other institutions	671,001,727	636,345,074

There were no material litigations or claims to be disclosed as at the reporting date.

35.2 Commitments		
Forward exchange contracts- (commitment to purchase)	3,390,826,026	1,593,024,850
Unutilised loan facilities	9,087,623,362	5,824,041,685
Letters of credit	133,501,296	31,148,950

- On the commitment to purchase the foreign currencies the company will receive USD 15,350,000, EUR 1,500,000, GBP 1,700,000, AUD 4,274,001.
- The company held no operating lease commitments as at 31-March-2016 (31-March-2015-no commitments).