

Pinnacle of Success

 **vallibel** Finance

Annual Report 2014/15

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Pinnacle of Success

There's no question about it. When you're one of Sri Lanka's most successful financial institutions, you have to exceed your stakeholders' expectations, whatever you undertake to do. At Vallibel Finance we are very aware of our responsibility to be a benchmark of operational efficiency, customer centricity and good governance. As a company that strives to positively impact people's lives across a span of demographics, we know that we must anticipate our customers' needs and deliver access to world-class financial solutions and services, whoever and wherever they are.

This report describes what we have been doing over the past year to grow and strengthen your company to maintain our strong positions in the many financial service sectors we operate. Because we believe that we must always keep evolving, keep innovating and keep building trust to reach the pinnacle of success we strive for every day.

Vallibel Finance PLC
Pinnacle of success

Our Vision

To change the financial landscape of our country; bringing more people in more areas to become stakeholders of a national reawakening. We are driven by relentless passion to seek out people who need help.

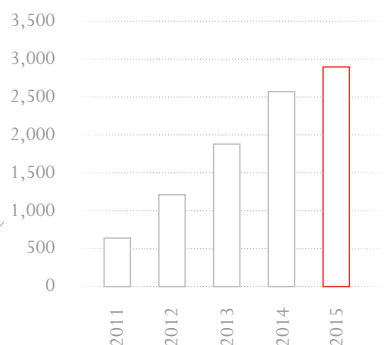
Our Mission

Our work ethics involve working tirelessly to formulate and offer a financial product spread that understands the pulse of the people. Our search is for excellence in all we do including accountability in financial stewardship and in our responsibility towards customers, stakeholders and our country.

Financial Highlights

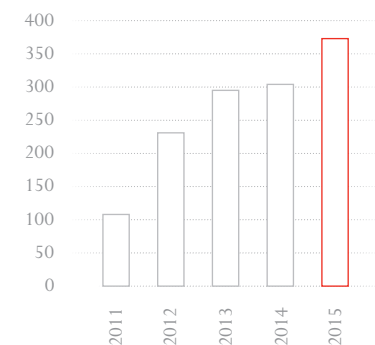
Gross Income

(Rs. 'Mn)



Net Profit

(Rs. 'Mn)



12.7 %

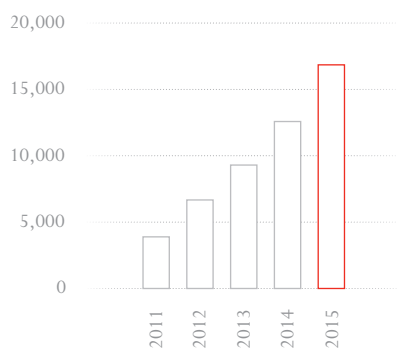
Growth of Gross Income

22.7 %

Growth of Net Profit

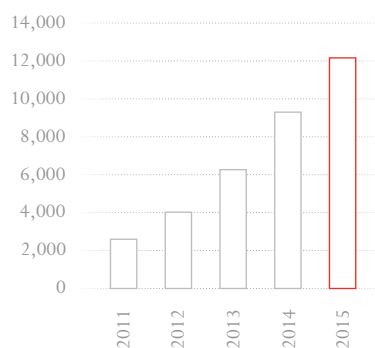
Total Assets

(Rs. 'Mn)



Total Deposits

(Rs. 'Mn)



34.3 %

Growth of Total Assets

30.8 %

Growth of Total Deposit Base

For the Year Ended 31st March

	2015 Rs.	2014 Rs.	Change %
FINANCIAL PERFORMANCE			
Gross Income	2,896,187	2,570,624	12.66
Gross Interest Cost	1,344,338	1,340,465	0.29
Pre-Tax Profit	632,943	489,010	29.43
Income Taxation	185,854	139,093	33.62
Profit After Taxation	372,787	303,910	22.66
Revenue to The Government	260,156	185,100	40.55
FINANCIAL POSITION			
Shareholder's Funds	1,514,170	1,180,743	28.24
Total Deposit Base	12,162,097	9,299,978	30.78
Borrowings & Bank Overdrafts, Subordinated Term Debts	2,622,713	1,674,484	56.63
Loans & Advances, Lease and Hire Purchase	12,568,875	9,938,181	26.47
Total Assets	16,893,507	12,578,714	34.30
Market Capitalisation	1,869,777	1,234,053	51.52
KEY INDICATORS PER ORDINARY SHARE			
Earnings Per Share (Rs.)	8.97	7.31	22.66
Dividends Paid / Proposed Per Share (Rs.)	2.00	1.00	100.00
Dividend Payout (%)	-	13.67%	-
Net Assets Per Share (Rs.)	36.44	28.42	28.24
Market Value Per Share (Rs.)	45.00	29.70	51.52
PE Ratio (Times)	5.02	4.06	23.52
KEY RATIOS			
Return on Average Equity (%)	27.67%	28.71%	(3.64)
Return on Average Assets - After Tax (%)	2.53%	2.78%	(8.92)
Interest Cover (Times)	1.47	1.36	7.77
Equity / Assets	0.09	0.09	-
Debt plus Total Deposit to Equity (Times)	9.46	9.10	3.98
Non Performing Ratio (%) - Gross	5.11%	4.95%	3.23
Non Performing Ratio (%) - Net	0.95%	1.97%	(51.78)
STATUTORY RATIOS			
Liquid Assets Ratio - Minimum Required 10%	24.00%	14.71%	63.15
Core Capital Ratio - Minimum Required 5%	11.53%	10.11%	14.04
Total Risk Weighted Capital Ratio - Minimum Required 10%	17.29%	15.16%	14.04

Operational Highlights

23 October 2014

Anuradhapura Branch added to the Vallibel Finance network

The cutting edge Vallibel Finance continued its ambitious expansion with the opening of Anuradhapura Branch.

8 April 2014

Vallibel Finance rated A- and placed within 100 leading Brands in Sri Lanka by LMD Brands Annual Survey.

28 August 2014

Vallibel Finance opened a collection centre at Kalutara

Bolstering its islandwide footprint, Vallibel Finance further expanded its customer reach with the opening of a centre in Kalutara.

10 July 2014

Vallibel, the name trusted by Sri Lanka expanded to Bandarawela

Famed for its great climate and tea gardens stretching for miles, the hill station of Bandarawela welcomed the arrival of Vallibel Finance, the rising star of the finance industry.



Chairman's Statement



KVR
K V P R De Silva
Chairman

We usually judge a finance company by its deposits as it is a clear indication of public acceptance. Deposits were, once again, heading in the right direction: UP! Total deposits grew by 30.78% to Rs. 12.16 Bn as against Rs. 9.30 Bn the previous year.

We usually judge a finance company by its deposits as it is a clear indication of public acceptance. Deposits were, once again, heading in the right direction: UP! Total deposits grew by 30.78% to Rs. 12.16 Bn as against Rs. 9.30 Bn the previous year. Vallibel Finance capped another encouraging year with assets growing to Rs. 16.89 Bn from a previous Rs. 12.58 Bn, a rise 34.30%.

I don't just look at the bottom-line but keep a close eye on fiscal management and am happy to say that your company is in good hands with both factors in positive territory. A well-managed company is manifested through its profitability and the company's pre-tax profits grew to Rs. 632.94 Mn surpassing the Rs. 489.01 Mn recorded the previous year. Profit After Tax rose to Rs. 372.79 Mn from Rs. 303.91 Mn against the previous year.

There's more reason to be excited. Your company is climbing the brand ladder and the Managing Director will speak about the company's strides in the business world. As I always say, a true finance company will stay true to its mandate of helping people while keeping a healthy bottom-line. More branches during the year and an outstanding successful debenture issue, both, point to a harmonious relationship between your company and the people of this country. Over subscription of the debenture issue within a day reflects the fact that the company is highly respected and endorsed by the people.

As I look back at yet another resounding year for us at Vallibel Finance, I am thankful to the guidance of former Chairman Dhammika Perera on whose vision your company is built on. Finally, a pat on the back for the team at Vallibel Finance, from top to bottom. It's a seamless union of a versatile think-tank I find in my Board of Directors and a first-rate team of champions on the ground, led by an astute leader who with his team makes it all possible. It has been a great year; let's make it even better!

I am happy and privileged to witness the rise of Vallibel group during her short history. Today, I am glad to see how a whole generation of professionals continues to be inspired by the same passion and work ethic that went into creating a corporate saga from next to nothing. Here's a company that has the rare distinction of carrying the Vallibel name and it gives me immense pleasure to witness its transformation, while yet being relatively new, building on the very cornerstones on which the Vallibel group has been built. It is a gratifying experience to now be part of the journey that seeks to be a dynamic driver of Sri Lanka's economy.

Your company has displayed the same tenacity, innovation and resilience which Vallibel stands for. The year under review, yet again, confirms Vallibel Finance is firmly rooted on fertile ground.

Sri Lanka continues to be a country of great promise and it is my fervent wish that the country will continue its economic revival. The economy shows great resilience, remaining on its upward-curve. The country remains as a top emerging

market. The ground for growth has been nicely laid, with lowered key policy rates and fiscal incentives. However, financial activity at micro-economic levels needs more vibrancy. Finance companies reach out to the informal economy much more than banks do and any volatility in this sphere has an immediate impact on the finance industry. This is when innovation and resilience come into play and your company has, yet again, shown that it is here for the long-term. This year's report card points in the right direction.

The lending portfolio recorded a 26.47% growth over the previous year, reaching Rs. 12.57 Bn from a previous Rs. 9.94 Bn. Forming a sizeable part of the lending portfolio, leasing showed encouraging growth, reaching Rs. 5.38 Bn with a growth of 10.65% from a previous Rs. 4.86 Bn. Hire purchases, other loans and advances too contributed to the total picture swelling to Rs. 7.19 Bn from Rs. 5.07 Bn, a growth of 41.63%. Your company is all geared to serve all spectrums of the society and I'm happy to see it being the engine of growth to many fellow Sri Lankans.

Managing Director's Message



S B Rangamuwa
Managing Director

We are a country in transition! Winds of change are being swept across the political and economic landscape as was evident mostly in the tail-end of the financial year. Effects of the socio-economic landscape usually have a direct impact on the course of the finance industry. Closer to our hearts at Vallibel Finance, however, we remain steadfast to our bounden duty of serving the best interest of our customers and our stakeholders.

With this reassurance, it gives me great pleasure, as always, to bring to you the annual report card of your company with the good news that the name Vallibel is now synonymous with steadfast growth in Sri Lanka's volatile finance industry.

The economy was afloat, moving in the right direction, propelled by the lowering of key policy rates. The year under review was greatly influenced by this in the first half and then by an unpredictable political climate as the country went into election mode. A wait-and-see approach is nothing unusual in such a scenario. But, not at your company!

We embraced pro-action. The result: 5 new branches against the four opened the previous year. Every new branch opens up new vistas and the company continued its aggressive onslaught penetrating deeper into the social fabric. Today, the Vallibel Finance network is primed with 24 branches / collection centers which we proudly call centers of growth.

Growth was witnessed in customary style with deposits leading the way, continuing its now familiar ascendancy. Deposits amassed to Rs. 12.16 Bn, a 30.78% increase over the previous year's Rs. 9.30 Bn.

Every year, I stress the responsibility that comes with the honour of being the name-bearer of the exalted Vallibel Group. My dedicated team of champions carries the torch with pride, bringing more people into a new way of life inspired by Vallibel's vision of empowerment. The end result is a monumental asset base considering that the company is still relatively new in a field strewn with long-standing heavy-weights. The asset base now stands at Rs. 16.89 Bn, a 34.30% increase from the Rs. 12.58 Bn, the previous year.

The pre-tax profit was, yet again, where it should be, pointing up, rising to Rs. 632.94 Mn from Rs. 489.01 Mn, the previous year. A growth of 29.43% is noteworthy in any context.

Your company continues its mission of being a change-agent, partnering people from diverse backgrounds in fulfilling their life-long ambitions. Our lending portfolio is built on true values of long-term partnerships and I am pleased to announce that our lending portfolio grew by 26.47% over the previous year, reaching an all-time high of Rs. 12.57 Bn. Leasing contributes as the single-largest factor of the company's lending portfolio, reaching Rs. 5.38 Bn which amounts to an increase of 10.65% over the previous landmark of Rs. 4.86 Bn. Hire purchases, other loans and advances were also in the ascendancy reaching Rs. 7.19 Bn from Rs. 5.07 Bn, a growth of 41.63%.

The lackadaisical demand for credit witnessed in recent times hasn't shown a significant turn-around yet despite many incentives coming people's way, bringing the cost of living down notably. But it's still early days and the up-coming year should, hopefully, see renewed economic activity, if the looming elections don't act as another damper.

The pre-tax profit was, yet again, where it should be, pointing up, rising to Rs. 632.94 Mn from Rs. 489.01 Mn, the previous year. A growth of 29.43% is noteworthy in any context. Profit After Tax rose to Rs. 372.79 Mn from Rs. 303.91 Mn against the previous year.

The NPL is a concern for the banking and finance industry, as always. It isn't merely a reflection of borrowers' financial performance, but it is also a barometer of a country's culture. We lend to people from all walks of life and take every precaution foreseeable in lending. However,

the repayment habits of people will always mean finance companies will have issues in balancing its NPL and your company is taking every possible measure to stay within accepted levels. In fact, we maintained industry benchmarks in terms of NPL ratio despite the challenging environment we faced.

A vote of confidence also came from the business world. Your company is not only in the prestigious list of Sri Lanka's 100 most prestigious brands but climbed 3 places to reach 64, coming on top of many larger and long-standing companies. We now enjoy a brand rating of A-. The list is compiled by LMD and Brand Finance.

One of our most significant moments of the year came in the form of a debenture issue. The Rs. 1 Bn, Issue was oversubscribed in record time. This timely effort was meant to expand and strengthen the capital base of the company.

We are in the midst of exciting times, indeed, and let's hope that the new financial year would usher in better times for the whole country. My team of over 500 renews our commitment to our mission of creating excellence. And as we do, we'd like to offer our heartfelt appreciation to our visionary leader Mr. Dhammika Perera and Chairman Mr. Ranjith De Silva.

We continue to take pride in the privilege of being guided by one of the most brilliant minds of contemporary Sri Lanka. Most sincere appreciations extend to our Board of Directors for continuing guidance and support, to our stakeholders and our valued customers. Finally, a big thank you to my team. Bravo!

Board of Directors



Mr. K. V. P. R. De Silva (Chairman) / **Mr. S. B. Rangamuwa** (Managing Director) / **Mr. Dhammika Perera** (Executive Director)
Mr. R. M. Karunaratne (Director) / **Mr. T. Murakami** (Director) / **Mr. K. D. A. Perera** (Director) / **Mr. A. Dadigama** (Director)



Board of Directors

Mr. K. V. P. R. De Silva

Chairman

Mr. K. V. P. Ranjith De Silva holds a Bachelor of Arts Degree from Vidyodaya University and a Postgraduate Diploma from Postgraduate Institute of Management (PIM). He joined the Sri Lanka Administrative Service (SLAS) in 1980 and became a special grade SLAS officer in 2006.

He held many key positions in the public sector at divisional, district and national level and has served in various Government Ministries such as Food and Cooperative, Home Affairs, Health, Ports and Aviation etc.

He held the position of Additional Secretary in the Ministry of Ports in 2005 and became the Secretary to the Ministry of Ports and Aviation in 2009. He became the Secretary to the Ministry of Civil Aviation in 2010.

During his tenure in the Ministry of Ports and Aviation and the Ministry of Civil Aviation some of the Major Government projects that is Colombo Port expansion project, Port of Oluvil, Magampura Mahinda Rajapaksa Port and Mahinda Rajapakse International Airport at Mattala were commenced and completed under his supervision as Chief Accounting Officer in those Ministries.

He has served as a member of Standing Cabinet Appointed Review Committee (SCARC) which grants in principle approval for major Government Projects.

He was the Chief Executive Officer (CEO) of the Commonwealth Heads of Government Meeting (CHOGM) which was held in Sri Lanka in 2013.

Mr. S. B. Rangamuwa

Managing Director

A fellow of the Chartered Institute of Marketing (UK), and a Chartered Marketer. Mr. Rangamuwa is a member of the Institute of Management Accountants of Australia.

He is also a Fellow of the Sri Lanka Institute of Credit Management and holds a Certificate in Foundation Studies (Sports) from Unitec, New Zealand.

He obtained an MBA from the University of Southern Queensland / ICASL as well as a postgraduate Diploma in Financial Administration from the Institute of Chartered Accountants of Sri Lanka.

He started his career with Central Finance PLC. After a stint at Ernst and Young, he joined Mercantile Investments Ltd as a Management Trainee, and held various key positions until his appointment to its Board in 2001 as Director, a position he held until he joined Vallibel Finance PLC in February 2007.

He also served as Deputy Chairman of the Leasing Association of Sri Lanka.

Currently he serves as a Director of Hunnas Falls PLC and Pan Asia Banking Corporation PLC.

Mr. Dhammika Perera

Executive Director

Mr. Dhammika Perera is the quintessential business leader, with interests in a variety of key industries including Hydropower Generation, Manufacturing, Hospitality, Entertainment, Banking and Finance. He enriches the Board with over 25 years of experience in building formidable businesses through unmatched strategic foresight.

Mr. Perera is the Chairman of Sampath Bank PLC, Vallibel One PLC, Vallibel Power Erathna PLC, Royal Ceramics Lanka PLC, The Fortress Resorts PLC, Delmege Limited and Sun Tan Beach Resorts Ltd. He is the Co-Chairman of Hayleys PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC, and Lanka Tiles PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Ceramic PLC, Haycarb PLC, Hayleys MGT Knitting Mills PLC, The Kingsbury PLC, Dipped Products PLC and Hayleys Global Beverages (Pvt) Ltd.

Mr. R. M. Karunaratne

Director

Mr. Rathnayake Mudiyansele Karunaratne joined the Board of Vallibel Finance PLC on 30th April 2013.

He received his Bachelor of Science (B.Sc.) degree from the University of Sri Jayawardenapura, Sri Lanka, specializing in Estate Management & Valuation.

After his graduation in 1977, he joined the Board of Investment of Sri Lanka (BOI) in 1978 and during the period 2008 to 2011, having served in various departments, rose to the position of Executive Director – Monitoring.

Mr. T. Murakami

Director

Mr. Toyohiko Murakami is a Chief Executive of Bansei Group Japan. Mr. Murakami has over 31 years of experience in managing various business fields consisting of Securities, Finance, Insurance, and Real Estate. Mr. Murakami has a degree in Bachelor of Law from Kyoto University, Japan.

Mr. Murakami joined Bansei Securities Co., Ltd. in November 2005. He was appointed as the Executive Vice President in February 2006 and he was appointed as the President and CEO of the company in June 2009.

He is also the Chairman of Bansei Hoken (Insurance) Community Co., Ltd. which is a sister company of Bansei Securities Co., Ltd.

Formerly Mr. Murakami was with Zenkoku Hosho Co., Ltd. from November 2005 to February 2006 and was a Director of H.S. Securities Co., Ltd. from October 2000 to August 2005.

He is a Chairman of Bansei Holdings LK (Pvt) Ltd and Bansei And NWS Consultancy (Pvt) Ltd, Deputy Chairman of Bansei Royal Resorts Hikkaduwa PLC, and Director of Pan Asia Banking Corporation PLC and Bansei Securities Finance (Pvt) Ltd.

Mr. K. D. A. Perera

Director

Mr. Anuradha Perera is a Director of Vallibel Leisure (Pvt) Ltd and also holds directorships in other private sector companies which are under Vallibel Group.

Mr. A. Dadigama

Director

Mr. Aravinda Dadigama is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA in Finance from the University of Southern Queensland, Australia. Further, he is a degree holder (BBA) of the University of Colombo.

He is specialized in finance and treasury management and counts over 20 years of experience in different entities including finance companies and exporting companies.

At present, Mr. Dadigama is the CEO/Managing Director of Aluchem International (Pvt) Limited and Alugrow Trading (Pvt) Limited.

Senior Management Team



Mr. D.G.N. Perera (Deputy General Manager - Credit) / **Mr. S.K.N.C. Jayawardana** (Deputy General Manager - Business Development)
Mr. P.B.D.T.S. Nanayakkara (Deputy General Manager - Collections) / **Mr. K. D. M. Sameera** (Assistant General Manager - Finance & Administration)
Mr. T. U. Amaraweera (Assistant General Manager - Asset Management)



Mr. D. M. P. M. B. Dissanayaka (Assistant General Manager - Credit) / **Mr. S. Sapukotana** (Assistant General Manager - Business Development)
Mr. L. G. R. De Silva (Senior Manager - Metropolitan Branch) / **Mr. K.N. Warnakula** (Senior Manager - Micro Finance)

Management Discussion & Analysis

As we sit within reach of that pinnacle of success, we cannot help but reminisce that our journey since 2005, when we were acquired by the formidable Vallibel Group, has been one built on courage, fortitude, innovation, uncompromising ethics and an unwavering need to empower the people of Sri Lanka. Just last year, we were slated as one of the fastest growing financial entities in the country, renowned for our innovative financial solutions. But we honed our strengths, led by a collective of corporate spearheads whose experience and knowledge remain some of the best in the industry. Adding our unique brand of service excellence, we have created an expansive network that would add accessibility and flexibility into our service equation. This has been augmented by a solid asset base. Therein lies our success as one of the country's most successful financial institutions.

We continue to strive to reach the pinnacle of success by being astute and visionary, creating paradigm shifts that would collate synergies for us to leverage on. We know we have exceeded stakeholder expectations by delivering access to world class financial solutions, have set benchmarks in operational efficiency, customer centricity and most of all, governance. As detailed in our vision, we are undoubtedly changing the financial landscape of our country, prompting financial inclusiveness and economic and social empowerment across Sri Lanka. And

We are undoubtedly changing the financial landscape of our country, prompting financial inclusiveness and economic and social empowerment across Sri Lanka. And seeing the tangible paradigm changes we have made in people's lives, where we stand now, is surely the pinnacle of success.

seeing the tangible paradigm changes we have made in people's lives, where we stand now, is surely the pinnacle of success.

The world last year

It certainly has not been a good year for the global economy, continuing as it does to struggle with the fallout of disappointing outturns. Developed countries are not yet out of the woods and grapple to gain momentum and free themselves from the legacies of the global financial crisis. The expectations of emerging economies being the panacea for the world also seems to have fallen foul with emerging economies being less dynamic. Global growth in 2014 was lower than initially expected, picking up marginally in 2014 to 2.6 % from 2.5 % in 2013. In fact, this year has been dubbed one of secular



1. Mid-Year Business Review Session at The Kingsbury Hotel, Colombo
2. Managing Director addressing the staff at Annual Business Review Session at Taj Samudra Hotel, Colombo
3. Rajagiriya, Premier Centre being opened by the Chairman, Mr. Ranjith De Silva
4. Award Ceremony of Microfinance Team held at BMICH

stagnation, sucked into a vortex rife with Russia's economic collapse, threat of deflation and another year of record low interest rates to name a few.

Falling prices dragged on growth prospects in the advanced world, triggering fears that the west is succumbing to the path Japan fell into during the early 1990s. The World Bank reports that while activity in the United States and the United Kingdom has gathered momentum due to labour markets seeing a turnaround and monetary policy continuing to be accommodating, the Eurozone and Japan have been disappointing. The IMF thinks there is now a four in ten chance the eurozone area will slip back into its third recession since the financial crisis. Deflationary forces proved to be particularly acute in the Eurozone, where inflation has fallen to record lows.

The collapse in oil prices was one of the factors that contributed to low inflation in 2014. By end 2014, a combination of low oil prices, the conflict in Ukraine and sanctions on the Russian government saw markets dive, resulting in the Russian economy set to contract by 4% in 2015.

The much touted China too is now undergoing a carefully managed slowdown. Disappointing growth in other developing countries in 2014 reflected weak external demand, as did domestic policy tightening, political uncertainties and supply-side constraints.

Meanwhile, growth in South Asia inclined 5.5% from a ten year low of 4.9 % in 2013. The World Bank touts South Asia as the fastest growing region in the world. The incline seen in 2014 was driven by India, emerging from two years of modest growth. Regional

growth is projected to rise to 6.8 % by 2017, as reforms ease supply constraints in India, political tensions subside in Pakistan, remittances remain robust in Bangladesh and Nepal and demand for the region's exports gather further momentum.

Global growth in general is estimated at a moderate rise, 3% in 2015 to about 3.3% by 2017. High-income countries are likely to see growth of 2.2 % in the next three years, which is a marginal increase from 1.8% seen in 2014. It is predicted that domestic headwinds that held back growth in 2014 will ease and as the recovery in high-income countries slowly strengthens, growth is projected to gradually accelerate in developing countries. Growth is expected to rise from the 4.4% posted in 2014 to 4.8% in 2015 and 5.4% by 2017.

Management Discussion & Analysis

Reviewing Sri Lanka's economy

Sri Lanka's economic growth has been one of the fastest among Asia's developing economies in recent years with the country's economic performance better than expected, as detailed by the International Monetary Fund (IMF). This is despite some headwinds from chronic market turbulence and climatic shocks. Sri Lanka's short-term outlook appears broadly positive, as the country is well positioned to benefit from the global economic recovery, and particularly, stronger growth in advanced economies.

In 2014, Sri Lanka failed to achieve the GDP forecast of 7.8% but did perform quite robustly in comparison to the region. According to the Asian Development Bank (ADB), inflation fell markedly, and the current account deficit narrowed, while the election in January 2015 heralded a mandate for political and economic change.

Sri Lanka's GDP grew by 7.4% during 2014, up slightly from 7.2% a year earlier. Continued high growth was driven by faster expansion in industry, which offset substantially weaker growth in agriculture. The agriculture sector, which forms one of the three main pillars of the economy, saw a considerable slowing down to 0.3% from 4.7% last year. However, the industry sector inclined an impressive 11.4% and the services sector moved upwards by 6.5%, compared to 9.9% and 6.4% in 2013 respectively. The lift in the industry sector reflects fast expansion in construction and a pick up seen in the apparel sector.

While there has been much riding on the banking, insurance and real estate sectors, the growth indicators here however were somewhat marginal, showcased at 14.6% against 14.4% last year. This could be due

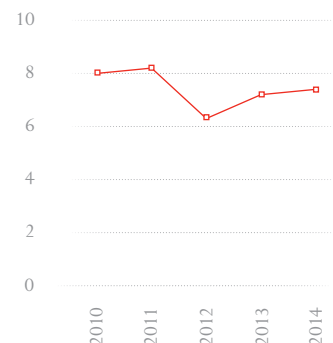
to the credit slump experienced in the last few years with lacklustre demand for private credit and the relative drop seen in credit to the government, which Standard & Poor indicates will however recover in 2015.

However, private sector recovery has been slow, attributed to stickiness of market lending rates to adjust downwards, sharp reduction of gold loan activity due to fall of global gold prices, increased foreign borrowings, sluggish global growth and convenient access to debt markets. The CBSL reports however, that private sector credit has shown improvement in February 2015, increasing 12.6%, that is Rs. 24.5 Bn, auguring well for the plans being mapped out by the financial services sector.

The fact however that Sri Lanka is performing considerably well in global indices including the Global Prosperity Index, Ease of Doing Business Index and Economic Freedom Index, in which the country is the highest ranked in South Asia, means that the country is well set to etch a path of progress, irrespective of external challenges or vagaries that may be encountered. Seeking to achieve a GDP per capita of US \$4,000 by 2016, Sri Lanka has been setting the stage to ensure this reality.

The ADB details that the faster growth seen in advanced economies will benefit export industries including apparel and tourism, but agriculture remains uncertain having battled the vagaries of the weather. It is estimated however that increases in government-guaranteed prices for several agricultural products should boost production. Against this backdrop and assuming stability in the political arena and a rebound in investment, growth is projected to be posted at 7.0% in 2015 and strengthen to 7.3% in 2016.

GDP Growth Rate
(%)



The NBFI Sector in Perspective

Momentum was moderately higher in the performance of the financial sector this year with the NBFI sector, comprising Licensed Finance Companies and Specialized Leasing Companies, posting improved performance. Continuous and consistent business strategies and a prudent financial recovery process begun in preceding years is now cascading positive tenets. Other financial institutions showed mixed performance, given their different business models. As detailed in the Central Bank of Sri Lanka's Annual Report 2014, the performance of the financial sector was primarily led by the continuation of relaxed monetary policy and improved macroeconomic performance.

The financial sector consolidation programme continued throughout most of the year, envisaged to contribute positively in building a more resilient LFC and SLC sector. The process has now been realigned with the current government's economic policy, aimed at strengthening and sustaining the country's financial stability. It is expected that the capital and asset base will increase as a result of this process, enabling LFCs and SLCs to mobilise

low cost, long term funds. Accordingly, the plan envisaged is to reduce the number of non-banking financial institutions to around 20 from 58 with regulatory support and tax incentives. By end 2014, 10 mergers were completed and 22 were works in progress. However, given the several concerns that have arisen, the programme has been temporarily halted pending the findings of the consolidation review committee appointed by the new Government.

The LFC and SLC sector encompasses 7% of Sri Lanka's financial system, comprising 48 LFCs and 8 SLCs. The sector expanded its branch network by 72 to now collate a total of 1,132.

Asset growth moderated due to lower demand for credit, particularly during the early part of the year, but saw upward inclines thereafter. The lower interest rate scenario helped improve credit demand and maintain inclining non-performing loans at prudent levels. Mergers and acquisitions did assist in building resilience and improving the soundness of the sector. Strengthening risk management and building capacity of the sector to facilitate better absorption of risks was also focused upon, aligned with macro economic plans.

Despite the dips and turns, the entire sector saw a growth of 18.9% in its total asset base, growing to Rs. 853 Bn compared to the growth of 20.3 % experienced last year. The augmentation of the accommodations portfolio and liquid assets were the primary contributory factors. Accommodations recorded modest growth of 16%, reaching Rs. 641 Bn by end 2014, compared to the growth of 17.3% of last year. Within the Accommodations portfolio, finance leases comprised 43%, hire purchases 27% and secured advances 19%. Secured loans and

finance leases recorded growth rates of 46% and 11% respectively from among the Accommodations products. The gold loan business exposure as a percentage of the total loan portfolio of LFC and SLC sector has reduced to 3.5%, which is Rs. 22.6 Bn in 2014 from 4.8% in 2013. Comprising equity and debt investments, the investment portfolio notched a noteworthy upward movement of 39.6% during 2014 to Rs. 42 Bn.

Liabilities in the sector experienced an increase of 48.5% this year, a marginal growth compared to the 47% growth experienced last year. The share of borrowings declined to 25.4% from 26.8%, indicative of the shift towards lower cost of short term deposits from borrowings. Deposits in the meanwhile was recorded at Rs. 414 Bn, a growth of 22.7%, compared to 32.7% seen last year, primarily due to the relatively higher deposit rates offered by LFCs in the low interest rate regime. Deposit mobilisation was effected through time deposits accounting for 96% of total deposits. Total borrowings reached Rs 217 Bn, up from the growth rate of 9.3% of last year, to an incline of 12.9% this year. A definite increase was experienced in the capital elements with an increase of 20.3% to Rs 117 Bn primarily due to profitability in 2014, compared to just 2.6% in 2013.

The high lending interest rates prevailing over most of last year and the fluctuations in gold prices impacted the gold loan business considerably, permeating to increased NPAs, which this year increased by 19.9% in 2014. NPAs now stand at Rs. 44.3 Bn, higher than last year's Rs. 36.9 Bn, symptomatic of the pervasive impacts of both these factors combined. However, it is to be noted that NPAs relative

to the total outstanding loans increased only marginally to 6.9% from 6.7% last year. Taking into consideration the loan provision, the net NPA ratio decreased marginally from 2.5% in 2013 to 2.3% this year, with total provision coverage increasing to 58.9% in 2014, compared to 56.1% in 2013.

Net interest income increased by 40.9% to Rs. 62.2 Bn from Rs 44.1 Bn posted the previous year. The interest margin which is net interest income as a percentage of total assets of the sector also showcased an incline of 8%, compared to 6.6% last year. The liquid assets to total assets ratio increased to 9.6% from 8% in 2013, directly attributed to the steady growth in deposits in relation to the moderate credit growth of the sector.

Profitability was sound as evidenced with the sector recording a Profit After Tax of Rs 13.9 Bn, compared to Rs 7.7 Bn in 2013, contributed mainly through increased net interest income. This is despite increased operational costs and provisioning requirements. Loan loss provision increased by Rs. 3.7 Bn in 2014 when compared to the upward movement of Rs. 6.6 Bn in 2013. ROA and ROE increased to 3% and 13.1% respectively, from 2.1% and 8.2% last year.

The Pinnacle of Performance

It has certainly been a year of laurels for Vallibel Finance, etching the fact that our progress is quickly taking us towards the pinnacle of success. We have now been named among the first 100 entities in Sri Lanka's Most Valuable Brands, a joint compilation by Brand Finance and LMD Magazine. Having worked our way upwards three places from last year to a ranking of 64 and a Brand Rating of A-, we are now positioned well above our competitors as well as other

Management Discussion & Analysis

renowned corporate leaders. Judged on both our quantitative and qualitative performance, this certainly endorses the leadership we have etched continuously, given that we have been featured in this honour roll for three consecutive years.

Vallibel Finance has also been recognised as one of Sri Lanka's Most Respected Entities in the LMD's 10th annual publication of Sri Lanka's Most Respected Entities. The rankings styled on the Olympic Ranking System of being awarded gold, silver and bronze medals, measures peer perceptions of corporate admiration. We were awarded a total of six medals, comprising one gold, two silver and three bronze.

Given that we are a relatively young company, we are indeed doubly honoured that we have been able to stand tall and strong to prove our mettle against some of the larger corporate giants in Sri Lanka as well as some formidable entities in the financial services sector. Our financial stability and progressive stance has enabled us to gain this lofty position, despite our issued capital and thereby our market capitalization being lower than other corporate leaders on this honour roll. The fact that we have gained considerable fillip and standing in this prestigious listing, positioned beside blue chip conglomerates and more established corporate organisations surely speaks for Vallibel Finance's visionary leadership, a competitive advantage we have gained through the eminent senior leadership we possess.

We also gained an upgrade on our long and short term financial institution ratings this year, when Lanka Rating Agency gave us BBB- and P3 respectively. This was an upscale from our previously held BB+ for long term and NP for short term financial institution ratings.

It was on this vote of confidence that the Rs. 1 Bn Five Year rated guaranteed subordinated

redeemable debenture issue listed on the Main Board of the Colombo Stock Exchange, gained a rating of AA by RAM Ratings (Lanka).

Aimed at enhancing the capital adequacy ratio of the company aligned to CBSL Directions, the issue was oversubscribed in record time, once again certifying unwavering stakeholder confidence and evidencing our above average asset quality and performance reflected in indicators comparatively above similarly rated industry peers.

What we offer

Investment Products

Deposits

Lending Products

Leasing

Hire Purchase

Personal Loans

Property Mortgage Loans

Group Personal Loans

Gold Loans

Business Loans

Vallibel auto Draft

Loans Against Fixed Deposits

Spreading our wings

We have continued an aggressive focus on expanding our presence, knowing full well that accessibility and visibility are two areas that are key for growth. This year we opened branches in five new locations, namely Bandarawela, Anuradhapura, Kegalle, Rajagiriya and Kalutara which is a Collection Center. We are now present in 24 strategic locations with a total of 17 branches and 7 collection centres.

In choosing the location of Bandarawela, Vallibel Finance was keen to partner the bustling regional economy in this hill station. With plans to expand our footprint in the other areas as well in the next year, our islandwide presence

is quickly gaining ground. Our competitive advantage of customising solutions gives us an edge at each of our new branch locations. The contemporary milieu to be experienced in the modern customer friendly setting of the Kalutara Collection Center and adding our unique signature to the historic precincts of Anuradhapura and the agri-based economy of Kegalle by introducing cutting edge facilities, products and services do spur us to harness the spirit of the people and maximise on the opportunities available.

Probably our most exciting milestone in expanding our reach was in establishing our newest Premier Center in Rajagiriya, which has in the last few years become a cutting edge locale hosting a more sophisticated contemporary populace. Welcoming the discerning and the affluent, the Premier Center is geared with innovative technological features and a highly responsive customer service team to ensure that our clientele will gain quick and timely service in a state of the art milieu, befitting the customer we expect to serve at this center.

Constant interactions enable the building of strong relationships, a trait we encourage our service team to work on with our customers. The Malabe Collection Center organised a customer gathering to get to know their customers better and to strengthen the relationships they had forged, paving the path for a stronger commitment in instilling a win-win formula for both customer and the Company.

The emphasis we place on customer service means we constantly raise the bar of the levels of service provided. While imbuing a culture of service excellence within our team, we also believe strongly that the environment in which they work in must be conducive to imparting those levels of excellence. We thus instituted



1. Vallibel Finance joins Lankapay's national Electronic Fund Transfer network
2. At the Rajagiriya, Premier Centre opening
3. Bandarawela branch opening
4. Kalutara service centre opening
5. At the Anuradhapura branch opening

an expansion of our head office premises making the area serving customers more spacious to handle increasing business volumes and thereby increasing numbers of team members required to handle those business volumes.

The accessibility, flexibility and unmatched customer service was further augmented when we joined the national Electronic Fund Transfer network, Sri Lanka's Interbank Payment System (SLIPS) operated by LankaClear, allowing all 24 branches to imbue the advantages of same day fund transfers to any personal or corporate account. The network allows upto Rs. 5 Mn per transaction and given our extensive range of technology based financial solutions, our entry into the Electronic Funds Transfer network enables our customers to have a surfeit of facilities at their fingertips.

Accessed through over 3,000 branch locations of member institutions, Lankapay SLIPS electronic fund transfer services encompasses all banks and a large number of leading NBFIs as well. LankaClear has also added real-time transactions onto its technology platform, paving the way for Vallibel Finance to drive the next wave of advancements in the electronic payment arena.

How we performed

Constructed to ensure that our organisational values of simplicity, trust, integrity and flexibility remain entrenched in the foundation of each phase of our product and service development, each of our initiatives remain unwaveringly focused on maintaining these values within a milieu of customer service excellence. We strongly believe that our approach to imparting products and services to customers

is uncomplicated, responsive, timely, of high quality, accessible and flexible. We add customisation into this formula, while ensuring that our Company works with integrity, accountability and transparency, which have all built a strong psyche of trust among our stakeholders.

Our two primary business lines, deposits and lending are both deep-rooted in these values. Building relationships with both corporate and retail customers, our entire gamut of financial solutions include fixed deposits, leasing, hire purchase, personal loans, group personal loans, loans against FDs, gold loans, mortgage loans and business loans. Our customer profile reaches out to those with monthly remuneration, entrepreneurs, corporates and SMEs.

Management Discussion & Analysis

LENDING

Our lending portfolio is expansive as mentioned in our product profile above, which has led us to make good inroads in our performance this year, due to some strategic initiatives, despite the average industry struggling with lacklustre performance. Leasing and hire purchase are the mainstays in our product portfolio, accounting for 74% of the total lending portfolio.

The total lending portfolio grew by 26.47% and reached Rs. 12.57 Bn by the end of the financial year, compared to Rs. 9.94 Bn in the previous year. This is primarily attributed to the accessibility we have via our increased branch network, a more focused approach on mortgage loan facilities, friendly and responsive customer service imparted by a highly skilled and experienced team and customised innovative products.

We launched three strategic products into the market this year to alleviate some of the downturns being experienced across the industry on the lending front.

Vallibel Auto Draft, branded as a speed draft product and deemed more economical than a bank overdraft, is a one year vehicle loan extended for a maximum of Rs. 5 Mn. Based on highly competitive rates, the unique feature of this product is that repayment is designed to be only payable for the interest in the first eleven months and it is only in the final month that interest and capital must be repaid.

Our Business Loans are revolving, offering flexible financing and targeting entrepreneurs and businesses who receive cash collections on a daily or frequent basis and require short term facilities to purchase fast moving merchandise or stock. Through Business

Loans, our aim is to provide a quick solution to working capital for SMEs located within the precincts of our branches, empowering these entities to expand existing businesses, supporting them with an affordable repayment scheme. The pilot launch was held at the Bandarawela branch and in fact we have eased the hassle on our customers even further, by ensuring a customised service of repayment collections being made either daily or weekly according to customer preference at the business enterprise itself.

We also launched a timely extension to our Personal Loans category, financing a host of requirements, vital but most times unattainable due to high investment, for salaried employees. These loan facilities are extended for consumer loans to purchase household appliances, electronic equipment and technological products, while education loans cover higher education, academic or professional examinations to further knowledge gathering. These loans are extended to employees of recognised establishments after gaining the sanction of employers who remain responsible to ensure that repayments are directly transferred to Vallibel Finance from their HR departments.

LEASING

It has certainly been a good year for our leasing business given that both our volume of business and volume of growth saw considerable inclines. We granted 9,574 new leasing facilities during the year, a 21% growth over last year. From the total leasing facilities granted, micro leasing facilities amounted to 84%, mainly due to the increased focus on micro facilities mooted by the Micro Credit Department. The total lease portfolio grew by 10.65% to Rs. 5.38 Bn, from last year's 4.86 Bn.

We did have to cope with the negativities arising from the low interest rate environment prevailing from last year and into this year, but did do well in posting Rs. 1.34 Bn as interest income from finance leases, showcasing 9.17% growth, compared to Rs. 1.23 Bn last year.

We do believe that our biggest advantage is in our innovation. While leasing tends to be a generic product widely marketed by a majority of those within the financial services industry, Vallibel Finance's approach to leasing is built on innovation and customisation. Our products are geared to support SMEs and low and middle income earners who fall into the microfinance segment. Strongly believing that it is these stakeholder segments that require support to gain economic empowerment in order to become contributors to the economy, we focus significantly on ensuring accessible funding for these customers.

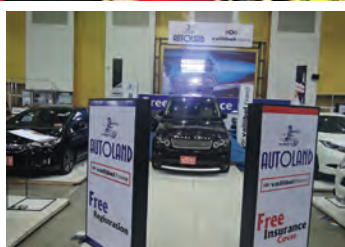
HIRE PURCHASE

The hire purchase portfolio this year remained somewhat flatlined posting a negative growth of 1.14%, the year's figure was posted at Rs. 3.88 Bn compared to Rs. 3.92 Bn last year. Total revenue however did see a marginal growth of 5.84% for this financial year, standing at Rs. 917.72 Mn, up slightly from Rs. 867.09 Mn in 2013/14.

Hire purchase agreements are usually requested for specific purposes, primarily for the purchase of registered or used vehicles or as a funding option by placing the vehicle already purchased as collateral.

OTHER LOANS & ADVANCES

Mainly comprising loans against FDs, personal loans, mortgage loans, group personal loans, gold loan and other loans and advances, this



1. Vallibel Partnered with DIMO
2. Commencing Gold loans at Gampaha collection centre
3. Vallibel Finance at Colombo Motor Show 2014
4. Vallibel Finance at Colombo Motor Show 2015
5. Promotion at World Trade Centre, Colombo 01

portfolio showcased an impressive increase this year to Rs 3.31 Bn, 187.70% growth from last year's Rs 1.15 Bn. It is the emphasis we place on customisation of our innovative products that are attributable to the momentous growth seen this year, displaying a total revenue of Rs. 349.98 Mn, which is a 85.40% growth compared to revenue of Rs. 188.78 Mn last year.

GOLD LOANS

A business we ventured into in March 2013, it is regrettable however that the very lucrative business prospects that gold loan was forecast to present, fell into the doldrums with the spiraling down of world gold prices. However, innovation once again came to the fore as Vallibel Finance pushed our gold loan portfolio after just two years in business into great heights. Despite contending with the volatility prevalent

within the industry, we reached Rs 148.59 Mn in our gold loan portfolio by the end of this financial year.

Our reach for gold loan services was also expanded this year with facilities now available across 12 locations, up from the six locations of last year.

The general disappointing trend observed across the industry did however prompt the Gross Non-Performing Ratio rising to 5.11% compared to last year's 4.95%. This is a ratio that has been rising over the last five years and is the focus of our attention. It is pertinent to mention that this is a paradigm that has been permeating across the industry and is not just unique to Vallibel Finance. The Net Non-Performing Ratio however has seen a downturn to 0.95%, which stood at 1.97% in 2013/14.

FIXED DEPOSITS

This year was certainly significant, wherein we reached the milestone of Rs. 12 Bn in Fixed Deposits. It is a portfolio in which we have built significant trust and confidence as evidenced by a decade of close relationships we have forged with stakeholders across diverse demographics. Our product offerings range from one month to five year deposits with interest payable either monthly or at maturity.

Total Deposits which were Rs. 9.30 Bn last year grew significantly by 30.78% to reach the Rs. 12.16 Bn mark at end March 2015. Certificates of Deposits amounted to Rs. 364.49 Mn, a 47.62% increase compared to previous year's Rs. 246.91 Mn.

Management Discussion & Analysis

BORROWINGS

Comprising bank overdraft facilities, term loan facilities and securitized borrowings, the borrowings portfolio this year posted a decrease of 1.72%, standing at Rs. 763.06 Bn compared to Rs. 776.39 Mn last year. Total Interest bearing borrowings increased by 56.63% to Rs. 2.62 Bn, compared to Rs. 1.67 Bn, primarily due to the Rs. 1 Bn debenture issue raised to strengthen the Tier II capital as directed by CBSL to meet capital adequacy requirements.

DEBENTURES

One of our most significant moments in this area of business this year was the highly successful debenture issue of Rs. 1 Bn, which was oversubscribed in record time. This timely effort was meant to expand and strengthen the capital base of the company. The rated guaranteed subordinated redeemable debentures of Rs. 100 each, issued for Rs. 750 Mn had an option to issue a further Rs. 250 Mn debentures in the event of oversubscription, which did become a reality. The financial advisors and managers to the issue were Acuity Partners (Pvt) Limited.

Marketing - The Strong Truss

Vallibel Finance is now renowned as one of the most progressive financial solutions providers in the country, which is the *raison d'être* it will surely be sooner rather than later that we reach that pinnacle of success. The innovation platform we are constantly developing has undoubtedly been the foundation to the success achieved thus far and will continue to be so, ably supported by cutting edge technology, unmatched customer service and expansive products, all collated under the umbrella of a professional team.

Product development remains paramount in our strategic direction; based on a stringent analysis of customer aspirations and our role

in responding to those in a timely and efficient manner. Customisation of our product is legendary and this year, was no different. Having studied market paradigms, three innovative products were launched during the year; Vallibel Auto Draft, Business Loans and Personal Loans for salaried employees. Details of these products are explained comprehensively above but what is special about each of these products, is the proactive role played in marketing, promoting and communicating the salient details of these products to the market, which is the secret to the success we achieved.

We also embarked on a strategic penetration and expansion plan. Aligned with the geographical expansion of our branches to ensure that our visibility and accessibility is increased, we emphatically worked on a penetration plan that would complement this branch expansion. We increased our team members in marketing and sales in the branches and head office. We also began cross selling different products within our customer base and also within the Group, which given the diversity of our Group, was an astute move. Into this equation, we added the concept of relationship management, training a specialised team in forging and nurturing relationships with our customers.

Communications continue to play a penetrative role in the methodology we infuse in publicising our products and services. Using both Above-the-Line and Below-the-Line advertising techniques, our communication strategy utilised the mass communication channels of television and print advertising, ably supported by outdoor advertising via billboard, street name boards and hoardings at dealer and vendor locations.

In addition, promotional campaigns were highly focused on, given the intensely competitive

industry we were operating in. We cemented partnerships with leading suppliers and vendors, conducted joint campaigns with suppliers and added enticing free offers into the equation, as was exemplified by free insurance being given for leases.

Another hugely successful initiative was the partnership we secured with DIMO, to promote TATA small commercial vehicles and passenger vehicles, offering attractive leasing options for these vehicles. The MOU enabled Vallibel Finance customers to purchase vehicles at a competitively low interest rate, with the down payment also being highly affordable. Another unique factor was that each vehicle purchased received attractive offers and gifts.

With the support garnered via these marketing and promotional campaigns, our team was well equipped to distribute our innovative product portfolio through our branches, doorstep services conducted by our marketing team and personal selling. Another advantage that Vallibel Finance undoubtedly has is the emphasis on maintaining a competitive pricing strategy based on a Risk & Return based pricing. While selling our products remains paramount in our sustainable business plan, we are cognizant of maintaining a conservative credit policy across all product lines and distribution channels to ensure comprehensive control and monitoring mechanisms.

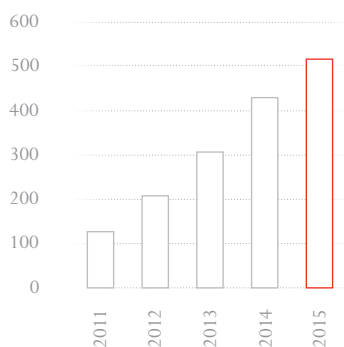
A Team Pushing Towards the Pinnacle

We have an amazing team; it's been proven unequivocally that our team is truly among the best in this country. How then, would they otherwise have, in such a short span of time, pushed this entity into being one of the most valuable brands, one of the most respected companies, one of the most progressive financial sector institutions and

one of the most highly ranked financial institutions in the country? The enigma lies in the heart and soul of this team. It is they who push boundaries, seek horizons, charter courses and create their own paths of success. It is they who believe in this company to ensure that Vallibel Finance continues not simply as one of the best, but as the best, such is the strong belief they espouse. It is a belief that remains at the very core of this Company's success.

This year saw us adding to our team as our strategic expansion warranted augmenting the core of this winning team. Having worked through a stringent recruitment process, we added 84 members into the total cadre that now totals 517.

Growth in number of staff

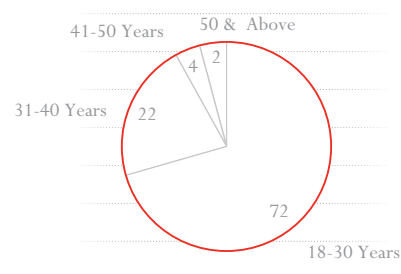


We are a company that believes in absolute equality. We eschew any form of discrimination, whether in gender, age, culture, religion or ethnicity. We have always espoused a culture of togetherness, unity and team spirit, encouraging our team to gather knowledge as a habit rather than an exception. We adhere very stringently to all labour laws prevalent in this country including those laid down by the Ministry of Labour and the International Labour Organisation.

We believe strongly in meritocracy and eschew child labour in any form.

Senior Management	10
Middle Management	66
Senior Executives	14
Executives / Junior Executives	120
Operational staff	182
Clerical	97
Inplant Trainees	2
Minor	26
Total	517

Age Analysis (%)



Our team is a healthy mix of experienced and young blood. This we believe forms the foundation to our dynamism and innovative stance. A majority of our team remain under the age of thirty, while a considerable number are between 30 and 40, epitomising that ours is a company driven by new thoughts, new ideas and new exposure. We aren't afraid to tread new ground, to move into pathways that are hitherto untrod and to innovate fearlessly. We empower our team to use their knowledge and think for themselves; to apply the knowledge they have to make a difference. This young team is encouraged to gain exposure in any form, add value to their knowledge and

skill levels and keep honing those abilities. It is this emphasis on encouraging their progress in a knowledge gaining culture that has seen our employee turnover remaining well below industry average and our retention levels being extremely high.

Training & Development

In creating this knowledge gaining culture across the Company, it is imperative that we establish an enabling platform. Training and Development therefore forms an integral truss to this. Professionalism is inculcated via internal and external training programmes, spanning a range of skills and subjects.

Internal training programmes are generally conducted by department heads, while high achieving team members who display unique leadership qualities and unusual competencies were guided to participate in external training programmes. These were conducted by Central Bank of Sri Lanka, Finance Houses Association of Sri Lanka, Association of Corporate Lawyers Sri Lanka and McQuire Rens & Jones (pvt) Limited. The subjects covered included credit administration, legal and regulatory framework, microfinance, leadership, customer relations, Human Resources and IT.

The mid-year performance review and training session was conducted for the microfinance team spearheaded by the senior management working on the overarching dynamics of developing the team to meet the evolutionary demand of this transforming financial segment, the training and development areas were designed to instil further practical knowledge and uplift skill levels in this relatively young team, most of them school leavers, to ensure their commitment and motivation in building a rewarding career, while also taking ownership to uplift a vital segment of the economy.

Management Discussion & Analysis

Instilling Camaraderie

The Business Review Sessions for Managers, held twice a year were held at leading hotels in Colombo and is an ideal setting for managers to not only be aware of the trends and challenges prevailing, but as a learning ground as well as being the ideal environs for inculcating team spirit.

The annual get-together of the Microfinance team heralded an evening of rewards and recognition as awards for the Best Branch, Best Marketing Officer and Runners Up were among the accolades presented during the gala evening.

Under the aegis of the Vallibel Sports Club, our cricket team participated in the Stafford Motors Challenge Trophy – MCA Division ‘G’ 25 Overs League Tournament organised by the Mercantile Cricket Association.

And it was time for celebration as our badminton team was placed third in the Dulux 31st MBA Inter-firm Team Badminton Championships 2014. Organised by the Mercantile Badminton Association, our team was certainly a formidable one given the prowess we displayed on the court.

Another exciting team gathering, the Vallibel Wave Dance, brought together the entire team across all branches and departments. This is the Company’s most looked forward to and most glamorous event and is undoubtedly an annual event much anticipated by all.

In our quest to ensure that religious foundations remain strong, which we believe underscores values, ethics, morals and principles in individuals which cascade to the way they work, to celebrate the Company’s Tenth Anniversary, the team themselves organised the religious rites of a Pirith Ceremony at the head office, which gained our full encouragement and support.

Reaching towards the pinnacle

Having now set the foundation and trusses to move steadily towards the pinnacle of success, we have observed that Sri Lanka’s macro milieu remains very conducive to unbridled growth in the next few years. Given the momentum we have already gained both qualitatively and quantitatively, Vallibel Finance intends to use a



1. Vallibel Wave Dance - Annual Staff Gathering
2. At the Annual Get-Together of Microfinance team
3. Pirith Ceremony at Head Office premises
4. Maharagama Branch Manager winning the “Best Microfinance Branch of the Year 2015” trophy
5. DULUX 31st MBA Inter Firm Team Badminton Championships 2014 - 3rd place
6. At the Stafford Motors Challenge Trophy - 25 Overs League Tournament 2014

three pronged strategy to propel exponential growth, which we believe we can easily garner given the strong presence, long term relationships, trust and confidence we have built over the years.

Founded on accessibility via a combination of physical infrastructure and IT initiatives, flexibility via a team that believes in gaining the trust and loyalty of our customers through uncompromising service excellence and ethically ensuring that governance remains paramount

in building a business that is accountable, transparent and trustworthy, Vallibel Finance has unequivocally constructed a strong and stable business enterprise. It is these traits that will take the Company forward in a country poised on the threshold of transformation and burgeoning promise. We intend to be the spearhead in optimizing on the nation’s prospect, knowing full well that the NBF market has a catalytic role to play in meeting the country’s economic and social goals.

Financial Performance Review

Financial Review

As we journey on our quest towards the pinnacle of success, we acknowledge emphatically that one of the fundamentals we must have in place and be consistent with is our financial performance. The fact that we are one of Sri Lanka's most successful financial institutions has unequivocally etched that fact. Not only have we been consistent and posted unparalleled stability throughout our years in operation, but we have also continued to exceed stakeholder expectations, showcasing numbers that have for the most part been above industry average and showcasing unmatched strength in performance. And this year has been no different. We have continued to strengthen our fundamentals and cement the trusses that give us the nutrients to make our way to the pinnacle of success.

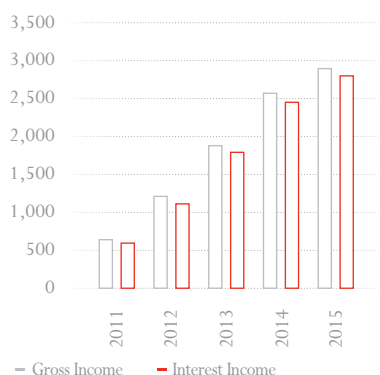
INCOME

The consistency we so strongly espouse is well evidenced in the 12.66% growth posted this year in our total income, which stands at Rs 2.90 Bn, compared to the previous year's Rs. 2.57 Bn. Our loans and advances segment, which is our primary income generator, notched a portfolio growth of an impressive 26.47%, which generated an interest income of Rs. 2.61 Bn. This is a 14.20% growth compared to the last financial year's earnings on loans and advances of Rs. 2.28 Bn.

Interest income on investments and other non interest income were recorded at Rs. 286.55 Mn to the total income.

Growth in Revenue

(Rs. 'Mn)



INTEREST INCOME

Observing the trend for interest income this year, Vallibel Finance reflected a growth of 14.19% to post Rs. 2.80 Bn, which last year stood at Rs. 2.45 Bn.

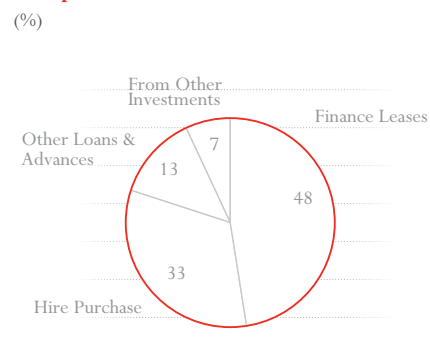
It is also pertinent to note that the primary contributor to interest income was in leasing, contributing 48% to this segment of our business. The earning of the portfolio reached Rs. 1.34 Bn, which is an increase of 9.17% over last year's Rs. 1.23 Bn.

Hire Purchase however experienced a slowdown this year. Total interest from this portfolio showed growth of only 5.84%, to reach Rs. 917.72 Mn compared to 867.09 Mn posted last year.

However, interest income from other loans and advances did post very impressive growth, recording Rs. 349.98 Mn as opposed to last year's Rs 188.78 Mn, an phenomenal incline of 85.40%. This positive trajectory is attributed to the rapid expansion of business volumes cascading due to the concerted effort we infused in expanding our business lines in this category of business. Main contributors to this portfolio include personal loans, mortgage loans, fixed deposit loans and gold loans. We strongly perceive extensive growth potential emerging in this area of business and as can be observed, have already begun developing and introducing innovative products to propel growth, which this year saw the launch of group personal loans, property mortgage loans, auto draft and business loans.

Other interest income is recorded at Rs 190.11 Mn and encompasses interest earned on fixed deposits with banks and other finance companies, as well as interest income from investments in government securities including Treasury Bills and Treasury Bonds.

Composition of Interest Income - 2015 (%)



Composition of Interest Income - 2014 (%)



INTEREST EXPENSES

There was no change observed in interest cost from last year, with figures remaining at Rs. 1.34 Bn. Given that Sri Lanka gradually decreased interest rates throughout the year, public deposits also saw the permeating impacts of that low interest regime. This pushed Fixed Deposits interest expenses to increase only by a marginal 3.71% to Rs. 1.16 Bn, compared to the expansive growth of 45.57% recorded in the preceding year. Fixed Deposit interest expenses comprise 87% of total interest expenses.

Based on some salient analyses begun last year, the Company continued its strategy of reducing exposure to bank borrowings, a practice we had

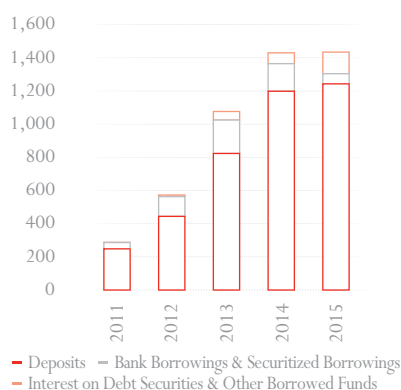
Financial Performance Review

started from instituting last year. Thus, interest on bank borrowings and securitized borrowings declined 63.14% from Rs. 155.86 Mn in 2014 to Rs. 57.45 Mn in 2015.

With the Company embarking on a rapid expansion of operations this year, we were also cognizant of ensuring that our capital base remains aligned with the diktats prevalent for Licensed Finance Companies imposed by the regulator, the Central Bank of Sri Lanka. This led the Company to issue five year maturity unsecured subordinated and redeemable debentures for Rs. 1 Bn, in an issue that was oversubscribed in record time. Total debentures generated Rs 121.58 Mn interest expenses to total interest expenses.

Composition of Interest Expense

(Rs. 'Mn)



NET INTEREST INCOME

The year certainly showcased impressive growth in Net Interest Income (NII), which inclined by 30.96% to Rs. 1.46 Bn, compared to the 2013/14 figure of Rs. 1.11 Bn. Primarily attributed to the diversion of new products and effective re-pricing of both assets and liabilities products, NII is the primary contributor with 94% to our total operating

income. In the macro milieu, policy rates saw declines in stages permeating to an overall downward trend in interest rates across the industry, which stimulated credit growth.

This declining interest rate regime added fillip to the Company's strategy of increasing the deposit and advances portfolio, resulting in maintaining a net interest margin similar to last year. The lending portfolio notched growth of 26.47% and deposit growth stood at 30.78% in 2015. Despite operating in an intensely competitive environment, the Company's growth levels were nothing less than impressive, primarily due to prudent thought processes instituted in the monitoring and control of the asset and liability portfolio yields and their compositions. This ensured that the Company maintained its net interest margins at approximately 10%.

TOTAL OPERATING INCOME

Total operating income, which comprises net interest income and other income, stands at Rs. 1.55 Bn this year, compared to 1.23 Bn in 2014. This is an increase of 26.15% which has been driven by growth in net interest income.

OPERATING EXPENSES

Primarily due to the escalation of premises, equipment and establishment expenses coupled with personnel expenses related to the expansion of our business operations, total operating expenses for the year is recorded at Rs. 679.70 Mn, an increase of 28.13% on last year.

Detailing this expenditure, personnel expenses continued as the largest overhead, shown at 50% of total operating expenses, a germane factor given our aggressive and ambitious expansion plans being pursued. Personnel expenses therefore inclined by 33.74% to Rs. 336.57 Mn, as new

	2011	2012	2013	2014	2015
Rs.					
Total Interest Income	595,382,652	1,111,638,186	1,791,914,232	2,451,800,812	2,799,745,875
Total Interest Expense	269,555,960	536,824,726	1,008,844,798	1,340,464,712	1,344,337,892
Net Interest Income	325,826,692	574,813,460	783,069,434	1,111,336,100	1,455,407,983

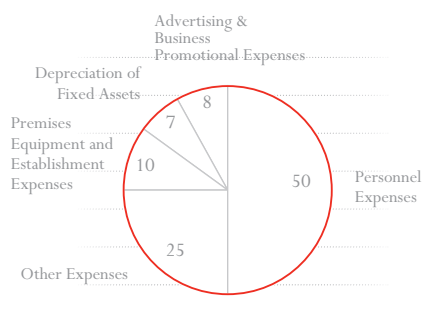
OTHER OPERATING INCOME

Other operating income/non-interest income supplements interest income, which this year recorded Rs. 96.44 Mn. Non-interest income encompasses insurance administration fees, profit from terminations and gain on disposals of property, plant and equipment and Marked to Market valuation on quoted shares. Of the total attributed to other operating income, fee and commission income accounted for 52.17%.

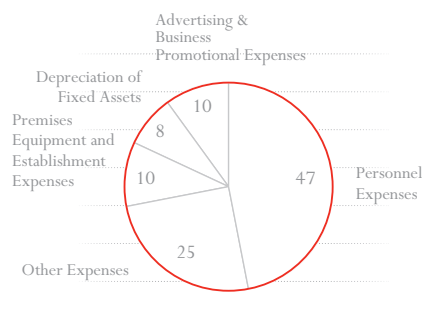
branches and business lines were added to the company's operations, while a further dimension of augmenting employment benefits was initiated. We saw our team increase by 84 this year.

Relevant to the strategic expansion, Premises, Equipment and Establishment Expenses also moved upwards by 20.35% to Rs. 66.32 Mn, as did advertising and business promotional expenses by 10.59%, primarily due to the brand building and promotional initiatives engaged in this year.

Composition of Non Interest Expenses - 2015 (%)



Composition of Non Interest Expenses - 2014 (%)



COST TO INCOME RATIO

Given that the Company is on a strategic branch expansion plan, this year saw the opening of five new branches/service centers and the expansion of the Head Office premises as well. This therefore records the Company's cost to income ratio at 44% compared to 43% recorded last year.

LOAN LOSS PROVISION & CREDIT QUALITY

Reflecting increased stress levels for loan recoveries, impairment charges on loans and advances increased by 13.55% to Rs. 239.20 Mn.

It is certainly commendable that despite the industry grappling with heightening NPL ratios, the Company's NPL ratio remained at

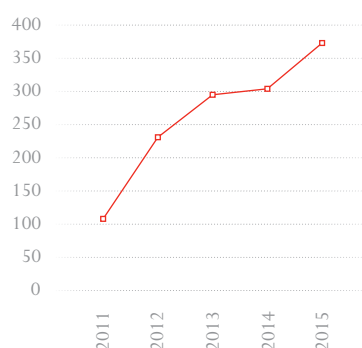
a manageable level. Gross Non Performing Loans and Advances (NPA) ratio is recorded at 5.11%, compared to 4.95% posted last year. Post loan loss provisioning, the Net Performing Loans and Advances (NPA) ratio stood at 0.95% as at the end of the year. There has been a sweeping sentiment of creditworthiness of borrowers spiraling downwards which has resulted in considerable increases in NPLs and impairments across the entire industry. However, the Company has always maintained a stringent control and monitoring regime, instituting prudent lending policies and aggressive recovery strategies, ably supported by the Credit and Recovery Divisions whose unrelenting focus has always been on mitigating the NPA ratio and as can be observed, successfully.

PROFITABILITY

With all these key performance indicators showcasing commendable inclines, the Company's Pre-Tax Profit stands at an impressive growth trajectory of 29.43%, posted at Rs. 632.94 Mn. Total Government taxes amounted to Rs. 260.16 Mn, comprising corporate income tax of Rs. 185.85 Mn and Rs. 74.30 Mn as VAT on Financial Services and NBT. In contrast to Net profit of Rs 303.91 Mn post last year, the increase of 22.66% to Rs. 372.79 Mn this year is certainly noteworthy.

Net Profit Growth

(Rs. 'Mn)

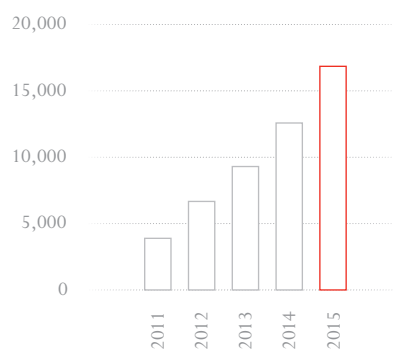


TOTAL ASSETS

Our emphatic focus on maintaining a strong and stable financial foundation is well evidenced in an analysis of our Balance Sheet. Total assets this year witnessed a growth 34.30% to Rs. 16.89 Bn from Rs12.58 Bn in 2014 and is primarily due to the noteworthy expansion in business volumes which the Company strategically instituted during the year. Managing our asset mix astutely and efficiently to ensure optimisation of asset growth and stability, while maintaining the quintessential qualitative features of our portfolio as opposed to the singular growth focus, has also reaped in rewards.

Total Assets

(Rs. 'Mn)



LIQUIDITY POSITION

The Company's portfolio of liquid assets at the end of the year stands valued at Rs. 3.25 Bn, compared to previous year's Rs. 1.47 Bn. Total Liquid Assets comprise cash and short term funds as well as investment in government securities, Treasury Bills and placement with commercial banks. The portfolio in total therefore is now 19.23%, in contrast to 11.70% in 2013/14.

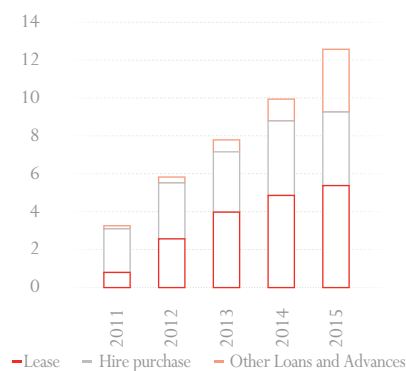
Financial Performance Review

LENDING ASSETS

It was certainly a momentous year for our lending portfolio which surged 26.47% to stand at Rs. 12.57 Bn from Rs. 9.94 Bn in 2013/14. An incline of 10.65% was observed in the total finance lease portfolio, standing at Rs. 5.38 Bn compared to Rs. 4.86 Bn of last year. Hire Purchase receivables are posted at Rs. 3.88 Bn compared to Rs. 3.93 Bn. While Hire Purchase represents 31% of the total lending portfolio, leasing represents 43%.

Loans against Fixed Deposits, Personal Loans, Property Mortgage Loans, gold loans and other loan and advances encompass the portfolio collating other loans and advances. This portfolio recorded phenomenal growth of 187.70% to stand at Rs. 3.31 Bn compared to Rs. 1.15 Bn in 2013/14, largely attributed to the expansion in mortgage loans and advances portfolio.

Lending Portfolio Distribution for Last Five Years (Rs. 'Bn)



Despite grappling with the quagmire emanating from the gold crisis of last year, our gold loan business which commenced on March 2013 did do considerably well, due to our foresight and visionary initiatives which bore fruit. The portfolio now stands at a considerable Rs. 148.59 Mn.

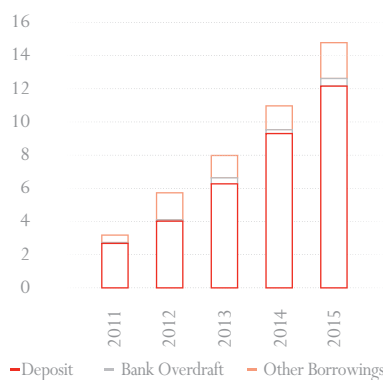
TOTAL LIABILITIES

Encompassing our deposit base, bank overdraft facilities, term loan facilities obtained from banks, securitized borrowings, debentures and other borrowings, our portfolio of total liabilities this year amounts to Rs. 15.38 Bn, an increase of 34.93% rise on the previous year's Rs. 11.40 Bn.

It is public deposits that was the major source of funding, accounting for 79% of total liabilities, which however was slightly lower than the 82% of last year. Exposure to bank borrowings did reduce during the year with only 5% of total funding being exposed, compared to 7% last year. The bank borrowing sources being bank overdraft, term loans, finance leases and securitized borrowings accrued a 1.72% incline to stand at Rs. 763.06 Mn as at the end of year, a slight decline over last year's Rs. 776.39 Mn.

The Rs. 1 Bn raised through another unsecured, subordinated and redeemable debenture issue listed on the Colombo Stock Exchange in March 2015, totaled the debentures at Rs.1.875 Bn as at end of the financial year.

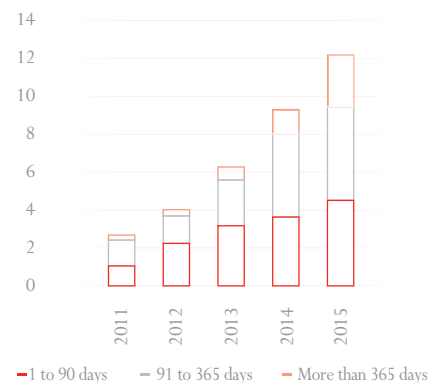
Deposit Base, Borrowings & Overdraft (Rs. 'Bn)



DEPOSIT BASE

We witnessed creditable investor confidence this year with a significant rise of 30.78% in public deposits, reaping in Rs. 12.16 Bn, compared to the previous year's Rs. 9.30 Bn. This was further evidenced with our Fixed Deposit base accounting for 97% of our total deposit base. CDs contributed a modest 3%.

Analysis of Deposits by Maturity Date (Rs. 'Bn)

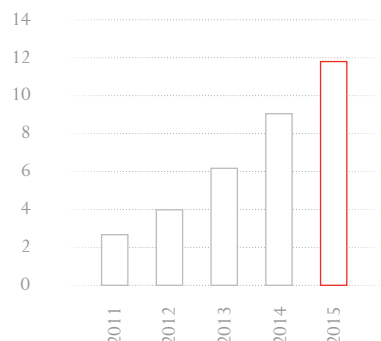


FIXED DEPOSITS

Fixed Deposits saw a remarkable increase of 30.32% this year, totaling Rs. 11.80 Bn against Rs. 9.05 Bn for 2013/14. Of this, 78% of our Fixed Deposits work on a maturity of less than one year, while the balance 22% has maturities beyond this timeline. Our strategy is to focus on medium and long term funding to assuage mismatches in interest bearing assets and liabilities through the provision of competitive rates, augmented by constantly emphasising on improving the bar on our customer service and overall system efficiency.

Fixed Deposits

(Rs. 'Bn)



CERTIFICATES OF DEPOSIT

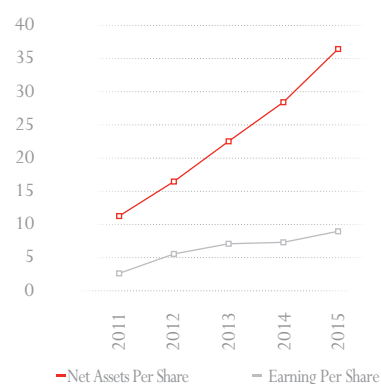
Certificates of Deposits as at end March 2015 saw a momentous increase of 47.62%, posting value of Rs. 346.49 Mn, which is an impressive increase over last year's Rs. 246.91 Mn.

SHAREHOLDERS' FUNDS

Retained earnings continued to be the Company's main source of capital, which at end of this financial year is recorded at Rs. 929.73 Mn. Total shareholders' funds displayed a 28.24% increase to Rs. 1.51 Bn in comparison to Rs. 1.18 Bn over last year. Return on Average Shareholders' Funds for 2015 was 27.67% compared to previous year's 28.71%.

Earnings Per Share & Net Assets Per Share

(Rs.)



Our financial fundamentals remain strong, consistent and stable. It is a sustainable trait that augments our reputation and status as a highly successful financial institution entrenched in the norms of governance, compliance, transparency and ethics. The financial performance this year entrenches the fact that Vallibel Finance has foreseen the future, but remains cognizant of the trends around us. We maximise on this forward knowledge to place imperative rudiments into our systems, processes and workings, which powers us to continue strengthening our financial performance, the unequivocal key to optimizing on opportunities that arise in the future.

CAPITAL ADEQUACY

Our emphasis on governance and compliance is well entrenched in the fact that we have exceeded the minimum regulatory requirements for both total risk weighted capital ratio and Tier 1 Capital Ratio. The Company's total risk weighted capital ratio stood at 17.29%, while the Tier I capital ratio was 11.53% as at 31st March 2015. Another positive feature is that this is well above our capital ratio as at 31st March 2014, where total risk weighted capital ratio was 15.16% and Tier 1 capital ratio was notched at 10.11%. Vallibel Finance's present core capital and total capital amount to Rs. 1.50 Bn and Rs. 2.26 Bn respectively comfortably exceeding the regulatory requirements set by CBSL.

Key Indicators per Ordinary Share

	2015	2014	Change (%)
Number of Shares (Mn)	41.55	41.55	-
Basic Earnings Per Share (Rs.)	8.97	7.31	22.66
Market Price per Share (Rs.)	45.00	29.70	51.52
PE ratio (times)	5.02	4.06	23.52
Net Assets Per Share (Rs.)	36.44	28.42	28.24
Dividend Paid/Proposed per Share (Rs.)	2.00	1.00	100.00

Corporate Social Responsibility Report



The journey to the pinnacle of success is one that can only be successfully achieved if the process is a holistic one. At Vallibel Finance our stakeholders remain the backbone of our business and the lifeline to our existence. It is the communities we interact with that enable us to look inward at ourselves critically, pushing us to pursue goals that are challenging, but at the same time, making us cognizant that each of our decisions have an impact on our communities and those impacts must always be positive.

We pursue a culture of volunteerism in the Company, believing strongly that our team must touch lives profoundly to understand our stakeholder psyche. We encourage their interaction with the various communities we build relationships with, urging them to act responsibly and with wholehearted passion, to gain a deeper understanding of our communities. Our social responsibility initiatives are embarked upon with great care, designed to impact lives positively. Working on CSR platforms that encompass religious celebration and understanding and therefore tolerance and on

imbuing initiatives that would prompt better health of the nation, the three primary projects we have completed this year did evidence better lives for our communities.

This is our culture of social responsibility, where we engage our stakeholders who live and work in various dynamics, collating them under a single umbrella of being able to live enriched lives because Vallibel Finance has forged and nurtured a relationship with each one of them by touching their lives positively.

Safe Drinking Water Project

Continuing our ongoing emphasis on ensuring accessibility to safe drinking water for communities, the under-privileged rural hospital in Sewanagala was presented with water filters to ensure that patients and visitors will have access to safe drinking water and thereby, reduce the risk of water borne disease as well. The hospital was also gifted with a modernized air water bed for therapeutic intervention, a necessary facility for this hospital which struggles with lack of resources. Driven by the Embilipitiya branch

team, Vallibel Finance was highly commended for the foresight in assisting this hospital which will surely gain fillip in the treatment of its patients with the presentations made by the Company.

Blood Donation Campaign

A very successful CSR drive was the Company's annual blood donation campaign conducted in collaboration with the National Blood Transfusion Service. Held at the Head Office, this is the second year this blood donation campaign was held, seeing at least sixty team members, customers, well wishers and other stakeholders join in to donate blood. With the higher incidences of blood related diseases, there is a continuous appeal for various blood types, imperative in a time of emergency to save lives. Our slogan of, 'Help save a life, Give the gift of blood' was extremely apt therefore, as this project did enable the saving of a number of lives due to the blood donated through this campaign.



Vesak Dansala

One of our most successful CSR projects, the annual Vesak Dansala brings together our team and customers through an extraordinary sentiment of camaraderie, serving ice cream to large numbers that travel to sightsee during the Vesak holidays. The Head Office is agog with fellowship and spirit, while the permeant religious philosophy is retained as the overarching tenet during this time, strengthening beliefs and the embedded concepts of the Buddhist ethos.

We pursue a culture of volunteerism in the Company, believing strongly that our team must touch lives profoundly to understand our stakeholder psyche. We encourage their interaction with the various communities we build relationships with, urging them to act responsibly and with wholehearted passion, to gain a deeper understanding of our communities.

Corporate Governance

Corporate Governance is popularly understood as the system by which Companies are directed and controlled. The Board of Directors is responsible for the governance of the Company and has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all the Company's dealings and making the best effort in achieving performance and quality profits. We have continuously refined our structure and systems to ensure governance on the lines as defined, aware at all time that we are accountable to our stakeholders and the general public.

This statement describes the application of the Corporate Governance practices within the Company during the year under review.

Board of Directors

The Board is the highest body of Vallibel Finance PLC that carries the responsibilities of directing the Company. The responsibilities of the Board includes making an accurate assessment of the Company's position, taking strategic decisions, holding regular meetings of the Board and Board Sub Committees, ensuring good governance and overseeing the risk management of the Company.

Composition and Independence

The Board comprises seven (07) members, five (05) of whom including the Chairman are Non Executive Directors with a balance of skills and experience which is appropriate for the business carried out by the Company.

The names of the Directors who held office as at the end of the accounting period are disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on pages 76 to 78.

In terms of paragraph 7(3) of the Finance Companies Direction No. 3 of 2008, it is declared that Messrs Dhammika Perera and K D A Perera are siblings.

Based on declarations submitted by the Non-Executive Directors, the Board has determined that three (03) Non Executive Directors, namely Mr. K V P R De Silva, Mr. R M Karunaratne and Mr. A Dadigama are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

Chairman and Managing Director

The functions of the Chairman and the Managing Director are separate with a clear distinction drawn between responsibilities, which ensure balance of power and authority.

During the year under review, Mr. Dhammika Perera was appointed as an Executive Director with effect from 21st August 2014, and Mr. K V P R De Silva was appointed as the Chairman effective from 26th September 2014.

Mr. S B Rangamuwa serves as the Managing Director/CEO.

Tenure, Retirement and Re-election of Directors

At each Annual General Meeting one of the Directors for the time being, shall retire from office and seek re-election by the shareholders.

The provisions of the Company's Articles of the Association also require Directors appointed by the Board to hold office until the next Annual General Meeting and seek appointment by the shareholders at that meeting.

Board Meetings

The results of the Company are regularly considered and monitored against the budgets at Board meetings at which a standard agenda is discussed together with any other matter that require the attention of the Board. The Board meets once a month, and wherever necessary Special Meetings of the Board are held.

During the year ended 31st March 2015, twelve (12) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K V P R De Silva	Independent Non- Executive	11/12
Mr. Dhammika Perera	Executive	9/12
Mr. S B Rangamuwa	Executive	12/12
Mr. R M Karunaratne	Independent Non-Executive	12/12
Mr. T Murakami*	Non-Executive	4/12
Mr. K D A Perera**	Non-Executive	7/12
Mr. A Dadigama***	Independent Non-Executive	7/12

* Appointed w.e.f. 16th July 2014

***Appointed w.e.f. 15th September 2014

** Appointed w.e.f. 12th August 2014

Board Sub-Committees

An Audit Committee and Remuneration Committee function as Sub-Committees of the Board. The names of the Directors who serve on the said Committees are given on page 78.

The Report of the Audit Committee is given on page 81.

Integrated Risk Management Committee

In compliance with the Finance Companies (Corporate Governance) Direction No.3 of 2008 an Integrated Risk Management Committee functioned under the Chairmanship of Mr.R M Karunaratne, (during the period under review) and consisted of senior management personnel supervising broad risk categories.

Compliance Officer

Ms. D D Wijayathilaka functions as the Compliance Officer to ensure compliance with the Regulatory and Statutory requirements and the laws and regulations governing Finance Companies, Public Listed Companies and business activities undertaken by the Company in general.

The Management

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management headed by the Managing Director/ CEO. They ensure that risks and opportunities are identified and required steps are taken to achieve targets within defined time frames and budgets.

Financial Disclosures and Transparency

Financial Statements are prepared in accordance with the new Sri Lanka Accounting Standards, the Companies Act, the Finance Business Act and the directions and rules issued thereunder. As a listed Company, Vallibel Finance PLC publishes unaudited quarterly/half yearly

Financial Statements and audited Financial Statements in compliance with the Listing Rules of the Colombo Stock Exchange and Finance Companies (Publication of half yearly Financial Statements) Guideline No.2 of 2006.

Messrs KPMG, Chartered Accountants, acts as Independent Auditors of the Company. The Auditors are allowed to act independently and without intervention from the Management or the Board of Directors to express an opinion on the financial statements of the Company. All the required information is provided for examination to the Auditors.

Ethical Standards

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

The Company focuses on the training and career development of employees for the creation of an empowered and committed group of employees.

Statutory Payments

All statutory payments due to the Government, which have fallen due, have been made or where relevant provided for. Retirement gratuities have been provided for in accordance with Sri Lanka Accounting Standards No.19, Employee Benefits.

Compliance with Central Bank Regulations

Both as a Licensed Finance Company and a Registered Finance Leasing establishment, the Company is governed by the Non-Bank Financial Institutions Directions & Rules issued by the Monetary Board of the Central Bank of Sri Lanka.

Accordingly the Company has to carry out and maintain business activities in compliance with the Directions issued by the Central Bank of Sri Lanka from time to time.

Accountability and Disclosure

The members of the Board of Directors have reviewed in detail the Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs.

By Order of the Board
VALLIBEL FINANCE PLC



Anusha Wijesekara
PW Corporate Secretarial (Pvt) Ltd
Secretaries

22nd May 2015

Corporate Governance

Section one

The Finance Companies (Corporate Governance) Direction No. 3 of 2008 and subsequent amendments thereto on Corporate Governance for Licensed Finance Companies in Sri Lanka issued by Monetary Board of the Central Bank of Sri Lanka:

The disclosures below reflect the Company's compliance and the extent of its compliance with the above Direction which comprises of nine subsections, namely:

1. The Responsibilities of the Board of Directors
2. Meetings of the Board
3. Composition of the Board
4. Fitness and Propriety of Directors
5. Delegations of Functions
6. The Chairman and Chief Executive Officer
7. Board Appointed Committees
8. Related Party Transactions
9. Disclosures

Directions		Extent of Compliance
2.The Responsibilities of the Board of Directors		
2. (1)	The Board of Directors shall strengthen the safety and soundness of the finance company by-	
	a) approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	<p>Complied with.</p> <p>Strategic objectives and values are incorporated in the Board approved strategic plan and these have been communicated to the staff.</p> <p>The Board of Directors approves and oversees the implementation of strategies mainly through the monthly Board meetings and the Boards views relating to such strategies are communicated to the staff through management meetings.</p>
	b) approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	<p>Complied with.</p> <p>A Board approved strategic plan is in place addressing the Company's overall business strategy.</p> <p>The Board provides direction in the development of short, medium and long term strategies of the Company. The Board approves and monitors the annual budget with updates on execution of the agreed strategies.</p> <p>The Board sub committees namely, Audit Committee and the Integrated Risk Management Committee oversee the risk management aspect of the Company within the Board approved Terms of Reference. The Board approved risk policy and risk management framework is also in place.</p>

Directions		Extent of Compliance
	c) identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	<p>Complied with.</p> <p>Identifying major risks, establishing governance structures and systems to measure, monitor and manage those key risks are carried out mainly through the Board Integrated Risk Management Committee.</p> <p>Risk Reports are submitted to the Committee by the Corporate management on a quarterly basis. The decisions and actions taken are submitted for the Board's information where necessary.</p> <p>Please refer to Risk Management report on page 70 and Integrated Risk Management Committee report on page 79 for further details.</p>
	d) approving a policy of communication with all stakeholders, including depositors, creditors, shareholders and borrowers;	<p>Complied with.</p> <p>Board approved Communication Policy covering all stakeholders is in place.</p>
	e) reviewing the adequacy and the integrity of the finance company's internal control systems and management information systems;	<p>Complied with.</p> <p>Adequacy and integrity of the Company's internal control systems and management information systems are reviewed by the Board Audit Committee. The Committee is assisted in this function by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of internal control systems and management information systems, the results of which are reported to the Audit Committee. The Committee appraises the scope and results of internal audit reports and system reviews. The decisions and actions taken are submitted for the Board's information and/or action (if deemed necessary).</p>
	f) identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	<p>Complied with.</p> <p>The Board has identified and designated the Key Management Personnel, as defined in the Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosures", who significantly influence policies, direct activities and exercise control over business activities of the Company.</p>
	g) defining the areas of authority and key responsibilities for the Board and for the key management personnel;	<p>Complied with.</p> <p>The key responsibilities of the corporate management personnel are defined in their job responsibilities, whilst the Directors derive their responsibilities from the regulations and directions, mainly, the Directions issued under the Finance Business Act No. 42 of 2011.</p>
	h) ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	<p>Complied with.</p> <p>The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the MD/CEO. Affairs of the Company by corporate management personnel are discussed at the monthly Board meetings and reviewed by the Board. Further, board sub committees and other committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.</p>

Corporate Governance

Directions			Extent of Compliance
	i)	periodically assessing the effectiveness of its governance practices, including: (i) the selection, nomination and election of directors and appointment of key management personnel; (ii) the management of conflicts of interests; and (iii) the determination of weaknesses and implementation of changes where necessary;	Complied with. Evaluation of the Board's own governance practices are assessed by the Directors individually and collectively discussed/ reviewed by the Board annually.
	j)	ensuring that the finance company has an appropriate succession plan for key management personnel;	Complied with. A succession plan for key management personnel is in place.
	K)	meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	Complied with. The members of the senior management regularly make presentation and take part in discussions on their areas of responsibility at Board meetings, Board subcommittee meetings and other management committee meetings. The Directors have free and open contact with the Corporate and Senior Management of the Company.
	i)	understanding the regulatory environment;	Complied with. The Board is updated of the changes in the regulatory environment and new directions, circulars etc. issued are made available to the Directors.
	m)	exercising due diligence in the hiring and oversight of external auditors.	Complied with. The Audit Committee carries out the due diligence in hiring of the External Auditors and makes recommendations to the Board. The Committee reviews the work carried out by External Auditors including the audited accounts, management letter and any other documents referred to the Audit Committee. External auditors attend Audit Committee meetings by invitation.
2 (2)		The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer.	Complied with. The Chairman and the Chief Executive Officer have been appointed by the Board. The Chairman provides leadership to the Board and the Chief Executive Officer/ Managing Director is responsible for effective management of the Company's operations.
2 (3)		There shall be a procedure determined by the Board to enable directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the finance company's expense. The Board shall resolve to provide separate independent professional advice to directors to assist the relevant director(s) to discharge the duties to the finance company.	Complied with. The Directors are permitted to seek independent professional advice on any matters when deemed necessary at the Company's expense.

Directions			Extent of Compliance
2 (4)		A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with. Directors abstain from voting on any resolution in which the Directors have related party interests and he is not counted in the quorum for the relevant agenda item at the Board Meeting.
2 (5)		The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	Complied with. The Board has a formal schedule of matters specifically reserved for the Board for decision to ensure that the direction and control is firmly under its authority.
2 (6)		The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	No such situations have arisen.
2 (7)		The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied with. This report serves the said requirement.
2 (8)		The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	Complied with. The Company has adopted a scheme of self assessment to be undertaken by each Director annually and filed with the Company Secretary.
3. Meetings of the Board			
3 (1)		The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied with Board meetings are held at monthly intervals, mainly to review the performance of the Company and other relevant matters referred to the Board. Twelve Board meetings were held during the year 2014/2015. Circulation of resolutions/papers to obtain Board's consent is minimized and resorted to only when absolutely necessary.

Corporate Governance

Directions		Extent of Compliance
3 (2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied with. Annual calendar of Board meetings is issued at the beginning of each calendar year enabling them to include matters and proposals in this regard. Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.
3 (3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	Complied with. Notice of Meeting is circulated to the Directors 7 days prior to the meeting for regular Board meetings which are held at monthly intervals. Reasonable notice is given before any special meeting.
3 (4)	A director, who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Such situation has not arisen during the year 2014/2015.
3 (5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with. Secretary to the Board is PW Corporate Secretarial (Pvt) Ltd, a Company registered with the Registrar General of Companies as a qualified secretary under Registration No. SEC/(2)2008/216. Secretary's primary responsibilities involve handling of secretarial services to the Board and shareholders meetings and carrying out other functions specified in other laws and regulations.
3 (6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	Complied with. The Company Secretary has been delegated with the responsibility of preparing the agenda for the Board meeting.
3 (7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied with. All Directors have access to the advice and services of the Company Secretary to ensure that Board procedures and all applicable rules and regulations are followed.
3 (8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with. Minutes of Board Meetings are maintained by the Company Secretary. The minutes are approved at the subsequent Board meeting. Minutes are open for inspection by any Director.

Directions			Extent of Compliance
3 (9)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties.</p> <p>The minutes of a Board meeting shall clearly contain or refer to the following:</p> <ul style="list-style-type: none"> a) a summary of data and information used by the Board in its deliberations; b) the matters considered by the Board; c) fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; f) decisions and Board resolutions. 		<p>Complied with.</p> <p>Detailed minutes are maintained by the Company Secretary covering these given criteria.</p>
4. Composition of the Board			
4 (1)	The number of directors on the Board shall not be less than 5 and not more than 13.		<p>Complied with.</p> <p>The Board comprised of Seven Directors as 31st March 2015. (Eight Directors as at 31st March 2014).</p>
4 (2)	The total period of service of a director other than a director who holds the position of chief executive officer or executive directors shall not exceed nine years.		<p>Complied with.</p> <p>The total period of service of all Non Executive Directors is less than 9 years as at date.</p>
4 (3)	An employee may be appointed, elected or nominated as a director (as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.		<p>Complied with.</p> <p>The Board consists of seven members of whom two are Executive Directors. Accordingly, the number of Executive Directors does not exceed one-half of Directors of the Board.</p>

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Directions		Extent of Compliance
4 (4)	<p>The number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.</p> <p>A non-executive director shall not be considered independent if such director:</p> <ul style="list-style-type: none"> a) has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company b) has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in Direction hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet; c) has been employed by the finance company during the two year period immediately preceding the appointment as director; d) has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company. e) represents a shareholder, debtor, or such other similar stakeholder of the finance company; f) is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization: <ul style="list-style-type: none"> i. which has a transaction with the finance company as defined in section 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or ii. in which any of the other directors of the finance company is employed or is a director or holds shares exceeding 10% of the capital funds as shown in its last audited balance sheet of the finance company; or 	<p>Complied with.</p> <p>The Board comprises of three Independent Non-Executive Directors. Accordingly, the number of independent Non-Executive Directors exceeds one-fourth of the total number of Directors on the Board.</p> <p>Based on the declarations made by the Independent Non-Executive Directors under the Listing Rules, the Board determined that Messrs K V P R De Silva, R M Karunaratne and A Dadigama who held office during the period under review, were independent as against the criteria for defining independence set out in the Listing Rules and the Finance Companies (Corporate Governance) Direction No. 3 of 2008.</p>

Directions			Extent of Compliance
		iii. in which any of the other directors of the finance company has a transaction as defined in section 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds, as shown in its last audited balance sheet of the finance company.	
4 (5)		In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Not applicable as no alternate directors have been appointed to represent independent Non-Executive Directors as at the end of the year under review.
4 (6)		Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied with. The Non-Executive Directors of the Board are eminent personnel and they possess extensive knowledge, expertise and experience in different business fields. Their detailed profiles are given in page 14 and 15.
4 (7)		A meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied with. At all Board meetings held during the year 2014/2015, more than one half of the Directors present were Non Executive Directors.
4 (8)		The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied with. Please refer page 36 of the Corporate Governance Report.
4 (9)		There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	Complied with. All new appointments to the Board are subject to regulatory provisions.
4 (10)		All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied with. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.

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Directions		Extent of Compliance
4 (11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied with. Cessation office of the Directors have been duly communicated to the Director of Supervision of Non Bank Financial Institutions of the Central Bank of Sri Lanka and other regulatory authorities.
5. Criteria to assess the fitness and propriety of directors		
5 (1)	The age of a person who serves as Director shall not exceed 70 years.	Complied with. All Directors are below the age of 70 years as at 31st March 2015.
5 (2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.	Complied with. No Director holds directorships of more than 20 companies/societies/bodies/institutions.
6. Delegation of Functions		
6 (1)	The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with. The Board is empowered by the Articles of Association to delegate any of their powers other than those exercisable exclusively by the Directors. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the CEO and other key management personnel. All delegations are made in a manner that would not hinder the Board's ability to discharge it's functions.
6 (2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied with. The delegation process to the Board Sub-committees and to the CEO and key management personnel is reviewed by the Board based on business requirements.
7.The Chairman and the Chief Executive Officer		
7 (1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by one and the same person.	Complied with. The positions of the Chairman and the Chief Executive Officer are separate and performed by two different individuals.

Directions		Extent of Compliance
7 (2)	<p>The chairman shall be a non-executive director.</p> <p>In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element.</p> <p>The designation of the Senior Director shall be disclosed in the finance company's Annual Report.</p>	<p>Complied with.</p> <p>The Chairman is an Independent Non-Executive Director.</p>
7 (3)	<p>The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.</p>	<p>Complied with.</p> <p>The Board is aware that there are no relationships whatsoever, including financial, business, family, any other material/relevant relationship between the Chairman and the CEO.</p> <p>Directors Messrs Dhammika Perera and K D A Perera are of the same family.</p> <p>No relationships prevail among the other members of the Board, other than for Directors who are common Directors of certain Companies.</p>
7 (4)	<p>The chairman shall:</p> <p>(a) provide leadership to the Board;</p> <p>(b) ensure that the Board works effectively and discharges its responsibilities; and</p> <p>(c) ensure that all key issues are discussed by the Board in a timely manner.</p>	<p>Complied with.</p> <p>The Chairman provides leadership to the Board and ensures that the Board effectively discharges its responsibilities and that all key issues are discussed and resolved in a timely manner.</p>
7 (5)	<p>The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.</p>	<p>Complied with.</p> <p>The Secretary to the Board draws up the agenda under the authority delegated by the Chairman. This agenda is approved by the Chairman of the Board. The Company Secretary circulates formal agenda prior to the Board Meeting.</p>
7 (6)	<p>The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.</p>	<p>Complied with.</p> <p>Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting.</p>
7 (7)	<p>The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.</p>	<p>Complied with.</p> <p>All Directors are encouraged to actively participate in Board's affairs.</p>

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Directions			Extent of Compliance
7 (8)		The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied with There is a constructive relationship among all Directors and they work together in the best interest of the Company.
7 (9)		The chairman shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied with The Chairman is an Independent Non-Executive Director and does not engage in direct supervision of the key management personnel or any other executive duties.
7 (10)		The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with. Effective communication with shareholders is maintained at the Annual General Meeting providing the opportunity for them to express their views and recommendations.
7 (11)		The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	Complied with. The Chief Executive Officer/Managing Director functions as the apex executive-in-charge of the day-to-day management of the Company's operations and business.
8. Board appointed Committees			
8 (1)		<p>Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof.</p> <p>Each committee shall appoint a secretary to arrange its meetings, maintain minutes, record and carry out such other secretarial functions under the supervision of the chairman of the committee.</p> <p>The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.</p>	<p>Complied with.</p> <p>The following Board Sub - Committees have been appointed by the Board;</p> <ol style="list-style-type: none"> 1. Remuneration committee 2. Audit Committee 3. Integrated Risk Management committee <p>Each committee reports directly to the board. The Company Secretary functions as the Secretary to these Committees.</p> <p>The Reports of the Audit Committee and Integrated Risk Management committee are given on pages 81 to 79 of this Annual Report.</p>
8 (2)	Audit Committee		
	a)	The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	<p>Complied with.</p> <p>The Chairman of Audit Committee is an Independent Non Executive Director and possesses qualifications and related experience.</p> <p>Qualifications and experience are disclosed in page 15 of the Annual Report.</p>
	b)	The Board members appointed to the committee shall be non-executive directors.	<p>Complied with.</p> <p>All the members of the audit committee are Non-Executive Directors.</p>

Directions		Extent of Compliance
	<p>c) The committee shall make recommendations on matters in connection with:</p> <p>(i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes;</p> <p>(ii) the implementation of the Central Bank guidelines issued to auditors from time to time;</p> <p>(iii) the application of the relevant accounting standards; and</p> <p>(iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.</p>	<p>Complied with.</p> <p>In accordance with the Terms of Reference, the Committee has made the following recommendations:</p> <ol style="list-style-type: none"> 1. The appointment of Messrs KPMG, Chartered Accountants as the External Auditor for audit services to be provided in compliance with the relevant statutes. 2. The implementation of CBSL Guidelines applicable to the Auditors. 3. Application of relevant Accounting Standards 4. The service period, audit fee and any resignation or dismissal of the auditor <p>Complied with the requirement that the engagement of the audit partner does not exceed five years.</p>
	<p>d) The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	<p>Complied with.</p> <p>The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes.</p> <p>The Audit Committee also reviews the nature and scope of the external audit taking in to account the regulations & guidelines.</p>
	<p>e) The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity.</p> <p>When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider:</p> <p>(i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;</p> <p>(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and</p>	<p>Complied with.</p> <p>In the instances where non-audit services are obtained from the External Auditor, prior approval is obtained from the Audit Committee. The Audit Committee evaluates the Company's requirement, nature of the non-audit service required by the Company, fee structure, skills and the experience required to perform the said service of such Auditors. If the Audit Committee is of the view that the independence is likely to be impaired with the assignment of any non-audit service to External Auditors, no assignment will be made to obtain such services.</p>

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Directions		Extent of Compliance
	(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.	
f)	<p>The committee shall, before the audit commences, discuss and finalize with the external auditors the nature and scope of the audit, including:</p> <p>(i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting;</p> <p>(ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and</p> <p>(iii) the co-ordination between auditors where more than one auditor is involved.</p>	<p>Complied with.</p> <p>The Committee has discussed and finalized the nature and the scope of audit, with the External Auditors before the audit commences.</p>
g)	<p>The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.</p> <p>In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) significant adjustments arising from the audit;</p> <p>(iv) the going concern assumption; and</p> <p>(v) the compliance with relevant accounting standards and other legal requirements.</p>	<p>Complied with.</p> <p>Meetings of the Audit Committee are convened for this purpose.</p> <p>The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/comments and recommendations submitted to the Board for the final review and approval.</p>
h)	The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	<p>Complied with.</p> <p>During the year under review the Committee has met the External Auditors on two occasions to discuss issues, problems and reservations relating to audit.</p>
i)	The committee shall review the external auditor's management letter and the management's response thereto.	<p>Complied with.</p> <p>The Committee has reviewed by the external auditor's Management Letter and the management response thereto. Follow up actions were taken accordingly.</p>

Directions		Extent of Compliance
	<p>j) The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <p>(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;</p> <p>(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;</p> <p>(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;</p> <p>(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;</p> <p>(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;</p>	<p>Complied with.</p> <p>The Company's Internal Audit function has been outsourced and carried out by Ernst & Young Advisory Service (Pvt) Limited.</p> <p>The Internal Audit plan is reviewed and approved by the Audit Committee at the beginning of each calendar year.</p> <p>Audit reports are tabled at the Audit Committee meeting by the Internal Auditors and the relevant items are discussed in detail with suitable actions agreed upon. Where required, the Corporate Management is invited to attend the meeting to provide clarifications.</p> <p>Performance of Ernst & Young as Internal Auditors is reviewed by the Audit Committee.</p> <p>The Internal Audit function is an independent function which directly reports to the Board Audit Committee and the audits are performed with impartiality and due professional care.</p>
	<p>k) The committee shall consider the major findings of internal investigations and management's response thereto;</p>	<p>Complied with.</p> <p>Significant findings of investigations carried out by the Internal Auditors along with the responses of the Management are tabled and discussed at Audit Committee meetings.</p>
	<p>l) The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.</p>	<p>Complied with.</p> <p>The Chief Executive Officer, Chief Financial Officer and representatives of the Internal Auditors generally attend meetings. Where it is deemed necessary, other members of the corporate management are invited to attend the meeting. During the year under review the Committee met twice with the External Auditors.</p>

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Directions		Extent of Compliance
	<p>m) The committee shall have:</p> <ul style="list-style-type: none"> (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary. 	<p>Complied with.</p> <p>The terms of reference of the Board Audit Committee include scope and responsibilities of the Committee.</p> <p>The Audit Committee is authorized to obtain external professional advice and to invite outsiders with relevant experience to attend if necessary. The Committee also has full access to information in order to investigate into matters relating to any matter within its terms of reference.</p>
	<p>n) The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.</p>	<p>Complied with.</p> <p>The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings are maintained by the Company Secretary.</p>
	<p>o) The Board shall, in the Annual Report, disclose in an informative way,</p> <ul style="list-style-type: none"> (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings. 	<p>Complied with.</p> <p>Please refer Audit Committee Report on page 81.</p>
	<p>P) The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.</p>	<p>Complied with.</p> <p>The Company Secretary functions as the Secretary to the Committee and records and maintains detailed minutes of the Committee.</p>
	<p>q) The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.</p>	<p>Complied with.</p> <p>A whistle blower policy is in place which covers these aspects and significant findings are reported to the Audit Committee for appropriate follow-up action.</p> <p>Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on a regular basis to discharge this function.</p>
8 (3)	Integrated Risk Management Committee	
	The following shall apply in relation to the Integrated Risk Management Committee (IRMC):	

Directions		Extent of Compliance
	a) The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks, The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	Complied with. Committee consists of two Independent Non Executive Directors, Chief Executive Officer, Deputy General Manager, Head of Finance and Assistant General Manager- Asset Management who supervises broad risk categories as detailed in this Direction. Any other key management personnel and other staff are invited as and when the Committee needs their presence.
	b) The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	Complied with. Key risks are assessed on a regularly basis through appropriate risk indicators and management information and reported to the respective Management Committees and summary reports are submitted to the Board Integrated Risk Management Committee at quarterly intervals for necessary guidance. Please refer Risk Management Report on page 70 for further details.
	c) The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	Complied with. The Committee assesses the adequacy of the Credit Committee and Asset & Liability Committee which cover credit risk management and the management of all other types of risk. These committees address the specific risks and manage these risks within qualitative and quantitative risk limits. The Management level committees report to the Board Integrated Risk Management Committee which reviews their activities through the minutes of their meetings.
	d) The committee shall take prompt corrective action to mitigate the effects of specific risks in case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	Complied with. All risk indicators which exceeds the specified quantitative and qualitative risk limits are reviewed and discussed for action. The progress of rectification of the position and implementation of the recommendations are also being monitored closely by the Committee.
	e) The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	Complied with The Board Integrated Risk Management Committee meetings are held at quarterly intervals.
	f) The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	Complied with The Internal Audit identifies lapses of this nature and makes recommendations to the Board Audit Committee to initiate actions against officers where material failures to meet risk management responsibilities are observed.

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Directions		Extent of Compliance
	g)	<p>The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.</p> <p>Complied with The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendation and risk management reports.</p>
	h)	<p>The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.</p> <p>Complied with The Committee has established a separate compliance function to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business operations.</p> <p>The Company has appointed a Compliance Officer and the Compliance Officer submits a Compliance Report to the Board at its meetings held monthly and quarterly to the Integrated Risk Management Committee.</p>
9. Related party transactions		
9 (2)		<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as "related parties" for the purposes of this Direction:</p> <p>a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest.</p> <p>Complied with. The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties.</p> <p>Transactions carried out with related parties in the normal course of business are disclosed in Note 40 on "Related Party Disclosures" in the Financial Statements.</p>

Directions		Extent of Compliance
9 (3)	<p>The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to sharing proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	<p>Complied with.</p> <p>Information in this regard, is disclosed in Note 41 on “Related Party Disclosures” in the Financial Statements.</p>
9 (4)	<p>The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, “more favourable treatment” shall mean:</p> <ul style="list-style-type: none"> a) Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of 5 years or more. b) Charging of a lower rate of interest than the finance company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty; 	<p>Complied with.</p> <p>The Board takes necessary steps to avoid any conflicts of interest that may arise from any transaction of the Company with its related parties in the manner mentioned herein.</p> <p>However, the monitoring mechanism to identify favourable treatment will be strengthened.</p>

Corporate Governance

Directions		Extent of Compliance
	<p>c) Providing preferential treatment, such as favourable terms, covering trade losses and/or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;</p> <p>d) Providing or obtaining services to or from a related-party without a proper evaluation procedure;</p> <p>e) Maintaining reporting lines and information flows between the finance company and any related party which may lead to sharing proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.</p>	
10. Disclosure		
10 (1)	<p>The Board shall ensure that:</p> <p>(a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that</p> <p>(b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.</p>	<p>Complied with.</p> <p>The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (LKAS/SLFRS) and the formats prescribed by the Supervisory Regulatory Authorities and such statements are published in the newspapers in all three languages.</p> <p>Interim (unaudited) Financial Statements as well as Audited Financial Statements are submitted to the Colombo Stock Exchange (CSE) and the financials are made available on the websites of CSE.</p>
10 (2)	The Board shall ensure that at least the following disclosures are made in the Annual Report:	
	a)	<p>A statement to the effect that the annual audited financial statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.</p> <p>Complied with.</p> <p>Relevant disclosures are included in page 84 of the annual report under “Statement of Directors Responsibilities”.</p>
	b)	<p>A report by the Board on the finance company’s internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes has been done in accordance with relevant accounting principles and regulatory requirements.</p> <p>Complied with.</p> <p>“Directors’ Statement on Internal Control System Over Financial Reporting” is given on page 80.</p>
	c)	<p>The external auditor’s certification on the effectiveness of the internal control mechanism referred to in subparagraph (2) (b) above, in respect of any statements prepared or published.</p> <p>Complied with.</p> <p>The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting.</p>

Directions		Extent of Compliance
	d) Details of directors, including names, transactions with the finance company.	Complied with. Please refer pages 12 to 15 for details of Directors, pages 132 to 133 on “Related Party Disclosures” for transactions with the Company.
	e) Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published.	Complied with. This has been disclosed in note 13 to the Financial Statements.
	f) Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company’s capital funds.	Complied with. Disclosed under the Related party Transaction in note 41 to the Financial Statement. No accommodation has been granted to related parties during the period under review.
	g) The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Complied with. Relevant disclosures are included in the Annual Report page 132 under “Related Party Disclosures”.
	h) A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliance.	Complied with. This has been disclosed under the “Corporate Governance Report” and “Annual Report of the Board of Directors on the affairs of the Company”.
	i) A statement of the regulatory and supervisory concerns on lapses in the finance company’s risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Not applicable There were no significant supervisory concerns on lapses in the Company’s risk management system or non-compliance with these Directions that have been pointed out by the Director of the Non-Bank Supervision Department of the CBSL requiring disclosure to the public.
	j) The external auditor’s certification of the compliance with the Corporate Governance Direction in the annual corporate governance reports published.	Complied with. The Company has obtained a certificate from External Auditors over the compliance of corporate governance directions and the Company is in the process of strengthening the procedures.

Corporate Governance

Section Two

Code of Best Practice on Corporate Governance issued jointly by the Securities And Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka);

The disclosures below reflect the Company's compliance and the extent of the above Code of Best Practice which comprises of seven subsections, namely:

1. Directors
2. Directors' Remuneration
3. Relations with Shareholders
4. Accountability and Audit
5. Institutional Investors
6. Other Investors
7. Sustainable Reporting

The Company's compliance with this Code is on a voluntary basis.

Code Ref.	Principle	Extent of Compliance
A. Directors		
A.1 The Board		
A.1	Effective Board, which should direct, lead and control the Company.	<p>Complied with.</p> <p>As at the end of the year under review, the Board comprised of two Executive and five Non-Executive Directors who are eminent professionals with extensive experience in the different business sectors, including leadership in quoted companies.</p> <p>Mr. S.B. Rangamuwa is the Managing Director/ Chief Executive Officer to whom the day-to-day management of the Company's operations and business has been delegated. The Board has appointed Sub Committees to assist in discharging its responsibilities and also approving policies, governance structures and the delegation of authority to provide a conducive business environment for effective performance of the Company.</p>
A.1.1	Board meetings	<p>Complied with.</p> <p>Regular Board meetings are held at monthly intervals and the Board met 12 times during the year under review. See Board Meetings on page 36.</p>

Code Ref.	Principle	Extent of Compliance
A.1.2	<p>Board responsibilities</p> <p>Formulation and implementation of a sound business strategy;</p> <p>Chief Executive Officer (CEO) and management team possess the skills, experience and knowledge to implement the strategy;</p> <p>The adoption of an effective CEO and Key Management Personnel succession strategy;</p> <p>An effective system to secure integrity of information, internal controls, business continuity and risk management;</p> <p>Compliance with laws, regulations and ethical standards;</p> <p>All stakeholder interests are considered in corporate decisions;</p> <p>Ensuring that the Company's values and standards are set with emphasis on adopting appropriate accounting policies and fostering compliance with financial regulations; and</p> <p>Fulfilling such other Board functions as are vital, given the scale, nature and complexity of the business concerned.</p>	<p>Complied with.</p> <p>The Board provides strategic direction to the development of short, medium and long term strategy and monitors the performance against agreed goals and key performance indicators through regular Board meetings. Please refer response to requirement 2 (1) a) and b) of Section One, the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on page 38 for details.</p> <p>The Board has put in place a Corporate Management team led by the MD / CEO which possesses required skills, experience and knowledge necessary to implement the strategies.</p> <p>Refer 2 (1) j) on page 40 of Section One.</p> <p>The Board reviews effectiveness of internal control and risk management system on a continuous basis through the Audit Committee and Integrated Risk Management Committee. Please refer "Director's Statement on Internal Control Over Financial Reporting", "Board Audit Committee Report" and "Board Integrated Risk Management Committee Report" on pages 79 to 81 for details.</p> <p>Compliance function is in place to assess the Company's compliance with laws, regulations, regulatory guidelines, internal controls and approved policies on all areas of business.</p> <p>The views/impact on all stakeholders is considered when corporate decisions are made at Board meetings.</p> <p>Refer 8 (2) g) and 10 (1) on page 50 and 56 of Section One.</p> <p>The Board is committed to fulfilling such other functions that are required according to the business environment.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
A.1.3	Compliance with laws and seeking independent professional advice	<p>Complied with.</p> <p>The Board collectively, and Directors individually are conscious of their responsibility to comply with laws applicable to the Company.</p> <p>The Directors are permitted to seek independent professional advice at the Company's expense as and when such advice is required.</p>
A.1.4	Access to the advice and services of the Company Secretary	<p>Complied with.</p> <p>Please refer response to requirement 3 (7) to (8) of the Section One on page 42 for details on advice and services of Company Secretary.</p> <p>The removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent judgment of Directors	<p>Complied with.</p> <p>Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.</p>
A.1.6	Dedication of adequate time and effort by the Board	<p>Complied with.</p> <p>Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.</p>
A.1.7	Training for Directors	<p>Complied with.</p> <p>A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company.</p>
A.2 Chairman & Chief Executive Officer (CEO)		
A.2	Separation of the roles and responsibilities of the Chairman and CEO to ensure a balance power and authority, such that no one individual has unfettered powers of decision.	<p>Complied with.</p> <p>The positions of the Chairman and the CEO have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Managing Director (MD) is the Chief Executive Officer who is responsible for managing the Company's business.</p>
A.2.1	Justification to combine the posts of Chairman and Chief Executive Officer.	Not applicable.
A.3 Chairman's Role		
A.3.1	Role of the Chairman	<p>Complied with.</p> <p>The Chairman provides leadership to the Board and encourages an active contribution of both Executive and Non-Executive Directors to the Board's affairs and maintains balance of power between Executive and Non-Executive Directors.</p> <p>Please refer 7 (4) to (10) on page 47 and 48 of Section One for further details.</p>

Code Ref.	Principle	Extent of Compliance
A.4 Financial Acumen		
A.4	Financial acumen and knowledge	<p>Complied with.</p> <p>The Board has adequate number of Directors who have financial acumen and knowledge to contribute and offer guidance to the Board on matters of finance.</p> <p>Please refer pages 14 and 15 for the Profiles of the Directors.</p>
A.5 Board Balance		
A.5.1	Have a balance of Executive & Non-Executive Directors.	<p>Complied with.</p> <p>Board maintains the required balance of Executive and Non-Executive Directors on the Board. Board consisted of two Executive Directors and five Non-Executive Directors of whom three are independent as at 31st March 2015. As the majority of the Board comprises Non Executive Directors, their opinions and views carry significant weight in the Board's decisions.</p>
A.5.2 & A.5.3	Independence of Non Executive Directors	<p>Complied with.</p> <p>Three Non Executive Directors are independent of management and free of any business or other relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgment.</p>
A.5.4 & A.5.5	Board to determine annually as to the Independence or Non-Independence of Non-Executive Directors.	<p>Complied with.</p> <p>The Board determines the Independence and Non-Independence of the Non-Executive Directors based on the declarations submitted by them and also based on the extent of independence as defined in the Finance Companies (Corporate Governance) Direction No. 3 of 2008.</p>
A.5.6	Appointment of an Alternate Director	No such situation has arisen during the year under review.
A.5.7	Appointment of Senior Independent Non-Executive Director.	Appointment of Senior Independent Non-Executive Director is not required as the Chairman is an Independent Non-Executive Director.
A.5.8	Meetings only with Non-Executive Directors	<p>Complied with.</p> <p>Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.</p>
A.5.9	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved.	<p>Complied with.</p> <p>The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
A.6 Supply of Information The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1	Obligation of the Management to provide appropriate and timely information to the Board.	Complied with. Timely and adequate information is provided by Management to the Board which is circulated to the Directors in advance for regular meetings. The Management also provides additional information as and when required by the Board members.
A.6.2	Adequate Notice for Board Meetings	Complied with. Please refer response to requirement 3 (3) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 on page 42 for details.
A.7 Appointments to the Board		
A.7.1 - A.7.2	Formal and transparent procedure for appointment of new Directors to the Board and Assessment of Board composition	Complied with. Refer comments under Section 4 (9) of the Finance Companies Corporate Governance Direction.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with. Details of new Directors are disclosed to the shareholders through a Colombo Stock Exchange (CSE) announcement at the time of their appointment. Prior approval for appointment of new Directors is obtained from the CBSL in accordance with the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.03 of 2011.
A.8 Re-election		
A.8.1 & A.8.2	All Directors should be subject to reelection by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	Complied with. Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.
A.9 Appraisal of Board performance		
A.9.1 - A.9.3	Periodic appraisal of Board's performance to ensure that their responsibilities are effectively discharged.	Refer 2 (8) on page 41 of Section One.

Code Ref.	Principle	Extent of Compliance
A.10 Disclosure of Information in respect of Directors Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1	Disclosure of information on Directors in the Annual Report.	Complied with. Information pertaining to Directors is disclosed in the following sections of this Annual Report. 1). Name, qualifications, expertise, material business interests and brief profiles on pages 14 to 15. 2). Related party transactions are given in Note No 41 to the Financial Statements on pages 132 to 133. 3). Membership of Sub Committees and attendance at Board Meetings on pages 78 & 36.
A.11 Appraisal of Chief Executive Officer		
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO.	Complied with. Managing Director/CEO's performance targets are aligned with the short, medium and long term objectives of the Company. Targets are set at the beginning of every year by the Board and at the end of each financial year the Board evaluates the set targets and the actual performance.
B Directors' Remuneration		
B.1 Remuneration Procedure The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Establishment of a Remuneration Committee	Complied with. The Board has established a Remuneration Committee to make recommendations to the Board in determining remuneration of the Managing Director and other key management personnel. No Director is involved in deciding his own remuneration.
B.1.2	Remuneration Committee to comprise exclusively of Non-Executive Directors	Complied with. All members of the Committee are Non-Executive Directors two of whom are independent as well. The committee members are; 1). Mr. K V P R De Silva - Independent Non-Executive Director (Chairman) 2). Mr. R M Karunaratne - Independent Non-Executive Director 3). Mr. K D A Perera - Non-Executive Director

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Code Ref.	Principle	Extent of Compliance
B.1.3	Membership to be disclosed in the Annual Report	Complied with. Disclosed in the page 76 of the “Annual Report of the Board of Directors on the Affairs of the Company”.
B.1.4	Remuneration of Non- Executive Directors	Complied with. The Non-Executive Directors receive a fee for being a Director of the Board and additional fee whenever they serve on Board sub Committees.
B.1.5	Consultation with Chairman and/ or CEO for remuneration proposals and access to professional advice.	Complied with. Chairman and CEO are consulted for proposals relating to the compensation packages of other Executive Directors and independent advice is also resorted to as deemed necessary.
B.2 Level and make up of Remuneration Levels of remuneration of both Executive and Non - Executive Directors should be sufficient to attract and retain the Directors. Proportion of Executive Directors’ remuneration should be linked to corporate and individual performance.		
B.2.1 - B.2.9	Level and make up of remuneration of Executive Directors including performance element in pay structure Remuneration packages in line with industry practices Executive share option Non Executive Directors remuneration	Complied with. The Remuneration Committee recommends the remuneration payable to the Managing Director and other key management personel. The Board makes the final determination after considering such recommendations. The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/industry rates. No share options schemes have been offered to the Executive Directors. Non-Executive Directors of the Company are paid a fee in line with the market practices.
B.3 Disclosure of Remuneration Requirement for Annual Report to contain a Statement of Remuneration Policy and details of Board’s remuneration as a whole.		
B.3.1	Composition of Remuneration Committee, Remuneration Policy and disclosure of aggregate remuneration paid to Executive and Non- Executive Directors	Complied with. See “Annual Report of the Board of Directors on the Affairs of the Company” on pages 76 to 78 for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company. The remuneration paid to the Board of Directors is disclosed in aggregate in note No 13 to the Financial Statements on page 115.
C. Relations with Shareholders C.1 Constructive use of Annual General Meeting (AGM) and Conduct of General Meetings The Board should use the Annual General Meetings to communicate with shareholders and encourage their active participation.		

Code Ref.	Principle	Extent of Compliance
C.1.1	Counting of proxy votes	Complied with. All proxy votes lodged, together with the votes of shareholders present at the AGM are considered for each resolution.
C.1.2	Separate resolutions for each substantially separate issue adoption of Annual Report and Accounts	Complied with. A separate resolution is proposed at the AGM for each substantially separate issue. The adoption of the report and accounts is proposed as a separate resolution.
C.1.3	Heads of Board Sub-committees to be available to answer queries	Complied with. In the absence of the Chairman of the respective Committee, a co-member will attend to queries raised.
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other related papers as determined by statute, before the meeting.	Complied with. Notice of the AGM, Form of Proxy and a copy of the Annual Report are sent to all shareholders at least 15 working days prior to the meeting in accordance with the provisions of the Companies Act of 2007, CSE Rules and the Articles of Association of the Company.
C.1.5	Summary of procedures governing voting at general meetings to be circulated	Complied with. Notice of Annual General Meeting and proxy form provides instructions for shareholders about voting procedures.
C.2 Communication with Shareholders		
C.2.1 – C. 2.7	The Board should implement effective communication with shareholders.	Complied with. The main communication method with the shareholders is the Annual Report and AGM. Information is provided to the shareholders prior to the AGM, enabling them to raise / submit their views, suggestions and observations relating to the Company. A person to contact in relation to shareholders is the Company Secretary. The Company Secretary shall maintain a record of all correspondence received and will convey such correspondence to the Board.
C.3 Major and Material transactions Directors should disclose to shareholders all proposed material transactions which would materially alter the net asset position of the Company, if entered into.		
C.3.1	Disclosure to shareholders of all material facts concerning any proposed transaction involving acquisition, sale or disposition of greater than one third of the value of the Company's assets.	There were no major transactions necessitating disclosure of this nature.
D. Accountability And Audit		
D.1 Financial Reporting		

Corporate Governance

Code Ref.	Principle	Extent of Compliance
D.1	Requirement for Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.	<p>Complied with.</p> <p>The Company's position and prospects have been discussed in detail in the following sections of this Annual Report.</p> <ol style="list-style-type: none"> 1). Chairman's Statement on page 9 2). Managing Director's Message on pages 11 3). Management Discussion and Analysis on pages 18 to 28 4). Financial Performance Review on pages 29 to 33
D.1.1	Present interim and other price sensitive public reports and mandated reports to regulators by statute	<p>Complied with.</p> <p>The Board's responsibility over financial reporting is stated in the "Statement of Directors' Responsibilities" on page 84.</p> <p>In the preparation of quarterly and annual financial statements, the Company complies with the requirements of the Companies Act No 07 of 2007, the Finance Business Act No. 42 of 2011 and amendments thereto, and financial statements are prepared and presented in conformity with Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS).</p> <p>The Company complies with the reporting requirements prescribed by the regulatory authorities such as the Central Bank of Sri Lanka, the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka.</p>
D.1.2	Declarations by Directors in the Directors' Report.	<p>Complied with.</p> <p>Declarations/confirmations pertaining to this Principle are disclosed in the "Annual Report of the Board of Directors on the affairs of the Company" on pages 76 to 78.</p>
D.1.3	Statements by Directors and Auditors on Responsibility for Financial Reporting	<p>Complied with.</p> <p>The 'Statement of Directors' Responsibilities' is given on page 84 and "Directors' Statement on internal control system over financial reporting" is given on page 80.</p> <p>See "Independent Auditor's Report" on page 85 for the reporting responsibility of Auditors.</p>
D.1.4	Include a Management Discussion and Analysis	<p>Complied with.</p> <p>Please refer 'Management Discussion and Analysis' on page 18 to 28 and "Financial performance Review" on pages 29 to 33.</p>
D.1.5	Board should report that the business is a going concern with all the supporting assumptions and qualifications as necessary.	<p>Complied with.</p> <p>Reported in the "Annual Report of the Board of Directors on the affairs of the Company" and in the Statement of Directors' Responsibilities" published in this Annual Report.</p>
D.1.6	Remedial action at an Extra ordinary General Meeting if net assets fall below 50% of value of shareholders' funds.	<p>This situation has not arisen.</p>

Code Ref.	Principle	Extent of Compliance
D.1.7	Disclosure of Related Party Transactions adequately and accurately	<p>Complied with.</p> <p>Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on “Related Party Disclosures” is disclosed in note No 41 to the Financial Statements on page 132 and 133.</p> <p>Please refer responses to requirements of section 9 of the Finance Companies Corporate Governance Direction on page 54 and 55 for further details.</p>
D.2 Internal Control		
D.2.	Maintain a sound system of internal control to safeguard shareholders’ investments and the Company’s assets.	<p>Complied with.</p> <p>The Board is responsible for establishing and overseeing the adequacy and integrity of the Company’s internal control systems and the Audit Committee assists the Board in discharging this responsibility. Internal Audit reviews the adequacy and effectiveness of the internal control systems are reported on a regular basis to the Board Audit Committee.</p> <p>The overall risk management has been assigned to the Integrated Risk Management Committee.</p>
D.2.1	Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	<p>Complied with.</p> <p>Adequacy and integrity of the Company’s internal control systems is reviewed by the Board Audit Committee and the Integrated Risk Management Committee assesses all aspects of risk management on a quarterly basis or more frequently as it deems necessary.</p> <p>The minutes of the Board Committee meetings are tabled at the meetings of the Board of Directors for their information and action.</p> <p>The Board’s Statement on the effectiveness of the Company’s internal control mechanism is presented in the “Directors’ Statement on internal control system over financial reporting” in this Annual Report.</p> <p>The Company obtained the External Auditors’ Certification on the effectiveness of the internal control mechanism over financial reporting.</p>
D.2.2	Internal audit function	<p>Complied with.</p> <p>The Company’s internal audit function has been outsourced and carried out by Ernst & Young Advisory Service (Pvt) Limited. Internal Audit reports are discussed at the Audit Committee meeting and appropriate recommendations/actions are agreed upon based on those findings.</p>
D.2.3	Audit Committee to carry out reviews of the process and effectiveness of risk management and internal controls and document to the Board	<p>Complied with.</p> <p>Described in response to D.2.1 above.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
D.3 Audit Committee Formal and transparent arrangements to be in place for selection and application of accounting policies, financial reporting & internal control principles and maintaining appropriate relationship with the Company's Auditors.		
D.3.1	Composition of the Audit Committee	Complied with. All members of the Board Audit Committee, including the Chairman are Non-Executive Directors and two of the members are Independent Non-Executive Directors as well.
D.3.2	Duties of the Audit Committee	Complied with. The Audit Committee monitors and reviews the scope, results and effectiveness of the audit and the independence and objectivity of the External Auditors. Please refer responses to requirements of section 8 (2) of the Finance Companies Corporate Governance Direction on page 48 to 52 for further details.
D.3.3	Terms of Reference of the Audit Committee	Complied with. The Audit Committee is guided by the Board approved Terms of Reference which specifies the authority and responsibility of the Committee.
D.3.4	Disclosures of the Audit Committee	Complied with. The names of the Directors of the Audit Committee, its functions and meetings and the basis of determination of independency of auditors is disclosed in the Audit Committee Report on pages 81 of this Annual Report.
D.4 Code of Business Conduct and Ethics Requirement to adopt a Code of Business Conduct and Ethics for Directors and members of senior management with due disclosures of waivers.		
D.4.1 & D.4.2	Disclose whether the Company has a Code of Business Conduct and Ethics for directors and key management personnel with an affirmative statement of Chairman.	Moving towards compliance. The Company is in the process of developing a Code of Business Conduct and Ethics.
D.5 Corporate Governance Disclosures Requirement to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.		
D.5.1	Disclosure of Corporate Governance	Complied with. This requirement is met through the presentation of this report.

Code Ref.	Principle	Extent of Compliance
Shareholders		
E. Institutional Investors		
E.1 Shareholder Voting		
Institutional shareholders to make use of their votes to encourage their voting intentions are translated into practice.		
E.1.1	Regular dialogue to be maintained with shareholders and Chairman to communicate shareholders' views to the Board.	Complied with. The Annual General Meeting is the forum utilized by the Board to have an effective dialogue with shareholders. All shareholders are encouraged to participate and vote at the Annual General Meeting (AGM).
E.2 Evaluation of Governance Disclosures		
E.2	Encourage Institutional investors to give due weight to relevant governance arrangements	Complied with. Institutional investors are encouraged to give due weight to all relevant factors in Board structure and composition when evaluating governance arrangements.
F. Other Investors		
F.1 Investing/Divesting Decision		
F.1	Adequate analysis or seek independent advice	Complied with. Individual shareholders investing directly in the company are encouraged to carry out adequate analysis in investing or divesting decisions.
F.2 Shareholder Voting		
F.2	Individual shareholder voting	Complied with. Individual shareholders are encouraged to participate at the Annual General Meeting and exercise their voting rights.
G. Sustainability Reporting		
G.1	The Code requires the Company to adopt principles in Sustainability Reporting to ensure the maintenance of policies and procedures to develop a sustainable business environment and to make disclosures on sustainability.	Moving towards compliance. “Corporate Social Responsibility Report” is given on page 34 and 35 and it describes community –based development initiatives carried out by the Company to support and build the Community.

Risk Management Report

Risk Management

Effective risk management is the building block for our journey to the pinnacle of success. Today we stand as a dazzling financial star which could have been achieved only by carefully understanding and managing inherent risk etched in the finance business. Therefore, we have remained focused and cautiously navigated your Company in vibrant economic conditions by mounting up value given to all our stakeholders who keep us alive.

Risk Governance Framework

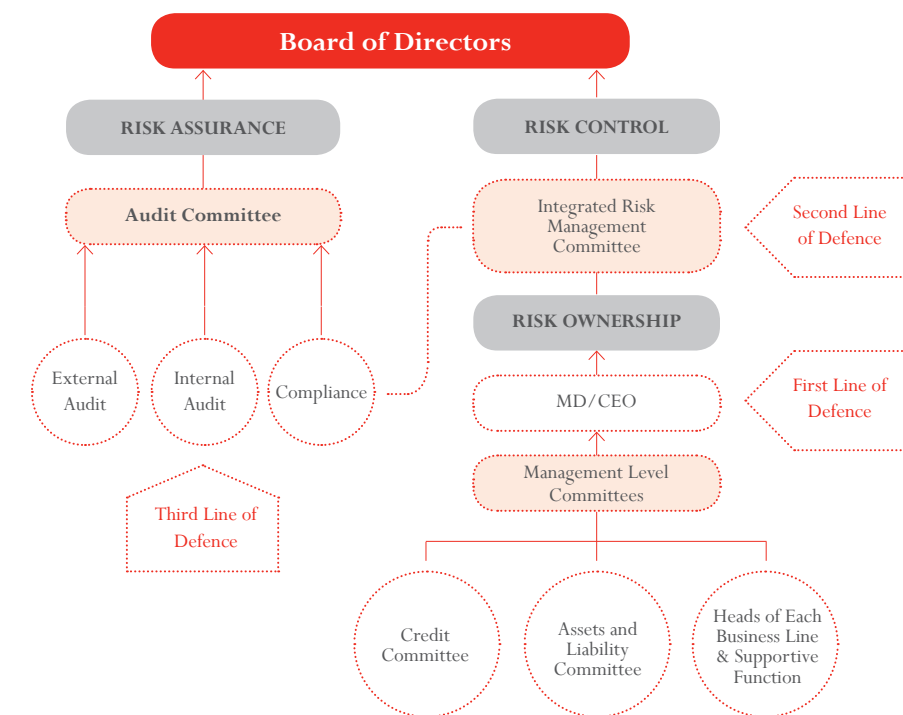
A well entrenched governance framework is the basis for effective risk management and this has been maintained through delegation of authority from the Board, to the Audit Committee and Integrated Risk Management Committee and down the management hierarchy. The Board of Directors has the overall responsibility for the risk management and the sub committees are responsible for the ongoing management and monitoring of risk exposure.

Audit Committee

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity of financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's independence and the performance of the Company's internal audit function. The Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of the risk management framework in relation to risks faced by the Company. The Audit Committee is assisted in these functions by Internal Audit.

Integrated Risk Management Committee (IRMC)

IRMC is responsible for developing and monitoring risk management policies and procedures in specified risk areas. The Committee is comprised of two Non Executive Directors, Chief Executive Officer and three



representatives from the senior management who supervise major risk categories. The Committee meets on a quarterly basis to assess all aspects of risk management or more frequently as it deems necessary or appropriate to carry out its duties and responsibilities.

Assets & Liability Management Committee (ALCO)

It is the main management committee and assists the Board of Directors by assessing the adequacy and monitoring the implementation of the Company's asset & liability management policies and related procedures. ALCO is primarily responsible for the management of interest rate risk, market risk, liquidity risk, capital risk and any other risk which may be specified by the Integrated Risk Management Committee. ALCO is comprised of representatives from the management who supervise major risk categories and chaired by the Chief Executive Officer. All action taken by the Committee are reported to the Integrated Risk Management Committee.

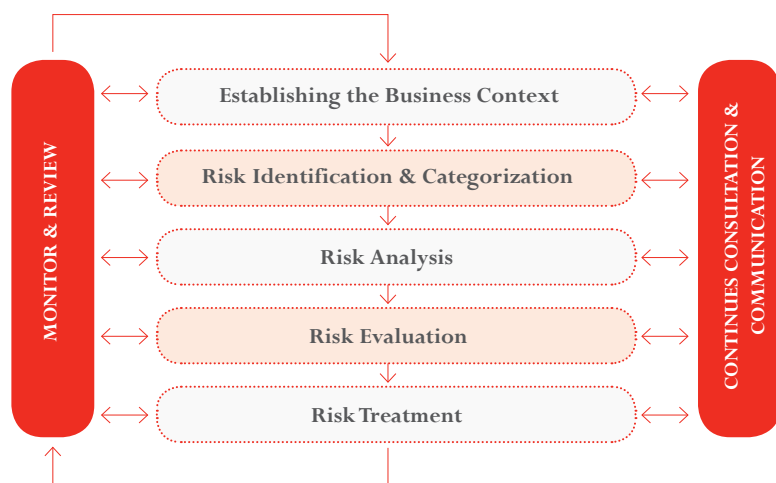
Credit Committee

The Committee is responsible for formulating credit policies in consultation with business lines considering collateral requirements and credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements and establishing the authorization structure for the approval and renewal of credit facilities. The Committee also limits the concentrations of exposure to counterparties, geographies and industries (for loans and advances) by issuer, credit rating and market liquidity.

Risk Management Process

A risk management framework has been established to ensure that risks are identified and managed according to a consistent approach across all business areas and all risk types and all decisions are in line with the risk appetite of the Company. The framework is also designed to ensure that policies and controls can be adapted

to reflect adjustments to business strategy and risk appetite which is made in response to changing market conditions. This structured approach to identify and assess the impact of emerging risks, agree tolerances and develop mitigating strategies eventually supports the Company's aim of augmenting value for stakeholders.



Managing Risk at Vallibel Finance

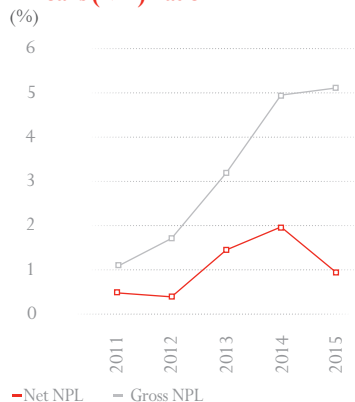
CREDIT RISK

Credit risk is defined as the risk of financial loss if a borrower/ counterparty fails to meet their contractual obligations. Credit risk arises principally from the Company's lease and hire purchase facilities, gold loans and other loans and advances to customers. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk). Default risk is the exposure to loss due to non-payment by a borrower of a financial obligation when it becomes payable. The Company is exposed to default risk in terms of hire purchase, leasing and other loan and advances which account for over 70% of the total assets.

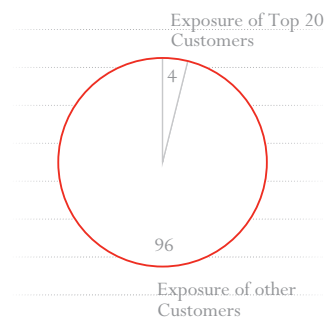
Risk indicators have been established based on the regulatory requirements and economic environment prevailing in the country in order to assess the credit quality. These limits are reviewed by the IRLC quarterly or earlier if required.

The following are some of the indicators in exposure to credit risk.

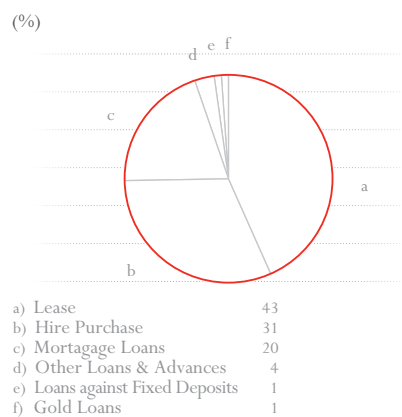
1. Movement of Gross & Net Non-Performing Loans (NPL) Ratio



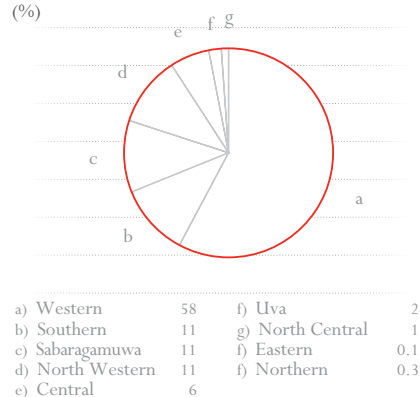
2. Exposure to Top 20 Customers - 2015 (%)



3. Product Concentration - 2015 (%)



4. Geographical Concentration - 2015 Lease and Hire Purchase Customers (%)



Risk Management Report

5. Maturity Analysis of Lending Portfolio as at 31st March 2015

Rs. '000	Up to 3 Months	3 to 12 Months	1 to 3 years	3 to 5 years	More than 5 years	Total
Total Loans and Advances (Net)	1,785,451	3,506,364	5,851,188	1,407,054	18,819	12,568,875

Credit Risk Mitigation Strategies

Credit risk is managed within the risk appetite of the Company. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. The risk tolerance of the Company is low and therefore all credit is mitigated through sound credit principles, and all lending done against appropriate security, except where other factors deem that it is not necessary to obtain specific security.

Credit Committee of the Company is responsible for overseeing of the credit risk and the Credit and Recovery Departments, reporting to the Credit Committee is responsible for monitoring and managing the Company's credit risk.

Credit risk mitigation strategies undertaken by the Company are summarised below. Adequacy of these risk management strategies are assessed regularly by the Credit Committee and quarterly by the IRMC.

- Strong credit policies have been formulated in consultation with business lines, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Structured and standardized credit evaluation process has been established in order to assess credit exposures prior to facilities being committed to customers by the business line concerned.
- There is a clear authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to heads of each business line. Large facilities require approval by the Board of Directors as appropriate. The delegated authority levels are reviewed periodically.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances) by issuer, credit rating and market liquidity to ensure that the lending is well diversified across a wide range of products, industries and customers.
- Reviews are carried out to monitor the compliance of business lines with agreed exposure limits, including those for selected industries and product types. Regular reports on the credit quality of portfolios are provided to the Board which may require appropriate corrective actions to be taken.
- The credit committee provides advice, guidance and specialist skills to business lines to promote best practice throughout the Company in the management of credit risk.
- Each business line is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business line has an officer who reports all credit related matters to the management and the Credit Committee. Each business

line is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central review.

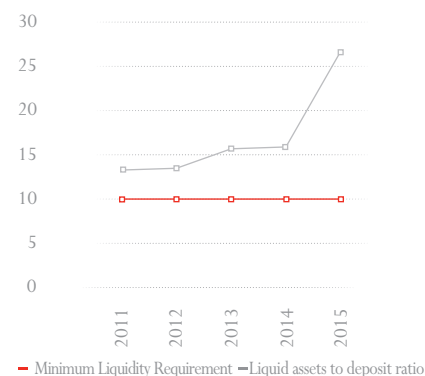
- Regular audits of business lines and credit processes of the Company are undertaken by Internal Audit.

LIQUIDITY RISK

Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations. The Company may not be able to meet its obligations due to a lack of funds or may have to meet these obligations at an excessive cost. This results from maturity mismatches between assets and liabilities. The day-to-day operations of the Company are affected by liquidity flows, including the risk that the Company is unable to meet expected and unexpected payment obligations as they fall due. Furthermore, a risk of losses may arise as a result of the Company's difficulty in disposing of or realising certain assets within a limited time horizon and without any significant impairment of the market value due to inadequate market liquidity or other market interruptions.

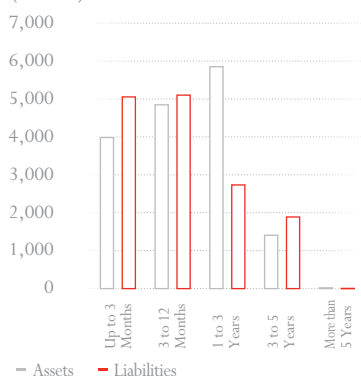
Key risk indicators used by the company to assess the liquidity position are:

1. Liquid Assets to Deposit Ratio (%)

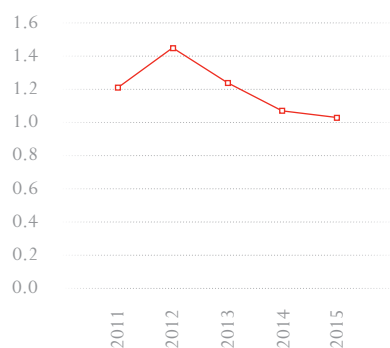


2. Maturity analysis of Interest Bearing Assets & Liabilities as at 31st March 2015

(Rs. 'Mn)



3. Movement in Advances to Deposits Ratio



Liquidity Risk Mitigation Strategies

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The main liquidity risk mitigation strategies are as follows.

- The Company maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed deposits and short term government securities, to ensure

that sufficient liquidity is maintained within the Company. Liquidity profile of financial assets and liabilities of each business line and details of projected cash flows arising from future business are considered in managing the liquidity.

- The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company's borrowing liabilities have maturities of over one year, deposits from customers generally 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 statutory liquidity ratio is maintained well above the regulatory limit.
- Daily liquidity is monitored and considers stress scenarios covering various market conditions.
- Regular ALCO meetings are held and the Committee monitors the liquidity position of the Company and liquidity management activities undertaken by the Company. ALCO reviews the overall liquidity position as shown by the weekly liquidity report and considers the impact of other inflows and outflows as they affect overall liquidity.
- A summary report, including any exceptions and remedial action taken, is submitted to Integrated Risk Management Committee. The Committee approves liquidity risk tolerances by reviewing how the Company's inability to meet its obligations when they become due as this may affect the Company's earnings, capital, and operations.

MARKET RISK

Market risk is the possibility of losses to the Company from changes in market variables. Losses may result from changes in market variables such as interest rates, exchange rates, equity prices and commodity prices which will affect value of assets and liabilities or income adversely. The Company's exposure to market risk arises as a result of dealing in financial products including loans, deposits, securities, short term borrowings, long term debt etc.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in Integrated Risk Management Committee of the Company. The Treasury is entrusted with managing the market risk including interest rate risk and liquidity risk of the Company.

INTEREST RATE RISK

Interest rate risk is the potential for changes in rates to reduce the Company's earnings or value.

Evaluation of net interest position and analysis of various interest rate scenarios are carried out in order to assess the interest rate risk faced by the Company. Regular monitoring of trends in the economy in general and interest rates in particular are carried out with a view toward limiting any potential adverse impact on the Company's earning. The ALCO approves interest rate risk tolerances by reviewing how movements in interest rates may adversely affect the Company's earnings and capital using the Company's projected earnings and capital as benchmark. The ALCO Reviews interest margin trends including forecast position and the variances from the planned net interest rate margin and changes the interest rate offers according to the changes in interest rates.

Risk Management Report

CAPITAL RISK

Capital risk is the risk that the Company has insufficient capital resources to meet minimum regulatory requirements and to support credit rating, growth and strategic options of the Company.

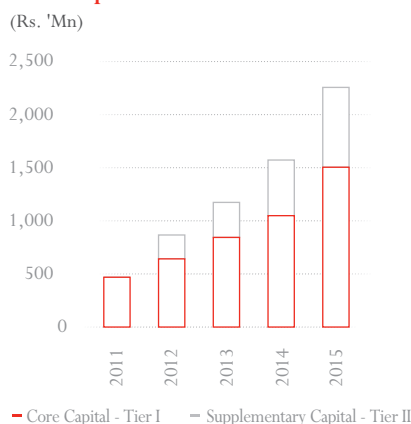
Capital Adequacy Ratio (CAR) is the measure of the financial strength of a finance company expressed as a ratio of its capital to its risk weighted assets. A higher capital adequacy ratio indicates that the Company is able to handle losses and fulfill its obligations to account holders without ceasing operations. This ratio is used as an indicator to protect depositors and promote the stability and efficiency of a financial system.

As at 31st March	2011	2012	2013	2014	2015
Core Capital Ratio (%)	13.22	10.39	10.39	10.11	11.53
Total Risk Weighted Capital Ratio (%)	13.20	14.03	14.45	15.16	17.29

The Company's Capital adequacy ratios as at 31st March 2015 were 11.53% for Tier I and 17.29% for Tier I and II and are well above the minimum requirements of the Central Bank of a minimum 5% and a minimum 10% respectively. Please refer pages 109 to 110 in the notes to the Financial Statements for detailed breakdown of capital adequacy ratio computation.

Capital Management is integral to the company's approach to financial stability and embedded in the way business operates. The ALCO monitors the capital position and the capital management activities undertaken by the Company to ensure that capital levels are maintained in accordance with regulatory requirements and directives. Capital adequacy ratios are measured on a monthly basis and maintained above the minimum requirements specified by the regulator, The Central Bank of Sri Lanka.

Total Capital Base



The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business line.

LEGAL RISK

Legal risk arises from unenforceable transactions in a court of law or the failure to successfully defend legal action instituted against the Company.

Legal risk management commences from prior analysis, and a thorough understanding of and adherence to related legislation by the staff. Necessary precautions are taken at the designing stage of transactions to minimize legal risk exposure. In the event of a legal risk factor, the Legal Department of the Company takes immediate action to address and mitigate these risks.

The Company's Legal Division ensures that all business activities are carried out in a manner which complies with the laws and regulations applicable in the Country. Among others, the division is responsible for advising senior management on any legal issues, reviewing all contracts and agreements, examining documentation related to collateral, and representing the Company in courts of law when necessary.

OPERATIONAL RISK

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the operations of the Company.

Severity of these operational risks is assessed regularly through identified key risk indicators such as staff turnover, insurance coverage, fraud attempts, branch / department audit ratings, etc. The information derived act as early warning signals to identify a potential event that may harm daily business activities and the operations of the Company.

COMPLIANCE RISK

Compliance risks are the potential threats to the company that result from non conformance with laws, regulations, rules, directions, prescribed practices and ethical standards.

Financial institutions in Sri Lanka are governed by the Central Bank of Sri Lanka which is the main regulatory body in the country. Every financial institution must obtain licence from the Central Bank prior to commence finance business and continue to carry out business in compliance with the laws, directions, rules, determinations, notices, and guidelines issued by the Central Bank. Furthermore the Company should comply with other regulatory and statutory requirements governing Finance Companies, Public Listed Companies and business activities undertaken in general.

Thus, the Company operates in highly regulated environment and the company could be adversely affected by failure to comply with existing laws and regulations or by failing to adopt changes in laws, regulations and regulatory policy.

The Integrated Risk Management Committee has established a compliance function to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls and other prescribed practices. A separate Compliance Officer has been appointed in order to carry out the compliance function independently. Regular reviews are carried out in order to assess the Company's compliance with the regulatory and statutory requirements.

REPUTATIONAL RISK

Reputational risk is that of losing public trust or the tarnishing of the Company's image in the public eye. It could arise from environmental, social, regulatory or operational risk factors. We consider reputational risk as a consequence of a failure to manage other key risks arising from the business activities.

Events that could lead to reputation risk are closely monitored, utilizing an early warning system that includes inputs from frontline staff, media reports, and internal and external market survey results.

Reputation risk management and mitigation aspects are embedded in the Company's policies and procedures, training programmes. Policies and standards relating to the conduct of the Company's business have been promulgated through internal communication and training and ensure compliance with laws, regulations, rules, directions, prescribed practices and ethical standards. A whistle blowing policy has been established to entertain employees' complaints regarding accounting, internal controls or auditing matters or if any, breaches of any law, statutory, regulatory or other ethical concerns. We are continuously committed towards maintaining and improving the standards in all the activities we undertake.

Annual Report of the Board of Directors on the Affairs of the Company

The Directors of Vallibel Finance PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2015.

General

Vallibel Finance PLC is a limited liability company which was incorporated on 5th September 1974 as a private limited liability company under the Companies Ordinance (Chapter 145) as "THE RUPEE FINANCE COMPANY LIMITED" and was converted to a public company on 7th August 1989 under the Companies Act, No.17 of 1982.

On 21st November 2005 the name of the Company was changed to "VALLIBEL FINANCE LIMITED". The Company was re-registered under the Companies Act, No.7 of 2007 on 20th August 2008 under Registration No.PB 526.

The Ordinary Shares of the Company were listed on the Main Board of the Colombo Stock Exchange on 4th May 2010.

Vallibel Finance PLC is a Licensed Finance Company in terms of the Finance Business Act, No.42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000.

Principal Activities of the Company and Review of Performance During the Year

The Company's principal activities are the granting of finance leases, hire purchase, assets financing, granting of mortgage loans, gold loans, mobilisation of deposits and other credit facilities and related services in the finance business.

This Report and the Financial Statements reflect the state of affairs of the Company.

Financial Statements

The complete financial statements of the Company prepared in accordance with revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS)

and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the auditors are given on pages 86 to 135.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company appear on page 85.

Accounting Policies

The Financial Statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the Policies adopted in the preparation thereof are given on pages 91 to 135.

Directors

The names of the Directors who held office as at the end of the accounting period are given below:

Executive Directors

Mr. S B Rangamuwa	- Managing Director
Mr. Dhammika Perera	- Executive Director

Non-Executive Directors

Mr. K V P R De Silva*	- Chairman
Mr. R M Karunaratne*	- Director
Mr. T Murakami	- Director
Mr. K D A Perera	- Director
Mr. A Dadigama*	- Director

* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended).

Based on the declarations made by the Independent Non-Executive Directors under the Listing Rules, the Board determined that Messrs K V P R De Silva, R M Karunaratne and A Dadigama who held office during the period

under review, were independent as against the criteria for defining "independence" set out in the Listing Rules and the Finance Companies (Corporate Governance) Direction No. 3 of 2008 (as amended).

Messrs, W D N H Perera, J A S S Adhihetty, S Senaratne, M D S Goonatilleke and K D H Perera who served on the Board of Vallibel Finance PLC ceased to be Directors of the Company with effect from 21st August 2014, on completion of nine (9) years of service as Directors of the Company, in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Messrs T Murakami, K D A Perera and A Dadigama were appointed as Directors to the Board of the Company with effect from 16th July 2014, 16th August 2014 and 15th September 2014 respectively and shall retire in terms of Article 94 of the Articles of Association of the Company and being eligible are recommended by the Directors for re-election.

Mr. R M Karunaratne retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Interest Register

The Company maintains an interests register in terms of the Companies Act, No. 7 of 2007, which is deemed to form part and parcel of this annual report and available for inspection upon request.

Related Party Transactions

All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the interests register in due compliance with the applicable rules and regulations of the relevant regulatory authorities.

The relevant interests of Directors in the shares of the Company as at 31st March 2015 as recorded in the interests register are given in this report under Directors' shareholding.

Related Parties' Transactions with the Company

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 41 to the financial statements.

Directors' Remuneration

The Directors' remuneration is disclosed under Note 13 of the Financial Statements.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs.

Stated Capital

The Stated Capital of the Company is Rs.287,153,000/- (Rs.287,153,000/- as at 31st March 2014).

The number of shares issued by the Company stood at 41,550,600 fully paid ordinary shares as at 31st March 2015 (41,550,600 fully paid ordinary shares as at 31st March 2014).

Debenture Issues

The Company issued 10,000,000 Rated, Guaranteed (capital and two interest installments), Subordinated Redeemable Debentures of Rs.100/- each to the value of Rs. One Billion as listed Debentures in March 2015. The purpose of the issue was to expand and strengthen the capital base of the Company in keeping with the Company's expansion and to maintain the capital adequacy requirement as stipulated by the Central Bank of Sri Lanka.

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2015 are as follows:

	Shareholding as at 31/03/2015	Shareholding as at 31/03/2014
Mr. K V P R De Silva	Nil	Nil
Mr. Dhammika Perera*	600	600
Mr. S B Rangamuwa	620,000	203,031
Mr. R M Karunaratne	Nil	Nil
Mr. T Murakami	Nil	Nil
Mr. K D A Perera*	836,713	836,713
Mr. A Dadigama	Nil	Nil

* Mr. Dhammika Perera is the Chairman and major shareholder of Vallibel Investments (Pvt) Ltd which held 30,277,000 shares constituting 72.87% of the issued shares of the Company.

* Mr. K D A Perera also serves as a Director of Vallibel Investments (Pvt) Ltd.

Major Shareholders, Distribution Schedule and other information

Information on the distribution of shareholding, analysis of shareholders, the 20 largest shareholders of the Company, public holding as per the Listing Rules of the Colombo Stock Exchange are given on pages 139 and 140 Earnings, Dividends, Net Assets per Share, appear on page 5.

Auditors

Messrs KPMG, Chartered Accountants served as the Auditors during the year under review.

A total amount of Rs. 1,585,000/- is payable by the Company to the Auditors for the year under review which comprise of Rs. 915,000/- as Audit fees and Rs. 670,000/- for Non Audit Services.

The Auditors have expressed their willingness to continue in office. A resolution to reappoint

the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Dividend

A First and Final dividend of Re. 1/- per share for the year ended 31st March 2014 was paid on 07th July 2014.

Donations

The total amount of donations made during the year under review is Rs. 240,530/-

Property, Plant and Equipment

Details of Property, Plant and Equipment and changes during the year are given in Note 26 & 27 of the Financial Statements.

Material Foreseeable Risk Factors

The section on Risk Management on pages 70 and 75 sets out the processes currently practiced by the Company to identify and manage the risks.

Land Holdings

The Company's land holdings referred to in Note 26 of the accounts represent a land of an extent of 15.20 perches with a building situated in No. 126-5, High Level Road, Maharagama, which is carried at its book value of Rs. 30,000,000/- (the current market value being Rs. 30 Mn) and a land of an extent of 10 perches with a building situated in No. 121-D, Gala Junction, Kandy Road, Kiribathgoda, which is carried at its book value of Rs. 26,319,000/- (the current market value being Rs. 26.32 Mn).

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date, have been paid or, where relevant, provided for.

Annual Report of the Board of Directors on the Affairs of the Company

Corporate Governance

The Board of Directors confirms that the Company has complied with Section 7.10 of the Listing Rules of the CSE on Corporate Governance and the Finance Companies (Corporate Governance) Direction No.3 of 2008 (as amended by Directions No. 4 of 2008 and 6 of 2013) and in terms of the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.03 of 2011, save and except in respect of the matters referred to in the Annual Corporate Governance Report on pages 38 to 69.

The Corporate Governance Statement on page 36 explains the practices within the Company in this respect.

An Audit Committee and a Remuneration Committee function as Board Sub Committees, with Directors who possess the requisite qualifications and experience. The composition of the said Committees and the Integrated Risk Management Committee is as follows:

Audit Committee

Mr. Aravinda Dadigama

Independent Non-Executive Director (Chairman)

Mr. R M Karunaratne

Independent Non-Executive Director

Mr. T Murakami

Non-Executive Director

The Report of the Audit Committee appears on page 81.

Remuneration Committee

Mr. K V P R De Silva

Independent Non-Executive Director (Chairman)

Mr. K D A Perera

Non-Executive Director

Mr. R M Karunaratne

Independent Non-Executive Director

The Remuneration Committee recommends the remuneration payable to the Managing Director and other key management personnel. The Board makes the final determination after considering such recommendations. The remuneration packages offered by the Company are linked to the individual performances and are aligned with the Company's business.

Integrated Risk Management Committee

Mr. R M Karunaratne

Independent Non-Executive Director (Chairman)

Mr. A Dadigama

Independent Non-Executive Director

Mr. S B Rangamuwa

Managing Director

Mr. Niroschan Perera

Deputy General Manager

Mr K D Menaka Sameera

Assistant General Manager – Finance & Administration

Mr T U Amaraweera

Assistant General Manager – Asset Management

Annual General Meeting

The Annual General Meeting will be held on 26th June 2015 at 10.00 a.m at the Auditorium of The Institute of Chartered Accountants of Sri Lanka, Colombo.

The notice of the Annual General Meeting appears on page 149.

This Annual Report is signed for and on behalf of the Board of Directors by



K V P R De Silva

Chairman



S B Rangamuwa

Managing Director



Anusha Wijesekara

P W Corporate Secretarial (Pvt) Ltd

Secretaries

22nd May 2015

Colombo

Integrated Risk Management Committee Report

Composition of the Integrated Risk Management Committee (IRMC)

IRMC is comprised of two Non Executive Directors, CEO and three representatives from the senior management. The composition of the Integrated Risk Management Committee is as follows.

Mr. R M Karunaratne

Independent Non Executive Director (Chairman)

Mr. A Dadigama

Independent Non Executive Director

(Appointed w.e.f. 26.09.2014)

Mr. S B Rangamuwa

Managing Director / CEO

Mr. Niroshan Perera

Deputy General Manager

Mr. K D Menaka Sameera

Assistant General Manager - Finance & Administration

Mr. T U Amaraweera

Assistant General Manager - Asset Management

Main Role and Responsibilities of the Committee

In line with sections 8.1 and 8.3 of the Finance Companies (Corporate Governance) Direction No.3 of 2008, an Integrated Risk Management Committee was established in December 2008.

The Integrated Risk Management Committee functions within the Terms of Reference which sets out the objectives and responsibilities of the Integrated Risk Management Committee. The scope and functions of the Committee conform with the provisions of the Finance Companies (Corporate Governance) Direction No.3 of 2008. The main objectives of the committee are:

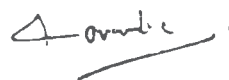
- To ensure that the Company has a comprehensive risk management framework relative to its business activities and risk profile
- To assess the effectiveness of the Company's risk management system
- To ensure that a compliance function is in place to assess the Company's compliance with laws, regulations, rules, directions, regulatory guidelines, internal controls and other prescribed practices
- To ensure that the Board of Directors is kept updated of the Company's risk exposure

During the year, the Committee assessed and reviewed material risks associated with the conduct of the business, and also ensured strategies are in place to manage those risks to prudent levels. The Risk Management process which is used by the IRMC to discharge its functions is detailed in the Risk Management section of the annual report.

Meetings

The Committee held four meetings, in quarterly intervals, during the year under review. The minutes of the IRMC Meetings were tabled at the Board meetings.

The Integrated Risk Management Committee reviewed risk policy frameworks and risk management strategies and key risk indicators were discussed at the meetings. The IRMC is satisfied that the risk exposures of the Company are being appropriately managed.



Mr. R M Karunaratne

Chairman

Integrated Risk Management Committee

22nd May 2015

Directors' Statement on Internal Control over Financial Reporting

Responsibility

In line with the Finance Companies Direction, No. 03 of 2008, section 10(2)(b), the Board of Directors present this report on Internal Control over Financial Reporting.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the internal control mechanism in place at the Vallibel Finance PLC. ("Company").

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board.

The Board is of the view that the system of Internal Control over Financial Reporting in place is sound and adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management has started the process of documenting the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Auditors of the Company for suitability of design and effectiveness on an on-going basis.

Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors Certification

The External Auditors have submitted a certification on the process adapted by the Directors on the system of internal controls over financial reporting. The matters addressed by the External Auditors in this respect, are being looked into.

By order of the Board



K V P R De Silva
Chairman



S B Rangamuwa
Managing Director



A Dadigama
Chairman
Audit Committee

22nd May 2015

Audit Committee Report

Composition of the Audit Committee

The Audit Committee, appointed by the Board of Directors of Vallibel Finance PLC, comprises of three Non-Executive Directors two of whom are Independent Directors as well. The composition of the committee is as follows.

Mr. A Dadigama

Independent Non Executive Director (Chairman)

Mr. R M Karunaratne

Independent Non Executive Director

Mr. T Murakami

Non Executive Director

The Chairman, Mr. A Dadigama, is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, with more than 20 years of experience in Finance and Treasury Management.

Role of the Committee

The Audit Committee charter clearly defines the role and responsibility of the Audit Committee.

The key purpose of the Audit Committee of Vallibel Finance PLC is to assist the Board of Directors by fulfilling its overseeing responsibilities for:

- The integrity of Financial Statements
- The Company's compliance with legal and regulatory requirements
- The External Auditor's independence
- The performance of the Company's internal audit function

The Audit Committee has authority to authorize investigations into any matter within its scope and responsibility as defined in the Audit Committee charter. The Committee provides a communication link between Internal Audit, External Audit and the Board of Directors of the Company.

Meetings

The Committee met five times during the year. The attendance at the meetings was as follows:

Name of Director	Executive/Non-Executive Independent/Non-Independent	Attendance
Mr. M. D. S. Goonatilleke*	Independent Non-Executive	2/2
Mr. S. Senaratne*	Independent Non-Executive	2/2
Mr. A Dadigama**	Independent Non-Executive	3/3
Mr. T Murakami**	Non-Executive	0/3
Mr. R. M. Karunaratne***	Independent Non-Executive	1/1

* Ceased w.e.f. 21.08.2014

** Appointed w.e.f. 26.09.2014

*** Appointed w.e.f. 22.01.2015

The Company Secretaries function as the Secretaries to the Committee. The Managing Director and the Assistant General Manager Finance attended the meetings on invitation. The minutes of the Audit Committee were tabled at the monthly Board meetings.

The Committee carried out the following activities:

Financial Statements

The Committee reviewed the Financial Information of Vallibel Finance PLC in order to monitor the integrity of the Financial Statements, its Annual Report and Accounts Reports prepared for publication.

Internal Audit

During the year under review, the Committee reviewed the Audit Reports presented by Messrs Ernst and Young, Chartered Accountants to whom the internal audit function is outsourced together with the management responses. Risk-based audit approach was adopted with a view to rationalize the usage of audit resources.

External Audit

The Audit Committee met with Messrs KPMG prior to the commencement of the audit to discuss and approve the audit approach and the audit plan. Further, at the conclusion of the

audit the Committee met with the Auditors to discuss the audit findings. The meetings were held without the presence of the Management and the Auditors have assured that they have no cause to compromise their independence. The Management's letter from the External Auditors and the response of the Management thereto were discussed by the Audit Committee.

The Audit Committee has recommended to the Board of Directors that Messrs KPMG, Chartered Accountants, be re-appointed as the Auditors of the Company for the financial year ending 31st March 2016, subject to the approval of the Shareholders at the next Annual General Meeting.

Conclusion

The Audit Committee is of the view that adequate controls are in place to safeguard the Company's assets and to ensure that the financial position and the results disclosed in the Audited Accounts are free from any material misstatements.



A Dadigama

Chairman

Audit Committee

22nd May 2015

Financial Statements

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Statement of Changes in Equity / 89
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Statement of Directors' Responsibilities

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements are prepared in compliance with the required standards and any other requirements which apply to the Company's financial statements under any other law.

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the new Sri Lanka Accounting Standards, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act, No. 42 of 2011 and the relevant Directions issued in respect of Licensed Finance Companies.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2015/16, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
VALLIBEL FINANCE PLC



PW Corporate Secretarial (Pvt) Ltd
Secretaries

22nd May 2015
Colombo

Independent Auditors' Report



KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : + 94 - 11 542 6426
Fax : + 94 - 11 244 5872
+ 94 - 11 244 6058
+ 94 - 11 254 1249
+ 94 - 11 230 7345
Internet : www.lk.kpmg.com

TO THE SHAREHOLDERS OF VALLIBEL FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Vallibel Finance PLC, ("the Company"), which comprise the statement of financial position as at March 31, 2015, and the income statement, 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 86 to 135 of the annual report.

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 March 31, 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

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:

- The basis of opinion and scope and limitations of the audit are as stated above.
- 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.

CHARTERED ACCOUNTANTS
Colombo
22nd May 2015.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA	P.Y.S. Perera FCA	C.P. Jayatilake FCA
T.J.S. Rajakarier FCA	W.W.J.C. Perera FCA	Ms. S. Joseph FCA
Ms. S.M.B. Jayasekara ACA	W.K.D.C. Abeyaratne ACA	S.T.D.L. Perera FCA
G.A.U. Karunaratne ACA	R.M.D.B. Rajapakse ACA	Ms. B.K.D.T.N. Rodrigo ACA
R.H. Rajan ACA		
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA		

Income Statement

For the Year Ended 31st March	Page No.	Note	2015 Rs.	2014 Rs.	Change %
Gross Income	113	6	2,896,187,378	2,570,624,353	12.7
Interest Income	113	7	2,799,745,875	2,451,800,812	14.2
Interest Expense	114	8	(1,344,337,892)	(1,340,464,712)	0.3
Net Interest Income			1,455,407,983	1,111,336,100	31.0
Fee and Commission Income			50,314,825	43,082,243	16.8
Net Fee and Commission Income			50,314,825	43,082,243	16.8
Net Gain / (Loss) from Trading	114	9	(117,290)	903,092	(113.0)
Other Operating Income	114	10	46,243,968	74,838,206	(38.2)
Total Operating Income			1,551,849,486	1,230,159,641	26.2
Impairment Charges for Loans and other losses	114	11	(239,203,374)	(210,654,141)	13.6
Net Operating Income			1,312,646,112	1,019,505,500	28.8
Operating Expenses					
Personnel Expenses	114	12	(336,574,216)	(251,662,381)	33.7
Premises Equipment and Establishment Expenses			(66,321,159)	(55,105,334)	20.4
Other Expenses			(276,808,006)	(223,727,661)	23.7
Operating Profit Before Value Added Tax & NBT	115	13	632,942,731	489,010,124	29.4
Value Added Tax on Financial Services & NBT	115	14	(74,302,462)	(46,006,899)	61.5
Profit Before Income Tax			558,640,269	443,003,225	26.1
Income Tax Expense	115	15	(185,853,667)	(139,092,992)	33.6
Profit for the Year			372,786,602	303,910,233	22.7
Earnings Per Share	116	16			
Basic Earnings Per Share			8.97	7.31	22.7
Diluted Earnings Per Share			8.97	7.31	22.7

The notes on pages 91 to 135 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31st March	Page No.	Note	2015 Rs.	2014 Rs.	Change %
Profit for the Year			372,786,602	303,910,233	22.7
Other Comprehensive Income For the Year, Net of Tax					
Other Comprehensive Income not to be reclassified to Income Statement					
Actuarial Gains / (Losses) on Retirement Benefit Plans	129	35.3	(4,183,437)	(1,488,824)	181.0
Deffered Tax Charge / (Reversal) on Actuarial Gains / (Losses)	127	33.2	1,171,362	416,871	181.0
Total Other Comprehensive Income not to be reclassified to Income Statement			(3,012,075)	(1,071,953)	181.0
Other Comprehensive Income to be reclassified to Income Statement					
Gains on remeasuring Available For Sale Financial Assets	122	23.1	5,202,523	4,054,987	28.3
Total Other Comprehensive Income to be reclassified to Income Statement			5,202,523	4,054,987	28.3
Total Other Comprehensive Income for the Year, Net of Tax			2,190,448	2,983,034	(26.6)
Total Comprehensive Income for the Year			374,977,050	306,893,267	22.2

The notes on pages 91 to 135 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Page No.	Note	2015 Rs.	2014 Rs.	Change %
Assets	116	17			
Cash and Cash Equivalents	118	18.1	357,722,928	311,612,928	14.8
Placements with Banks and Other Finance Companies	118	19	1,768,499,428	1,146,244,786	54.3
Reverse Repurchase Agreements			1,353,477,948	112,017,262	1,108.3
Financial Investments - Held for Trading	118	20	4,822,336	5,101,684	(5.5)
Loans and Receivables to Other Customers	119	21	3,307,495,086	1,149,653,055	187.7
Lease Rental and Hire Purchase Receivables	120	22	9,261,379,875	8,788,528,303	5.4
Financial Investments - Available for Sale	122	23	120,529,779	113,965,232	5.8
Financial Investments - Held to Maturity	122	24	296,296,416	612,634,968	(51.6)
Other Financial Assets	122	25	11,806,411	7,912,643	49.2
Property, Plant and Equipment	123	26	181,172,558	127,325,987	42.3
Intangible Assets	124	27	4,188,589	4,355,878	(3.8)
Deferred Tax Assets	128	33.4	66,516,415	33,785,748	96.9
Other Assets	124	28	159,599,520	165,575,145	(3.6)
Total Assets			16,893,507,289	12,578,713,619	34.3
Liabilities	116	17			
Bank Overdrafts	118	18.2	463,536,788	233,878,618	98.2
Rental Received in Advance			170,421,167	136,928,230	24.5
Deposits due to Customers	124	29	12,162,096,690	9,299,977,850	30.8
Interest bearing Borrowings	125	30	299,522,795	542,516,837	(44.8)
Subordinated Term Debts	125	31	1,859,653,357	898,088,784	107.1
Current Tax Liabilities	127	32	93,290,845	88,294,895	5.7
Deferred Tax Liabilities	128	33.3	88,459,437	74,288,962	19.1
Other Liabilities	128	34	220,230,653	111,124,087	98.2
Retirement Benefit Obligations	128	35	22,125,917	12,872,166	71.9
Total Liabilities			15,379,337,649	11,397,970,429	34.9
Equity					
Stated Capital	130	36	287,153,000	287,153,000	-
Statutory Reserves	130	37	280,523,995	333,906,930	(16.0)
Available For Sale Reserve	131	38	9,257,510	4,054,987	128.3
General Reserve	131	39	7,500,000	7,500,000	-
Retained Earnings	132	40	929,735,135	548,128,273	69.6
Total Equity			1,514,169,640	1,180,743,190	28.2
Total Liabilities and Equity			16,893,507,289	12,578,713,619	34.3
Net Assets Value Per Share (Rs.)			36.44	28.42	28.2

The notes on pages 91 to 135 are an integral part of these Financial Statements.

Certification

I certify that these Financial Statements have been prepared and presented in compliance with the requirements of the Companies Act, No.07 of 2007.

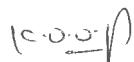


K.D. Menaka Sameera

Head of Finance

The Board of Directors is responsible for the preparation and the presentation of these Financial Statements.

Approved and signed for and on behalf of the Board ;



Dhammika Perera

Executive Director

22nd May 2015,
Colombo.



S.B. Rangamuwa

Managing Director

Statement of Changes in Equity

	Stated Capital	Statutory Reserve Fund	Reserves Investment Fund	Available For Sale Reserve	General Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2013	287,153,000	145,184,628	92,396,351	-	7,500,000	403,941,844	936,175,823
Total Comprehensive Income for the Year							
Profit for the Year	-	-	-	-	-	303,910,233	303,910,233
Other Comprehensive Income, net of Tax	-	-	-	4,054,987	-	(1,071,953)	2,983,034
Total Comprehensive Income for the Year	-	-	-	4,054,987	-	302,838,280	306,893,267
Transactions with Equity Holders of the Company							
Contributions and Distributions							
Dividends	-	-	-	-	-	(62,325,900)	(62,325,900)
Total Contributions and Distributions	-	-	-	-	-	(62,325,900)	(62,325,900)
Investment Fund Account Transfers	-	-	35,543,904	-	-	(35,543,904)	-
Statutory Reserve Transfers	-	60,782,047	-	-	-	(60,782,047)	-
Balance as at 31st March 2014	287,153,000	205,966,675	127,940,255	4,054,987	7,500,000	548,128,273	1,180,743,190
Total Comprehensive Income for the Year							
Profit for the Year	-	-	-	-	-	372,786,602	372,786,602
Other Comprehensive Income, net of Tax	-	-	-	5,202,523	-	(3,012,075)	2,190,448
Total Comprehensive Income for the Year	-	-	-	5,202,523	-	369,774,528	374,977,050
Transactions with Equity Holders of the Company							
Contributions and Distributions							
Dividends	-	-	-	-	-	(41,550,600)	(41,550,600)
Total Contributions and Distributions	-	-	-	-	-	(41,550,600)	(41,550,600)
Investment Fund Account Transfers	-	-	14,104,799	-	-	(14,104,799)	-
Investment Fund Account Re-Transfers	-	-	(142,045,054)	-	-	142,045,054	-
Statutory Reserve Transfers	-	74,557,320	-	-	-	(74,557,320)	-
Balance as at 31st March 2015	287,153,000	280,523,995	-	9,257,510	7,500,000	929,735,135	1,514,169,640

The Note on pages 91 to 135 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Cash Flow Statement

For the Year Ended 31st March

Page
No.

Note

2015

2014

Rs.

Rs.

Cash Flow from Operating Activities

Interest and Commission Receipts			2,747,689,310	2,420,389,662
Interest Payments			(1,322,114,096)	(1,328,063,518)
Cash Receipts from Customers			43,762,838	75,149,871
Cash Payments to Employees and Suppliers			(597,822,631)	(480,934,641)
Operating Profit Before Changes in Operating Assets and Liabilities			871,515,421	686,541,374
(Increase) / Decrease in Operating Assets				
Short Term Funds			35,654,157	(1,648,345)
Deposits held for Regulatory or Monetary Control Purposes			459,360,488	(320,931,429)
Funds Advanced to Customers			(2,768,599,079)	(2,348,996,445)
Other Short Term Negotiable Securities			(1,973,018,242)	(648,647,449)
Increase / (Decrease) in Operating Liabilities				
Deposits from Customers			2,716,781,727	2,841,046,782
Certificate of Deposits			117,585,228	152,608,321
Net Cash (Used in) / Generated from Operating Activities before Tax			(540,720,300)	359,972,809
Taxes Paid			(267,389,955)	(160,030,147)
Net Cash (Used in) / Generated from Operating Activities			(808,110,255)	199,942,662

Cash Flows from Investing Activities

Dividends Received	114	9	162,058	781,589
Proceed from Sale of Securities			-	26,130,646
Proceed from Sale of Property , Plant and Equipment			1,217,795	3,714,730
Purchase of Property, Plant and Equipment	123	26	(99,976,007)	(52,146,159)
Purchase of Intangible Assets	124	27	(2,000,000)	-
Net Cash Used in Investing Activities			(100,596,154)	(21,519,194)

Cash Flows from Financing Activities

Issue of Debentures			1,000,000,000	500,000,000
Net Increase / (decrease) in Borrowings			(233,291,162)	(418,176,795)
Dividend Paid			(41,550,600)	(62,325,900)
Net Cash Generated from Financing Activities			725,158,238	19,497,305
Net Increase / (Decrease) in Cash & Cash Equivalents			(183,548,170)	197,920,773
Cash & Cash Equivalents at the Beginning of the Year			77,734,310	(120,186,463)
Cash & Cash Equivalents at end of the Year (Note A)			(105,813,860)	77,734,310

Note A

Cash & Cash Equivalents at the end of the Year

Cash in Hand and at Banks	118	18.1	357,722,928	311,612,928
Bank Overdrafts	118	18.2	(463,536,788)	(233,878,618)
			(105,813,860)	77,734,310

The Note on pages 91 to 135 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. Reporting Entity

1.1. Corporate Information

Vallibel Finance PLC (“Company”), regulated under the Finance Business Act No. 42 of 2011, was incorporated on 5th September 1974 as a Public Limited Liability Company domiciled in Sri Lanka under the provisions of the Companies Act No. 17 of 1982 and re-registered under the Companies Act No. 7 of 2007.

The registered office of the Company is located at 310, Galle Road, Colombo 03 and the principal place of business is situated at the same place.

The Company was listed on the Main Board of the Colombo Stock Exchange on 4th May 2010.

The Staff strength of the Company as at 31st March 2015 was 517 (433 as at 31st March 2014).

1.2. Principal Activities and Nature of Operations

The principal activities of the Company are granting finance leases, hire purchase, assets financing, granting of mortgage loans, gold loans, mobilisation of deposits and other credit facilities.

1.3. Parent Entity and Ultimate Parent Entity

In the opinion of Directors, the Company’s immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited, which is incorporated in Sri Lanka.

2. Basis of Preparation

2.1. Statement of Compliance

The Financial Statements of the Company prepared and presented in accordance with the Sri Lanka Accounting Standards (SLAS) laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto,

and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

The Company did not adopt any inappropriate accounting treatments which are not in compliance with the requirements of the SLASs, and regulations governing the preparation and presentation of the Financial Statements.

2.2. Directors’ Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and SLFRS and Finance Business Act No. 42 of 2011.

The Board of Directors acknowledges their responsibility as set out in the “Annual Report of the Board of Directors on the Affairs of the Company”, “Statement of Director’s Responsibilities” and the “Statement of Financial Position”.

These Financial Statements include the following components:

- an Income Statement, 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’ funds during the year under review of 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 entities to utilise those cash flows.

- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.3 Approval of Financial Statements

The Financial Statements of the Company were authorised for issue by the Management on 22nd May 2015.

2.4. Basis of Measurement

The Financial Statements have been prepared on the historical cost basis except for the following material items in the Statement of Financial Position;

- Held for trading investments in quoted equity instruments are measured at fair value.
- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.
- Available-for -sale financial assets are measured at fair value.
- Land and buildings are measured at cost at the time of acquisition.

2.5. Functional and Presentation Currency

The Financial Statements are presented in Sri Lankan Rupees, which is the Company’s functional and presentation currency. All financial information presented in Rupees has been rounded to the nearest Rupee. There was no change in the Company’s Presentation and Functional Currency during the year under review.

2.6 Presentation of Financial Statements

The assets and liabilities of the Company presented in the Statements of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

Notes to the Financial Statements

2.7. Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the LKAS 01 on “Presentation of Financial Statements”.

2.8. Use of Judgments and Estimates

The preparation of the Financial Statements of the Company in conformity with SLFRSs 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 reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on amounts recognised in the Financial Statements of the Company are as follows:

2.8.1. Going Concern

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, continue to adopt the going-concern basis in preparing these Financial Statements.

2.8.2. Fair Value of Financial Instruments

The determination of fair values of financial assets and financial liabilities recorded on the Statement of Financial Position for which there is no observable market price are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish their fair values.

The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

2.8.3. Impairment Losses on Loans and Receivables

The Company reviews its individually significant loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the Income Statement. 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.

Loans and receivables that have been assessed individually and found to be not impaired and all individually insignificant loans and receivables are assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made based on 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 (such as loan type, levels of arrears etc.), and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates).

The accuracy of the provision depends on the model assumptions and parameters used in determining the collective provision.

2.8.4. Impairment Losses on Available for Sale Investments

The Company records impairment charges on available for sale equity investments & debt securities when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is ‘significant’ or ‘prolonged’ 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.

2.8.5. Impairment Losses on Other Financial 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 doing so. This requires the estimation of the ‘value in use’ of such individual assets or the cash-generating units. 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.

2.8.6. Defined Benefit Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making various assumptions determining the discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

2.8.7. Deferred Tax Assets

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

2.9. Events after the Reporting Period

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.

In this regard, all material and important events that occurred after the Reporting Period have been considered and appropriate disclosures are made in the Financial Statements where necessary.

2.10 Comparative Information

The Comparative Information is re-classified wherever necessary to conform to the current year's classification in order to provide a better presentation.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.1. Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

3.1.1. Date of Recognition

The Company initially recognises Lease and Hire Purchase receivables, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the

Company becomes a party to the contractual provisions of the instrument.

3.1.2. Initial Measurement of Financial Instruments

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 initially measured at their fair value plus transaction costs, except in the case of financial assets and liabilities as per the Sri Lanka Accounting Standard – LKAS 39 on “Financial Instruments : Recognition and Measurement” recorded at fair value through profit or loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

3.1.2.1 “Day 1” Profit or Loss

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.

3.1.3. Classification and Subsequent Measurement of Financial Assets

At inception financial assets are classified into one of the following categories:

- At Fair value through profit or loss, and with in this category as :
 - Held for trading ; or
 - Designated at fair value through profit or loss
- Loans and receivables
- Held-to-maturity
- Available for Sale

The subsequent measurement of the financial assets depends on their classification.

3.1.3.1. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss which are discussed below.

3.1.3.1.1. Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term Profit or position taking.

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss.

The Company evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances.

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3.1.3.1.2. Financial Assets Designated at Fair Value through Profit or Loss

The Company designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'Interest Income', using the EIR, while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.

The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

3.1.3.2. Loans and Receivables

'Loans and receivables' include non derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- Those that the Company intends to sell immediately or in the near term and those that the Company, upon initial recognition, designates as at fair value through profit or loss
- Those that the Company, upon initial recognition, designates as available for sale
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration

'Loans and receivables' include Placements with Banks and other Finance Companies, Lease Receivable and Hire Purchase Receivables, Loans and Receivables to other Customers, Reverse Repurchase Agreements and other financial investments classified as loans and receivables of the Company.

Assets leased to customers which transfer substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases are included under "Lease Rentals Receivable". Leasing balances are stated in the Statement of Financial Position after deduction of initial rentals received, unearned lease income and the provision for impairment.

Assets sold to customers under fixed rate hire agreements, which transfer all risk and rewards as well as the legal title at the end of such contractual period are classified as 'Hire Purchase Receivable'. Such assets are accounted for in a similar manner as finance leases.

After initial measurement, 'loans and advances' are subsequently measured at amortised cost using the EIR, less allowance for impairment except when the Company designates loans and receivables at fair value through profit or loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'Impairment charges for loans and other losses'.

When the Company purchases a financial asset and simultaneously enters into an agreement to resale the asset (or a similar asset) at a fixed price on a future date, the arrangement is called "Reverse Repurchase Agreements" and accounted for as a financial asset in the Statement of Financial Position reflecting the transaction's

economic substance as a loan granted by the Company. Subsequent to initial recognition, these securities issued are measured at their amortised cost using the EIR method with the corresponding interest receivable being recognised as interest income in profit or loss.

'Other financial investments classified as loans and receivables' include debt instruments. After initial measurement, these are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment are recognised in the Income Statement in 'impairment charges for loans and other losses'.

3.1.3.3 Held to Maturity Financial Investments

Held to Maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest Income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement in 'impairment charges for loans and other losses'.

If the Company were to sell or reclassify more than an insignificant amount of Held to Maturity investments before maturity (other than in certain specific circumstances permitted in the Sri Lanka Accounting Standard - LKAS 39 on 'Financial Instruments: Recognition and Measurement'), the entire category would be

tainted and would have to be reclassified as Available for Sale. Furthermore, the Company would be prohibited from classifying any financial asset as Held to Maturity during the following two years.

3.1.3.4 Available for Sale Financial Investments

Available-for-sale investments include equity securities and debt securities. Equity investments classified as Available-for-Sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value. Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the 'Available-For-Sale Reserve'. When the investment is disposed of, the cumulative gain or loss previously recognised in Equity is recycled to Income Statement in 'Other operating income'. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding Available-for- Sale financial investments is reported as 'Interest Income' using the EIR.

Dividends earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement as 'Other operating income' when the right to receive the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement in 'Impairment losses on financial investments' and removed from the 'Available for Sale reserve'.

3.1.3.5 Cash & Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at bank and other highly liquid

financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to an insignificant risk of changes in their fair value.

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.

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

3.1.4. Classification and Subsequent Measurement of Financial Liabilities

At inception a financial liability is classified into one of the following categories:

- At fair value through profit or loss, and within this category as :
 - Held for trading; or
 - Designated at fair value through - profit or loss.
- At Amortised cost

The subsequent measurement of financial liabilities depends on their classification.

3.1.4.1. Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Gains or losses on liabilities held for trading are recognised in the Income Statement.

Financial Liabilities designated at Fair Value through Profit or Loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in "Net Gain or Loss on Financial Assets and Liabilities designated at Fair Value through Profit or Loss". The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

3.1.4.2. Financial Liabilities at Amortised Cost

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

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 'Interest Expenses' in the Income Statement. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.1.5. Reclassification of Financial Instruments

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 Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company

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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.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Income Statement.

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of 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.

3.1.6. De recognition of Financial Assets and Financial Liabilities

3.1.6.1. Financial Assets

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

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to 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:
 - the Company has transferred substantially all the risks and rewards of the assets, or
 - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flow from an asset or has entered in to a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the assets nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it. In that case, the Company also recognises an associated liability. The transferred assets and the associated liabilities are measured on a basis that reflects the right and obligation that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.1.6.2. Financial Liabilities

A financial liability is derecognised when the obligation under liability is discharged or cancelled or expired.

3.1.7. 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Income and expenses are presented on a net basis only when permitted under SLFRSs.

3.1.8. Amortised Cost Measurement

An 'Amortised Cost' of a financial asset or financial liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the EIR method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.1.9. Determination of Fair Value

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest

level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 1

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 asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and

measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined by using valuation models that have been tested against prices or inputs to actual market transactions and also using the best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

3.1.10. Impairment of Financial Assets

At each reporting date the Company assesses whether there is objective evidence that a financial asset or a group of financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Objective evidence that financial assets (including equity securities) are impaired can include:

- significant financial difficulty of the borrower or issuer,
- reschedulement of credit facilities,
- default or delinquency by a borrower,
- restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider,
- indications that a borrower or issuer will enter bankruptcy,
- the disappearance of an active market for a security, or
- other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is considered as an objective evidence of impairment.

3.1.10.1. Impairment of Financial Assets carried at Amortised Cost

For financial assets carried at amortised cost (such as lease rental and hire purchase

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receivables, loans and receivables to other customers as well as held to maturity investments), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in the Income Statement.

For the purpose of collective evaluation of impairment, financial assets are grouped on a basis which takes in to consideration credit risk characteristics.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

3.1.10.2. Impairment of Financial Investments – Available for Sale

For available for sale financial investments, the Company assesses at each Reporting date whether there is objective evidence that an investment is impaired.

In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount/impaired balance and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income on such assets too is recorded within 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

3.1.10.3 Collateral Valuation

The Company seeks to use collateral, where possible to mitigate the risks on Financial Assets. The Collateral comes in various forms such as vehicles, gold, real estate, inventories and other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on Company's valuation policy.

To the extent possible, the Company uses active market data for valuing financial assets, held as collateral. Other financial assets which do not have a readily determinable market value are valued using models. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent professional valuers.

3.1.10.4 Collateral Repossessed

The Company's policy is to sell the repossessed assets at the earliest possible opportunity. Such collateral repossessed are held on a memorandum basis without de recognising the underlying receivable.

3.2. Property, Plant & Equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes and are expected to be used during more than one period.

3.2.1. Recognition and measurement

Property, Plant & Equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

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

Cost includes expenditure that is directly attributable to the acquisition of the asset and subsequent costs (excluding the costs of day-

to-day servicing). The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised 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 (major components) of property, plant and equipment.

3.2.2. Subsequent costs

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

3.2.3. Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Freehold Land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Freehold Buildings	15 years
Computer Equipment	4 years
Furniture & Fittings	4 years
Office Equipment	4 years
Freehold Motor Vehicles	4 years
Leasehold Motor Vehicles	4 years

3.2.4. Change in Depreciation Rate

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

3.2.5. De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. 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 property, plant and equipment, and is recognised net within other operating income/other operating expenses in the Income Statement.

3.3. Intangible Assets

An intangible asset is an identifiable non-monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others or for administrative purposes.

The Company's intangible assets include the value of Computer Software.

3.3.1. Basis of Recognition

An intangible asset is recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the entity and the cost can be measured reliably.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, these assets are

stated in the Statement of Financial Position at cost, less accumulated amortisation and accumulated impairment losses, if any.

3.3.2. Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it is probable that this expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standard of performance and this expenditure can be measured and attributed to the asset reliably. All other expenditure is expensed as incurred.

3.3.3. Amortisation of intangible assets

Intangible assets are amortised using the straight line method to write down the cost over its estimated useful economic lives specified below:

Computer Software	4 years
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3.3.4. Derecognition of Intangible Assets

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

3.4. Finance and Operating Leases

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

3.4.1. Finance Lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease rentals

Notes to the Financial Statements

receivables'. 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.

When the Company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, Plant and Equipment' and the corresponding liability to the lessor is included in 'Interest bearing Borrowings'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments.

3.4.2. Operating Lease

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in 'Property, Plant and Equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired.

When the Company is the lessee, leased assets are not recognised on the Statement of Financial Position.

Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'Other operating expenses' and 'other operating income', respectively.

3.5. Impairment of Non-Financial Assets

The carrying amounts of the Company's non-financial Assets, other than inventories and 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 recognised if the carrying amount of an asset or its related Cash-Generating unit (CGU) exceeds its estimated recoverable amount.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. 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, if no impairment loss had been recognised.

3.6. Dividends Payable

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are recommended and declared by the Board of Directors.

3.7. Deposits due to Customers

These include term deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profit or loss. They are stated in the Statement of Financial Position at amount payable. Interest paid / payable on these deposits based on effective interest rate is charged to the Income Statement.

3.7.1. Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions
- Deposit liabilities to Government of Sri Lanka
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies
- Deposit liabilities held as collateral against any accommodation granted
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

3.8. Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Company for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using

the effective interest method, except where the Company designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in Income Statement.

3.9. Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

3.10. Provisions

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'. The amount recognised is the best estimate of the consideration required to settle the present obligation at the Reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.10.1 Provisions for Operational Risk Events

Provisions for operational risk events are recognised for losses incurred by the Company which do not relate directly to amounts of principal outstanding for loans and advances.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation as at the reporting date, taking into account the risks and uncertainties that surround the events and circumstances that affect the provision.

3.11. Employee Benefits

3.11.1. Defined Benefit Plan (DBP) - Gratuity

A defined benefit plan is a post employment benefit plan other than a defined contribution plan.

The liability recognised in the Statement of Financial Position in respect of a defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefit falling due more than 12 months after the reporting date are discounted to present value.

The defined benefits obligation is calculated annually by independent actuaries using Projected Unit Credit Method (PUC) as recommended by LKAS-19, "employee benefits".

Actual gains and losses in the period in which they occur have been recognised in the other Comprehensive income (OCI).

The assumptions based on which the results of actuarial valuation was determined, are included in notes to the financial statements.

Gratuity liability was computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19- "Employee Benefits".

However, under the payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continual service.

The company is liable to pay gratuity in terms of the relevant statute.

The gratuity liability is not externally funded.

3.11.2. Defined Contribution Plans (DCPs)

A Defined contribution plan is a post-employment plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to Defined Contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

3.11.2.1. Employees' Provident Fund (EPF)

The Company and employees contribute 12% and 8% respectively on the salary of each employee to the Employees Provident Fund managed by the Central Bank of Sri Lanka.

3.11.2.2. Employees' Trust Fund (ETF)

The Company contributes 3% of the salary of each employee to the Employees' Trust Fund managed by the Central Bank of Sri Lanka.

3.12. Significant Accounting Policies - Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. The following specific criteria are used for the purpose of recognition of revenue.

3.12.1. Interest Income and Expense

Interest income and expense are recognised in the Income Statement using the Effective Interest Rate (EIR) method for all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss. The EIR 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 EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes all material transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Notes to the Financial Statements

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in 'Interest Income' for financial assets and in 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

3.12.2. Fees and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

3.12.3. Net Trading Income

Results arising from trading activities include all realised and unrealised gains and losses from changes in fair value, dividends for financial assets and financial liabilities 'held for trading'.

3.12.4. Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

3.13. Tax Expense

As per the Sri Lanka Accounting Standard - LKAS 12 on 'Income taxes', tax expense (tax income) is the aggregate amount included in determination of profit or loss for the period in respect of current and deferred taxes. Income tax expense is recognised in the Income Statement except to the extent it relates to items recognised directly in Other Comprehensive Income (OCI), in which case it is recognised in OCI.

3.13.1 Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Reporting date.

Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto. Notes to Financial Statements include the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

3.13.2 Deferred Taxation

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

The carrying amount of deferred tax assets is reviewed at each reporting date, and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised directly in equity are also recognised in equity, through OCI and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3.14. Value Added Tax (VAT) on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No 14 of 2002 and subsequent amendments there to. 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 prescribed rate.

3.15. Nation Building Tax (NBT) on Financial Services

NBT on Financial Services is calculated in accordance with Nation Building Tax (Amendment) Act No. 10 of 2014. NBT on Financial Services is payable on same base subject to Value Added Tax on Financial Services.

3.16. Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.17. Withholding Tax on Dividends Distributed by the company

Withholding tax that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

3.18. Earnings per Share (EPS)

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. 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.

3.19. Segment Reporting

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 Company's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Company basis and are not allocated to operating segments. Detailed information on the results of each reportable segment as required by the Sri Lanka Accounting Standard – SLFRS 8 “Operating Segments” is provided in Notes to the Financial Statements.

3.20. 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.

3.21. Cash Flow Statement

The Cash Flow Statement has been prepared using the “Direct Method” of preparing Cash Flows in accordance with the Lanka Accounting Standard LKAS - 07 “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 equivalent include cash in hand and favorable balances with banks.

3.22. New Accounting Standards Applied Effective from January 01, 2014

- Sri Lanka Accounting Standards – SLFRS 13 “Fair Value Measurement”

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and disclosures about fair value measurements.

3.23. New Accounting Standards Issued but not Effective as at Reporting Date

A number of new standards and amendments to standards which have been issued but not yet effective as at Reporting date have not been applied in preparing these financial statements.

- Sri Lanka Accounting Standards – SLFRS 9 “Financial Instruments”

SLFRS 9, issued in 2014, 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, including a new expected credit loss model for calculating impairment on financial Assets, and the new

general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instrument from LKAS 39.

Effective date of SLFRS 9 has been deferred till January 01, 2018.

The Company's is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 10.

Given the nature of the Company's operations, this standard is expected to have a pervasive impact on the Company's Financial Statements. In particular, calculation of impairment of financial instrument on an expected credit loss model is expected to result in an increase in the overall level of impairment allowances.

- Sri Lanka Accounting Standards – 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 on “Revenue”, and LKAS 11 on “Construction Contracts”.

SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2017.

The Company's is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.

Notes to the Financial Statements

4 Financial Risk Management

(a) Introduction and Overview

The Company has exposure to following risks from financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational 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.

Risk Management Framework

The Board of Directors possess overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has delegated this responsibility to two sub committees of the Board.

The Audit Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of risk management framework in relation to the risks faced by the company. The Audit Committee is assisted in these functions 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. The Audit Committee presents vital matters to the Board whenever required and seeks for review and approval of the Board.

The Board has established the Integrated Risk Management Committee (IRMC) which is responsible for developing and monitoring risk management policies and procedures in specified risk areas. With the cooperation of the management, the committees make decisions on behalf of the Board. Senior Management is responsible for implementing the risk management framework by identifying risks and managing those risks with appropriate risk

mitigation strategies. Monthly risk review reports are submitted by the respective senior manager who supervises each major category of risk.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and sector risk).

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

- Formulating credit policies in consultation with business lines, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities: Authorisation limits are allocated to business line Credit Officers. Larger facilities require approval by the Board of Directors as appropriate.
- Reviewing and assessing credit risk.
- Company's Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business line concerned. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer and market liquidity.

Non-performing Loans and Leasing and Hire Purchase facilities

Individually non-performing loans and securities are loans and advances and hire purchase facilities for which the Company determines that there is objective evidence of impairment and those for which it does not expect to collect all principal and interest due according to the contractual terms of the loan / hire purchase facility (ies).

Facilities with renegotiated terms

Facilities with renegotiated terms are loans and hire purchase and lease facilities that have been restructured due to deterioration in the borrower's financial position and where the Company has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for Impairment

The main components of this allowance are a specific loss component that relates to individually significant exposures and collective impairment component.

Write-off policy

The Company writes off a loan or a hire purchase and lease facility balance, and any related allowances for impairment losses, when the management of the Company determines that the loan or security is uncollectible. This determination is made after considering information such as the 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. 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.

Maximum Exposure to Credit Risk

Credit quality by class of Financial Assets

Credit quality of the Company based on the class of financial assets is analysed below

As at 31st March 2015

	Neither past due not individually impaired Rs.	Past due but not individually impaired Rs.	Individually impaired Rs.	Total Rs.
Cash and Cash Equivalents	357,722,928	-	-	357,722,928
Placements with Banks and Other Finance Companies	1,768,499,428	-	-	1,768,499,428
Reverse Repurchase Agreements	1,353,477,948	-	-	1,353,477,948
Financial Investments - Held for Trading	4,822,336	-	-	4,822,336
Loans and Receivables to Other Customers	2,052,929,943	1,272,013,519	35,409,597	3,360,353,059
Less : Impairment	-	-	-	(52,857,973)
Lease Rental and Hire Purchase Receivables	3,730,330,429	5,740,668,201	324,837,017	9,795,835,647
Less : Impairment	-	-	-	(534,455,772)
Financial Investments - Available for Sale	120,529,779	-	-	120,529,779
Financial Investments - Held to Maturity	296,296,416	-	-	296,296,416
Other Financial Assets	11,806,411	-	-	11,806,411
	9,696,415,618	7,012,681,720	360,246,614	16,482,030,207

Age analysis of Past Due (i.e. facilities in arrears of 1 day and above) but not individually impaired financial assets	Less than 31 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 90 days Rs.	Total Rs.
Loans and Receivables to Other Customers	664,821,236	266,607,446	154,587,626	185,997,211	1,272,013,519
Lease Rental and Hire Purchase Receivables	2,250,343,959	1,555,954,268	988,505,534	945,864,440	5,740,668,201
	2,915,165,195	1,822,561,714	1,143,093,160	1,131,861,651	7,012,681,720

As at 31st March 2014

	Neither past due not individually impaired Rs.	Past due but not individually impaired Rs.	Individually impaired Rs.	Total Rs.
Cash and Cash Equivalents	311,612,928	-	-	311,612,928
Placements with Banks and Other Finance Companies	1,146,244,786	-	-	1,146,244,786
Reverse Repurchase Agreements	112,017,262	-	-	112,017,262
Financial Investments - Held for Trading	5,101,684	-	-	5,101,684
Loans and Receivables to Other Customers	575,026,619	580,401,450	11,074,127	1,166,502,196
Less : Impairment	-	-	-	(16,849,141)
Lease Rental and Hire Purchase Receivables	2,952,280,287	5,903,349,622	264,159,624	9,119,789,533
Less : Impairment	-	-	-	(331,261,230)
Financial Investments - Available for Sale	113,965,232	-	-	113,965,232
Financial Investments - Held to Maturity	612,634,968	-	-	612,634,968
Other Financial Assets	7,912,643	-	-	7,912,643
	5,836,796,409	6,483,751,072	275,233,751	12,247,670,861

Notes to the Financial Statements

Age analysis of Past Due (i.e. facilities in arrears of 1 day and above) but not individually impaired financial assets	Less than 31 days Rs.	31 to 60 days Rs.	61 to 90 days Rs.	More than 90 days Rs.	Total Rs.
Loans and Receivables to Other Customers	253,901,893	154,600,355	59,625,292	112,273,910	580,401,450
Lease Rental and Hire Purchase Receivables	1,895,977,653	1,653,407,363	1,119,425,233	1,234,539,373	5,903,349,622
	2,149,879,546	1,808,007,718	1,179,050,525	1,346,813,283	6,483,751,072

Analysis of Risk Concentration

Provincial breakdown for Lease and Hire Purchase Receivables (Gross balances) from customers is as follows.

Province	Lease Rental Receivables		Hire Purchase Receivables	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Western	3,247,552,125	2,975,338,865	2,808,124,551	2,836,425,997
Southern	605,459,113	548,573,590	294,563,509	317,628,717
Sabaragamuwa	663,961,922	511,629,616	253,290,640	256,576,989
Central	296,433,003	326,413,072	148,437,014	172,873,662
Uva	143,567,261	93,638,212	108,199,995	85,457,270
Eastern	3,105,245	9,244,353	10,357,245	13,007,512
North Western	671,606,820	540,629,963	404,566,886	351,904,196
North Central	83,360,886	48,211,676	46,132,791	28,530,948
Northern	3,311,015	141,209	3,805,625	3,563,686
	5,718,357,390	5,053,820,556	4,077,478,257	4,065,968,977

(c) Liquidity Risk

Liquidity risk is that which the Company will encounter in terms of difficulties in meeting obligations associated with its financial liabilities which are settled by delivering cash or other financial assets. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Finance Division receives information from other business lines regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Finance Division then maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, fixed and calls deposits and short term government securities, to ensure that sufficient liquidity maintained within the Company as a whole. All liquidity policies and procedures are subject to review and approval by Integrated Risk Management Committee. Daily reports cover the liquidity position of the Company. A summary report, including any exceptions and remedial action taken, is submitted regularly to Integrated Risk Management Committee. The Company relies on deposits from customers and borrowing liabilities as its primary sources of funding. While the Company's borrowing liabilities have maturities of over one year, deposits from customers generally 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.

Exposure to Liquidity Risk

Exposure to Liquidity Risk is monitored through the Liquid Asset Ratio (LAR) of the Company.

As at 31st March	2015	2014
Liquid Asset Ratio (LAR)		
Average for the year	15.56%	13.22%
Maximum for the year	24.00%	15.16%
Minimum for the year	12.25%	11.47%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio calculation as at 31st March is given below.

As at 31st March	2015 Rs.	2014 Rs.
Cash in Hand	34,323,076	41,435,765
Balances in Current Accounts free from lien	44,063,718	260,092,829
Deposits in Commercial Banks free from lien	1,520,625,000	456,165,068
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	296,405,245	713,898,662
Any Other Approved Securities	1,353,477,948	-
Total liquid assets as at end of March	3,248,894,987	1,471,592,324

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2015, based on the remaining period at the Statement of Financial Position date to the respective contractual maturity date is given below;

	Up to 3 months Rs.	3 to 12 months Rs.	1 to 3 years Rs.	3 to 5 years Rs.	More than 5 years Rs.	Total Rs.
Interest Bearing Assets						
Placements with Banks and Other Finance Companies	427,798,151	1,340,370,274	331,003	-	-	1,768,499,428
Reverse Repurchase Agreements	1,353,477,948	-	-	-	-	1,353,477,948
Financial Investments - Available for Sale	120,529,779	-	-	-	-	120,529,779
Financial Investments - Held to Maturity	296,296,416	-	-	-	-	296,296,416
Loans and Receivables to Other Customers*	491,865,960	915,371,946	1,309,113,662	574,069,285	17,074,233	3,307,495,086
Finance Lease Receivables*	801,734,394	1,599,332,682	2,564,060,001	414,301,795	1,242,795	5,380,671,667
Hire Purchase Receivables*	491,850,470	991,659,223	1,978,013,962	418,682,635	501,918	3,880,708,208
Total Interest Bearing Assets	3,983,553,118	4,846,734,125	5,851,518,628	1,407,053,715	18,818,946	16,107,678,532
Percentage 2015	25%	30%	36%	9%	0%	
Percentage 2014	17%	34%	40%	8%	1%	
Interest Bearing Liabilities						
Bank Overdrafts	463,536,788	-	-	-	-	463,536,788
Interest Bearing Borrowings	55,529,076	153,860,572	90,133,147	-	-	299,522,795
Subordinated Term Debts	30,845,800	7,781,878	347,337,620	1,473,688,059	-	1,859,653,357
Deposits Due to Customers - Public Deposits	4,303,841,652	4,778,548,705	2,295,167,654	415,796,047	4,251,423	11,797,605,481
Deposits Due to Customers - Certificate of Deposits	201,536,285	161,857,609	1,097,315	-	-	364,491,209
Total Interest Bearing Liabilities	5,055,289,601	5,102,048,764	2,733,735,736	1,889,484,106	4,251,422	14,784,809,629
Percentage 2015	34%	35%	18%	13%	0%	
Percentage 2014	36%	41%	14%	9%	0%	

* Loans and Receivables to Other Customers and Lease Rental & Hire Purchase Receivables are reported net of impairment.

Notes to the Financial Statements

(d) Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Overall authority for market risk is vested in Integrated Risk Management Committee (IRMC) of the Company.

Interest Rate Risk

Interest Rate Risk arises due to fluctuations in the interest rate resulting in adverse impact to future cash flows or the fair values of financial instruments of the Company.

Rate Sensitive Assets (RSA) and Rate Sensitive Liabilities (RSL)

As at 31st March	2015 Rs.	2014 Rs.
Rate Sensitive Assets (RSA)	16,107,678,532	11,923,043,606
Rate Sensitive Liabilities (RSL)	14,784,809,629	10,974,462,209
GAP (RSA-RSL)	1,322,868,910	948,581,400

Equity Risk

Equity risk is the risk that company's investments in equity shares will depreciate because of stock market dynamics causing company to lose money.

Equity based investment Portfolio risk Analysis

The given below Analysis shows the maximum impact of change in the equity prices to the comprehensive income as at 31st March each Financial Year.

	Market Value as at 31st March 2015 Rs.	Lowest Market Value for last 3 years Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	1,884,900	1,081,500	803,400
Diversified Holdings	2,937,436	2,386,667	550,769
Total	4,822,336	3,468,167	1,354,169

	Market Value as at 31st March 2014 Rs.	Lowest Market Value for last 3 years Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	1,246,300	1,081,500	164,800
Diversified Holdings	3,855,384	2,386,667	1,468,717
Total	5,101,684	3,468,167	1,633,517

(e) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Company's operations. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls is to address operational risk assigned to senior management within each business line. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial actions.
- Development of contingency plans.
- Training and professional development.
- Risk mitigation, including insurance where it is effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business line to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Capital Management

The Regulatory Capital requirements for the Finance Companies are set by the Central Bank of Sri Lanka.

The details of the computation of risk weighted assets, capital and the ratios of the Company are given below:

Capital Adequacy

Total Risk Weighted Assets Computation

As at 31st March	Balance		Risk Weight	Risk Weighted Balance	
Assets	2015 Rs.	2014 Rs.	Factor %	2015 Rs.	2014 Rs.
Cash and Cash Equivalents	357,722,928	311,612,928	0%	-	-
Placements with Banks and Other Finance Companies	1,768,499,428	1,146,244,786	20%	353,699,886	229,248,957
Reverse Repurchase Agreements	1,353,477,948	112,017,262	0%	-	-
Financial Investments - Held for Trading (excluding items deducted from the total Capital)	4,822,336	5,101,684	100%	4,822,336	5,101,684
Financial Investments - Available for Sale					
Government of Sri Lanka Treasury Bonds	120,325,979	113,761,432	0%	-	-
Unquoted Equities	203,800	203,800	100%	203,800	203,800
Financial Investments - Held to Maturity	296,296,416	612,634,968	0%	-	-
Loans and Receivables :					
Loans against Fixed Deposits	145,454,672	72,618,762	0%	-	-
Loans against Gold and Gold Jewellery (Less than 10% in Total Advances)	148,591,989	62,592,439	0%	-	-

Notes to the Financial Statements

As at 31st March	Balance		Risk Weight	Risk Weighted Balance	
Assets	2015 Rs.	2014 Rs.	Factor %	2015 Rs.	2014 Rs.
Loans and Receivables to Other Customers	3,013,448,425	1,014,441,854	100%	3,013,448,425	1,014,441,854
Lease Rental and Hire Purchase Receivables	9,261,379,875	8,788,528,303	100%	9,261,379,875	8,788,528,303
Other Financial Assets	11,806,411	7,912,643	100%	11,806,411	7,912,643
Other Assets	159,599,520	165,575,145	100%	159,599,520	165,575,145
Property, Plant and Equipment	181,172,558	127,325,987	100%	181,172,558	127,325,987
Intangible Assets	4,188,589	4,355,878	100%	4,188,589	4,355,878
Deffered Tax Assets	66,516,415	33,785,748	100%	66,516,415	33,785,748
Total Risk Weighted Assets	16,893,507,289	12,578,713,619		13,056,837,815	10,376,480,000

Total Capital Base Computation

As at 31st March	2015 Rs.	2014 Rs.
Tier I : Core Capital		
Stated Capital	287,153,000	287,153,000
Statutory Reserve Fund	280,523,995	205,966,675
General Reserve	7,500,000	7,500,000
Retained Earnings	929,735,134	548,128,273
Total Tier I Capital	1,504,912,130	1,048,747,948
Tier II : Supplementary Capital		
Eligible Approved Unsecured Subordinated Term Debt	752,456,065	524,373,974
Total Eligible Tier II Capital	752,456,065	524,373,974
Total Capital	2,257,368,195	1,573,121,922
Deductions		
Investments in capital of other banks	-	-
Capital Base	2,257,368,195	1,573,121,922
Computation of Capital Adequacy Ratios		
Core Capital Ratio (Minimum Requirement 5%)	11.53%	10.11%
Core Capital _____ X 100		
Risk Weighted Assets		
Total Risk Weighted Capital Ratio (Minimum Requirement 10%)	17.29%	15.16%
Capital Base _____ X 100		
Risk Weighted Assets		

5 Fair Value of Assets and Liabilities

5.1 Assets and Liabilities Recorded at fair value

A description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques is summarised below which incorporates the Company's estimate of assumptions that a market participant would make when valuing the instruments.

Financial Instruments measured at Fair Value

Financial Investments - Held for Trading

Financial Investments - Held for Trading consists of quoted equities. These quoted equities are valued using quoted market price in active markets as at the reporting date.

Financial Investments - Available for Sale

Financial Investments - Available for Sale consists of Government Debt Securities and unquoted equities. Government Debt securities have been valued using the market rates published by the Central Bank of Sri Lanka.

5.2 Valuation Model

The fair values are measured using the fair value hierarchy described in notes to the Financial Statements.

For all financial instruments where fair values are determined by reference to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained.

5.3 Assets and Liabilities Measured at Fair Value - Fair Value Hierarchy

	Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.
As at 31st March 2015				
Financial Investments - Held for Trading				
Equity Shares - Quoted	4,822,336	-	-	4,822,336
	4,822,336	-	-	4,822,336
Financial Investments - Available for Sale*				
Government of Sri Lanka Treasury Bonds	120,325,979	-	-	120,325,979
	120,325,979	-	-	120,325,979
As at 31st March 2014				
Financial Investments - Held for Trading				
Equity Shares - Quoted	5,101,684	-	-	5,101,684
	5,101,684	-	-	5,101,684
Financial Investments - Available for Sale*				
Government of Sri Lanka Treasury Bonds	113,761,432	-	-	113,761,432
	113,761,432	-	-	113,761,432

*Value of unquoted equities has not been considered within Financial Investments - Available for Sale due to non - availability of reliable market forces.

5.4 Financial Instruments not measured at Fair Value - Fair Value Hierarchy

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

5.4.1 Assets for which fair value approximates carrying value

For financial assets and financial liabilities that have a short term maturity, it is assumed that the carrying amounts approximate their fair value.

5.4.2 Fixed rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing the contractual interest rates with current market rates prevailing for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing market interest rates for deposits of similar maturity as at the reporting date.

The following table summarises the carrying amounts and the Company's estimate of fair values of those financial assets and liabilities not presented in the Statement of Financial Position at fair value. The fair values in the table below may be different from the actual amounts that will be received / paid on the settlement or maturity of the financial instrument.

Notes to the Financial Statements

	Carrying Value	Fair Value			
As at 31st March 2015		Level 1	Level 2	Level 3	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Financial Assets					
Cash and Cash Equivalents	357,722,928	-	357,722,928	-	357,722,928
Placements with Banks and Other Finance Companies	1,768,499,428	-	1,768,499,428	-	1,768,499,428
Reverse Repurchase Agreements	1,353,477,948	-	1,353,477,948	-	1,353,477,948
Loans and Receivables to Other Customers	3,307,495,086	-	3,277,080,660	-	3,277,080,660
Lease Rental and Hire Purchase Receivables	9,261,379,875	-	9,138,389,701	-	9,138,389,701
Financial Investments - Held to Maturity	296,296,416	296,405,245	-	-	296,405,245
Other Financial Assets	11,806,411	-	11,806,411	-	11,806,411
	16,356,678,092	296,405,245	15,906,977,076	-	16,203,382,321
Financial Liabilities					
Bank Overdrafts	463,536,788	-	463,536,788	-	463,536,788
Rental Received in Advance	170,421,167	-	170,421,167	-	170,421,167
Deposits due to Customers	12,162,096,690	-	12,168,032,396	-	12,168,032,396
Interest bearing Borrowings	299,522,795	-	299,522,795	-	299,522,795
Subordinated Term Debts	1,859,653,357	-	1,869,105,026	-	1,869,105,026
	14,955,230,797	-	14,970,618,172	-	14,970,618,172

As at 31st March 2014

Financial Assets					
Cash and Cash Equivalents	311,612,928	-	311,612,928	-	311,612,928
Placements with Banks and Other Finance Companies	1,146,244,786	-	1,146,244,786	-	1,146,244,786
Reverse Repurchase Agreements	112,017,262	-	112,017,262	-	112,017,262
Loans and Receivables to Other Customers	1,149,653,055	-	1,147,659,537	-	1,147,659,537
Lease Rental and Hire Purchase Receivables	8,788,528,303	-	8,900,239,198	-	8,900,239,198
Financial Investments - Held to Maturity	612,634,968	610,080,366	-	-	610,080,366
Other Financial Assets	7,912,643	-	7,912,643	-	7,912,643
	12,128,603,944	610,080,366	11,625,686,354	-	12,235,766,720
Financial Liabilities					
Bank Overdrafts	233,878,618	-	233,878,618	-	233,878,618
Rental Received in Advance	136,928,230	-	136,928,230	-	136,928,230
Deposits due to Customers	9,299,977,850	-	9,345,192,265	-	9,345,192,265
Interest bearing Borrowings	542,516,837	-	542,516,837	-	542,516,837
Subordinated Term Debts	898,088,784	-	892,649,062	-	892,649,062
	11,111,390,319	-	11,151,165,012	-	11,151,165,012

For the Year Ended 31st March

	2015 Rs.	2014 Rs.
6 Gross Income		
Interest Income (Note 7)	2,799,745,875	2,451,800,812
Fee and Commission Income	50,314,825	43,082,243
Net Gain / (Loss) from Trading (Note 9)	(117,290)	903,092
Other Operating Income (Note 10)	46,243,968	74,838,206
	2,896,187,378	2,570,624,353
7 Interest Income		
7.1 Hire Purchase		
Interest Income	826,106,518	777,217,970
Over Due Interest	91,610,570	89,872,122
	917,717,088	867,090,092
7.2 Lease		
Interest Income	1,180,087,073	1,074,980,994
Over Due Interest	161,845,895	154,223,864
	1,341,932,968	1,229,204,858
7.3 Loans		
Interest Income	278,678,564	132,132,647
Over Due Interest	30,607,989	17,519,207
	309,286,553	149,651,854
7.4 Loans against Deposits		
Interest Income	17,805,932	19,616,607
Over Due Interest	-	2,395
	17,805,932	19,619,002
7.5 Investment Fund Loans		
Interest Income	4,010,686	11,503,088
	4,010,686	11,503,088
7.6 Gold Loans		
Interest Income	18,881,652	8,002,773
	18,881,652	8,002,773
7.7 Fixed Deposits		
Placements with Banks	72,814,939	56,872,603
Placements with Other Finance Companies	52,248,836	53,426,623
	125,063,775	110,299,226
7.8 Interest on Staff Loans	1,022,699	382,916
7.9 Interest on Debentures	-	1,775,392
7.10 Interest Income from Sri Lanka Government Securities	64,024,522	54,271,611
	2,799,745,875	2,451,800,812

Notes to the Financial Statements

7.10.1 Credit for Withholding Tax on Government Securities on Secondary Market Transactions

Section 137 of the Inland Revenue Act No. 10 of 2006 provides that a Company which derives interest income from the secondary market transactions in Government securities be entitled to a notional tax credit (being one ninth of the net Interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

Accordingly, net income earned from secondary market transactions in Government securities for the year by the Company has been grossed up in the Financial Statements and the resulting notional tax credit amounted to Rs. 6,402,452 (2013/14 - Rs. 5,427,161).

For the Year Ended 31st March

	2015 Rs.	2014 Rs.
8 Interest Expense		
On Fixed Deposits	1,127,237,777	1,095,465,142
On Borrowings	57,452,435	155,860,015
On Finance Leases	298,062	648,250
On Certificate of Deposits	37,769,024	27,833,712
On Debentures	121,580,594	60,360,867
On Commercial Papers	-	296,726
	1,344,337,892	1,340,464,712

9 Net Gain / (Loss) from Trading

Net marked to Market Gain/ (Loss)	(279,348)	(309,416)
Gain / (Loss) from sale of Financial Investments - Held for Trading	-	430,919
Dividend Income from Financial Investments - Held for Trading	162,058	781,589
	(117,290)	903,092

10 Other Operating Income

Early Termination Income	15,781,730	43,528,917
Gain on Disposal of Property, Plant & Equipment	184,241	513,953
Amortised Staff Cost - Interest Income	1,782,266	2,065,082
Other Income	28,495,731	28,730,254
	46,243,968	74,838,206

11 Impairment Charges for Loans and other losses

On Hire Purchase Receivable	56,365,477	57,220,458
On Lease Receivable	146,829,065	144,611,299
On Loans Receivable	34,821,623	8,527,634
On Gold Loan Receivable	1,187,209	294,750
	239,203,374	210,654,141

12 Personnel Expenses

Salaries & Bonus	277,057,209	207,915,152
Retirement Benefit Costs (Note 35.2)	5,254,064	3,868,004
Amortised Staff Cost - Personnel Expenses	1,782,266	2,065,082
Employer's Contribution to Employee's Provident Fund	22,122,666	16,263,054
Employer's Contribution to Employee's Trust Fund	5,417,765	3,970,382
Staff Welfare	24,940,246	17,582,707
	336,574,216	251,662,381

13 Operating Profit Before Value Added Tax & NBT

	2015 Rs.	2014 Rs.
Operating Profit Before Value Added Tax & NBT is stated after charging all the expenses including the following:		
Professional Fees	778,270	350,584
Auditors Remuneration - Statutory Audit	915,000	895,000
- Other Non Audit Services	670,000	710,000
Directors Emoluments	4,080,513	4,536,130
Depreciation of Property, Plant and Equipment	45,095,882	38,367,516
Amortisation of Intangible Assets	2,167,289	1,641,656
Advertising & Related Expenses	43,897,487	40,833,514
Donations	240,530	427,025
Deposit Insurance Premium	14,205,592	10,755,865
CROP Insurance Levy	3,132,884	2,945,324
Staff Expenses (Note 12)	336,574,216	251,662,381

* Directors emoluments include the fees paid to Directors. Comparative figures have been reclassified accordingly.

14 Value Added Tax on Financial Services & NBT

Value Added Tax on Financial Services	62,161,184	43,780,548
Nation Building Tax on Financial Services	12,141,278	2,226,351
	74,302,462	46,006,899

15 Income Tax Expense

The Company is liable for tax at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No 10 of 2006 and subsequent amendments made thereto. Provision has been made in the financial statements accordingly.

For the Year Ended 31st March

	2015 Rs.	2014 Rs.
Current Income Tax Expense on Profits for the Year (Note 15.1)	203,900,295	161,817,912
Over provision in respect of previous year	(657,799)	(698,622)
	203,242,496	161,119,290
Deferred Tax Charge / (Reversal) for the Year (Note 33.2)	(17,388,829)	(22,026,298)
	185,853,667	139,092,992

15.1 Reconciliation of Accounting Profit to Income Tax Expense

Profit Before Taxation	558,640,269	443,003,225
Add : Disallowable Expenses	3,427,579,343	2,655,692,634
Less : Tax Deductible Expenses	(3,256,353,427)	(2,508,059,149)
Less : Allowable Credits	(1,650,847)	(12,715,596)
Assessable Income	728,215,338	577,921,114
Less : Qualifying Payments	-	-
Taxable Income	728,215,338	577,921,114
Current Income Tax Expense @ 28%	203,900,295	161,817,912

Notes to the Financial Statements

15.2 Reconciliation of Effective Tax Rate

For the Year Ended 31st March

		2015		2014
	%	Rs.	%	Rs.
Profit Before Income Taxation		558,640,269		443,003,225
Taxable Income	28.0%	156,419,275	28.0%	124,040,903
Disallowable Expenses	171.8%	959,722,216	167.9%	743,593,938
Tax Deductible Expenses	-163.2%	(911,778,960)	-158.5%	(702,256,562)
Allowable Credits	-0.1%	(462,237)	-0.8%	(3,560,367)
Effects on Deferred Taxation	-3.1%	(17,388,829)	-5.0%	(22,026,298)
Effects on Over under provision	-0.1%	(657,799)	-0.2%	(698,622)
Total Income Tax Expense	33.3%	185,853,667	31.4%	139,092,992

16 Earnings Per Share

16.1 Basic Earnings per Share

The calculation of Basic Earnings Per Share was based on the profit attributable to ordinary shareholders by dividing the weighted average number of ordinary shares outstanding during the year as per the LKAS 33 - Earnings per Share. Calculation is as follows:-

For the Year Ended 31st March

	2015	2014
Profit Attributable to Ordinary Shareholders (Rs.)	372,786,602	303,910,233
Weighted Average Number of Ordinary Shares (Note 16.1.1)	41,550,600	41,550,600
Basic Earnings Per Share (Rs.)	8.97	7.31

16.1.1 Weighted Average Number of Ordinary Shares

At the beginning of the year	41,550,600	41,550,600
Issued during the year	-	-
Total as at end of the period	41,550,600	41,550,600

16.2 Diluted Earnings per Share

There were no potential dilutive ordinary shares outstanding at any time during the year. Therefore, Diluted Earnings Per Share is same as Basic Earnings Per Share shown above.

17 Analysis of Financial Instruments by Measurement Basis

17.1 Analysis of Financial Instruments by Measurement Basis As at 31st March 2015

	Held For Trading (HFT) Rs.	Held To Maturity (HTM) Rs.	Loans and Receivables (L&R) Rs.	Available For Sale (AFS) Rs.	Total Carrying Amount Rs.
Assets					
Cash and Cash Equivalents	-	-	357,722,928	-	357,722,928
Placements with Banks and Other Finance Companies	-	-	1,768,499,428	-	1,768,499,428
Reverse Repurchase Agreements	-	-	1,353,477,948	-	1,353,477,948
Financial Investments - Held for Trading	4,822,336	-	-	-	4,822,336

	Held For Trading (HFT) Rs.	Held To Maturity (HTM) Rs.	Loans and Receivables (L&R) Rs.	Available For Sale (AFS) Rs.	Total Carrying Amount Rs.
Loans and Receivables to Other Customers	-	-	3,307,495,086	-	3,307,495,086
Lease Rental and Hire Purchase Receivables	-	-	9,261,379,875	-	9,261,379,875
Financial Investments - Available for Sale	-	-	-	120,529,779	120,529,779
Financial Investments - Held to Maturity	-	296,296,416	-	-	296,296,416
Other Financial Assets	-	-	11,806,411	-	11,806,411
Total Financial Assets	4,822,336	296,296,416	16,060,381,676	120,529,779	16,482,030,207

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Liabilities			
Bank Overdrafts	-	463,536,788	463,536,788
Rental Received in Advance	-	170,421,167	170,421,167
Deposits due to Customers	-	12,162,096,690	12,162,096,690
Interest bearing Borrowings	-	299,522,795	299,522,795
Subordinated Term Debts	-	1,859,653,357	1,859,653,357
Total Financial Liabilities	-	14,955,230,797	14,955,230,797

17.2 Analysis of Financial Instruments by Measurement Basis As at 31st March 2014

	Held For Trading (HFT) Rs.	Held To Maturity (HTM) Rs.	Loans and Receivables (L&R) Rs.	Available For Sale (AFS) Rs.	Total Carrying Amount Rs.
Assets					
Cash and Cash Equivalents	-	-	311,612,928	-	311,612,928
Placements with Banks and Other Finance Companies	-	-	1,146,244,786	-	1,146,244,786
Reverse Repurchase Agreements	-	-	112,017,262	-	112,017,262
Financial Investments - Held for Trading	5,101,684	-	-	-	5,101,684
Loans and Receivables to Other Customers	-	-	1,149,653,055	-	1,149,653,055
Lease Rental and Hire Purchase Receivables	-	-	8,788,528,303	-	8,788,528,303
Financial Investments - Available for Sale	-	-	-	113,965,232	113,965,232
Financial Investments - Held to Maturity	-	612,634,968	-	-	612,634,968
Other Financial Assets	-	-	7,912,643	-	7,912,643
Total Financial Assets	5,101,684	612,634,968	11,515,968,977	113,965,232	12,247,670,861

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Liabilities			
Bank Overdrafts	-	233,878,618	233,878,618
Rental Received in Advance	-	136,928,230	136,928,230

Notes to the Financial Statements

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Deposits due to Customers	-	9,299,977,850	9,299,977,850
Interest bearing Borrowings	-	542,516,837	542,516,837
Subordinated Term Debts	-	898,088,784	898,088,784
Total Financial Liabilities	-	11,111,390,319	11,111,390,319

18. Cash and Cash Equivalents

As at 31st March	2015 Rs.	2014 Rs.
Cash & Cash equivalents (Note 18.1)	357,722,928	311,612,928
Bank Overdrafts	(463,536,788)	(233,878,618)
Net cash and Cash Equivalents	(105,813,860)	77,734,310
18.1 Cash at Banks	286,159,733	268,597,934
Cash in Hand	71,563,195	43,014,994
	357,722,928	311,612,928
18.2 Bank Overdrafts	(463,536,788)	(233,878,618)

19 Placements with Banks and Other Finance Companies

Placements with Banks and Other Finance Companies	1,768,499,428	1,146,244,786
	1,768,499,428	1,146,244,786

	Institute	Type of Investment	2015 Rs.	2014 Rs.
Placements with Banks	PABC Bank	Fixed Deposit	1,439,352,397	480,598,767
	Hatton National bank PLC	Fixed Deposit	120,429,041	-
Other Finance Companies	LB Finance PLC	Fixed Deposit	183,459,771	436,819,615
	Peoples' Leasing & Finance PLC	Fixed Deposit	25,258,219	228,826,404
			1,768,499,428	1,146,244,786

20 Financial Investments - Held for Trading

	2015 Rs.	2014 Rs.
Quoted Equities (Note 20.1)	4,822,336	5,101,684
	4,822,336	5,101,684
20.1 Investments in Quoted Equities		
Balance at the Beginning of the year	5,101,684	14,329,011
Movement during the year	-	(8,917,911)
Gain / (Loss) from marked to market valuation	(279,348)	(309,416)
Balance at the End of the year	4,822,336	5,101,684

	No of Ordinary shares	Cost of investment Rs.	Market Price as at 31/03/2015 Rs.	Market value as at 31/03/2015 Rs.	Market Price as at 31/03/2014 Rs.	Market value as at 31/03/2014 Rs.
Bank , Finance & Insurance						
Singer Finance (Lanka) PLC	103,000	1,918,331	18.30	1,884,900	12.10	1,246,300
Diversified Holdings						
Free Lanka Capital Holdings PLC	1,835,898	8,628,721	1.60	2,937,436	2.10	3,855,384
Total Quoted Equities	1,938,898	10,547,052		4,822,336		5,101,684

21 Loans and Receivables to Other Customers

As at 31st March

	2015 Rs.	2014 Rs.
Gross Loans and Receivables	3,360,353,059	1,166,502,196
Less :- Allowance for Impairment	(52,857,973)	(16,849,141)
Net Loans and Receivables (Note 21.1)	3,307,495,086	1,149,653,055

21.1 Net Loans and Receivables

As at 31st March

	2015 Rs.	2014 Rs.
21.1.1 Receivable on Loans and advances	2,993,697,068	964,990,255
21.1.2 Receivable on Loans against fixed deposits	145,454,672	72,618,762
21.1.3 Receivable on Investment Fund Loans	19,751,357	49,451,599
21.1.4 Receivable on Gold Loans	148,591,989	62,592,439
	3,307,495,086	1,149,653,055

As at 31st March

	2015 Rs.	2014 Rs.
21.1.1 Receivable on Loans and advances		
Future receivable	3,892,712,921	1,276,849,417
Future interest	(847,639,839)	(295,304,771)
Gross loans	3,045,073,082	981,544,646
Allowance for impairment	(51,376,014)	(16,554,391)
Net Receivable on Loans and advances	2,993,697,068	964,990,255

21.1.2 Receivable on Loans against fixed deposits

	2015 Rs.	2014 Rs.
Future receivable	145,454,672	72,618,762
Future interest	-	-
Gross loans	145,454,672	72,618,762
Allowance for impairment	-	-
Net Receivable on Loans against Fixed Deposits	145,454,672	72,618,762

Notes to the Financial Statements

As at 31st March

	2015 Rs.	2014 Rs.
21.1.3 Receivable on Investment Fund Loans		
Future receivable	23,751,210	63,672,691
Future interest	(3,999,853)	(14,221,092)
Gross loans	19,751,357	49,451,599
Allowance for impairment	-	-
Net Receivable on Investment Fund Loans	19,751,357	49,451,599

21.1.4 Receivable on Gold Loans

Future receivable	150,073,948	62,887,189
Future interest	-	-
Gross loans	150,073,948	62,887,189
Allowance for impairment	(1,481,959)	(294,750)
Net Receivable on Gold Loans	148,591,989	62,592,439

21.1.5 Allowance for Impairment

Balance brought forward	16,849,141	8,026,756
Net impairment charge for the year	36,008,832	8,822,385
Balance carried forward	52,857,973	16,849,141

22 Lease Rental and Hire Purchase Receivables

As at 31st March

	2015 Rs.	2014 Rs.
22.1 Hire Purchase Receivables	3,880,708,208	3,925,564,405
22.2 Lease Rental Receivables	5,380,671,667	4,862,963,898
	9,261,379,875	8,788,528,303

22.1 Hire Purchase Receivables

22.1.1 Future Receivables	5,223,907,802	5,459,868,972
Future Interest	(1,146,429,545)	(1,393,899,995)
Gross Hire Purchase Receivables	4,077,478,257	4,065,968,977
Allowance for Impairment (Note 22.1.5)	(196,770,049)	(140,404,572)
Net Hire Purchase Receivables	3,880,708,208	3,925,564,405

22.1.2 Hire purchase receivables within one year

from Statement of Financial Position date

Future Receivables	2,291,080,750	2,376,064,886
Future Interest	(610,801,008)	(722,724,453)
	1,680,279,742	1,653,340,433

22.1.3 Hire purchase receivables after one year but before five years

from Statement of Financial Position date

Future Receivables	2,932,739,552	3,083,416,586
Future Interest	(535,624,923)	(671,116,598)
	2,397,114,629	2,412,299,988

As at 31st March	2015 Rs.	2014 Rs.
22.1.4 Hire purchase receivables after five years		
from Statement of Financial Position date		
Future Receivables	87,500	387,500
Future Interest	(3,614)	(58,944)
	83,886	328,556
22.1.5 Allowance for Impairment		
Balance brought forward	140,404,572	83,184,114
Net impairment charge for the year	56,365,477	57,220,458
Balance carried forward	196,770,049	140,404,572
22.2 Lease Rental Receivables		
22.2.1 Future Receivables	7,439,023,116	6,748,387,222
Future Interest	(1,720,665,726)	(1,694,566,666)
Gross Lease Rental Receivables	5,718,357,390	5,053,820,556
Allowance for Impairment (Note 22.2.5)	(337,685,723)	(190,856,658)
Net Lease Rental Receivables	5,380,671,667	4,862,963,898
22.2.2 Lease rental receivables within one year		
from Statement of Financial Position date		
Future Receivables	3,733,886,645	3,277,621,691
Future Interest	(995,133,846)	(963,603,954)
	2,738,752,799	2,314,017,737
22.2.3 Lease rentals receivables after one year but before five years		
from Statement of Financial Position date		
Future Receivables	3,705,136,471	3,470,671,981
Future Interest	(725,531,880)	(730,960,311)
	2,979,604,591	2,739,711,670
22.2.4 Lease rentals receivables after five years		
from Statement of Financial Position date		
Future Receivables	-	93,550
Future Interest	-	(2,401)
	-	91,149
22.2.5 Allowance for Impairment		
Balance brought forward	190,856,658	46,245,359
Net impairment charge for the year	146,829,065	144,611,299
Balance carried forward	337,685,723	190,856,658

Notes to the Financial Statements

23 Financial Investments - Available for Sale

As at 31st March

	2015 Rs.	2014 Rs.
Government of Sri Lanka Treasury Bonds (Note 23.1)	120,325,979	113,761,432
Unquoted Equities - (Note 23.2)	203,800	203,800
	120,529,779	113,965,232

23.1 Government of Sri Lanka Treasury Bonds

Balance at the Beginning of the year	113,761,432	-
Movement During the year	1,362,024	109,706,445
Gain / (Loss) on marked to Market valuation	5,202,523	4,054,987
Balance at the End of the year	120,325,979	113,761,432

23.1.1 Government of Sri Lanka Treasury Bonds

	Face Value Rs.	Year of Maturity	Cost of Investment Rs.	Carrying Value Rs.	Rate of Interest %
Treasury Bond	23,000,000	2021	20,288,323	24,059,699	9.00%
Treasury Bond	30,000,000	2021	26,165,130	31,382,216	9.00%
Treasury Bond	27,000,000	2021	23,967,468	28,243,994	9.00%
Treasury Bond	35,000,000	2021	34,235,215	36,640,070	9.00%
	115,000,000		104,656,136	120,325,979	

23.2 Unquoted Equities

	No of Ordinary shares	Cost of investment Rs.	Market Value/ Manager's Buying Price as at 31/03/2015 Rs.	Market Value/ Manager's Buying Price as at 31/03/2014 Rs.
Credit Information Bureau of Sri Lanka	38	3,800	3,800	3,800
Finance House Association	20,000	200,000	200,000	200,000
		203,800	203,800	203,800

23.2.1 All unquoted Available for sale equities are recorded at cost, since there is no market value for these investments and the Company intends to hold them for the long term.

24 Financial Investments - Held to Maturity

As at 31st March

	2015 Rs.	2014 Rs.
Government of Sri Lanka Treasury Bills - Face Value	300,468,201	649,173,451
Less:- Income allocated for future periods	(4,171,785)	(36,538,483)
	296,296,416	612,634,968

25 Other Financial Assets

As at 31st March

	2015 Rs.	2014 Rs.
Staff Loans (Note 25.1)	11,806,411	7,912,643
	11,806,411	7,912,643

25.1 Staff Loans

Balance at the beginning of the year	7,912,643	6,343,169
Granted during the year	12,932,000	8,047,000
Recovered during the year	(8,130,442)	(5,793,183)
Net change in Prepaid Staff Cost during the year	(907,790)	(684,343)
Balance at the end of the year	11,806,411	7,912,643

26 Property, Plant and Equipment

	Freehold Land Rs.	Freehold Building Rs.	Computer Equipment Rs.	Furniture & Fittings Rs.	Office Equipment Rs.	Freehold Motor Vehicles Rs.	Leasehold Motor Vehicles Rs.	Total 2015 Rs.	Total 2014 Rs.
Cost									
As at 01st April	30,000,000	4,000,000	30,463,465	91,142,484	41,115,922	8,234,749	10,625,000	215,581,620	168,569,223
Additions	26,319,000	8,000,000	9,194,342	18,624,220	15,818,444	22,020,001	-	99,976,007	52,146,159
Disposals/Transfers	-	-	-	-	(305,792)	(1,973,970)	-	(2,279,762)	(5,133,762)
As at 31st March	56,319,000	12,000,000	39,657,807	109,766,704	56,628,574	28,280,780	10,625,000	313,277,865	215,581,620
Accumulated Depreciation									
As at 01st April	-	924,773	13,993,745	45,560,878	16,921,514	3,992,744	6,861,979	88,255,633	51,821,103
Depreciation for the year	-	489,133	7,617,397	21,905,895	10,724,910	1,702,297	2,656,250	45,095,882	38,367,516
Disposals/Transfers	-	-	-	-	(72,784)	(1,173,424)	-	(1,246,208)	(1,932,986)
As at 31st March	-	1,413,906	21,611,142	67,466,773	27,573,640	4,521,617	9,518,229	132,105,307	88,255,633
Carrying Amount									
As at 31st March 2015	56,319,000	10,586,094	18,046,665	42,299,931	29,054,934	23,759,163	1,106,771	181,172,558	-
As at 31st March 2014	30,000,000	3,075,227	16,469,720	45,581,606	24,194,408	4,242,005	3,763,021	-	127,325,987

26.1 Based on the assessment of potential impairment carried out internally by the Board of Directors as at 31st March 2015, no provision was required to be made in the Financial statements.

26.2 Property, Plant & Equipment included fully depreciated assets having a gross amount of Rs. 35,101,148 /- as at 31st March 2015 (2013/14 Rs. 6,547,965).

26.3 There were no capitalised borrowing costs related to the acquisition of Property, Plant & Equipment during the year (2013/14 - nil).

26.4 There were no restrictions on the title of the Property, Plant & Equipment as at 31st March 2015.

26.5 There were no items of Property, Plant & Equipment pledged as security as at 31st March 2015.

26.6 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2015.

26.7 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2015.

26.8 Details of freehold properties of the Company are given below.

	Extent Perches	Buildings Sq.ft.	Cost of Land Rs.	Cost of Building Rs.	Accumulated Depreciation Rs.	Net Book Value 2015 Rs.	2014 Rs.
Maharagama Branch	15.2		30,000,000			30,000,000	30,000,000
126-5, Highlevel Road, Maharagama.		4,990		4,000,000	1,191,573	2,808,427	3,075,227
Kiribathgoda Branch	10.0		26,319,000			26,319,000	-
121-D, Gala Junction, Kandy Road, Kiribathgoda		2,626		8,000,000	222,333	7,777,667	-

Notes to the Financial Statements

27 Intangible Assets

As at 31st March	2015 Rs.	2014 Rs.
Computer Software (Note 27.1)	4,188,589	4,355,878
	4,188,589	4,355,878
27.1 Intangible Assets		
Cost		
Balance as at 01st April	6,669,156	6,669,156
Additions	2,000,000	-
Balance as at 31st March	8,669,156	6,669,156
Accumulated Amortisation		
Balance as at 01st April	2,313,278	671,622
Charge for the year	2,167,289	1,641,656
Balance as at 31st March	4,480,567	2,313,278
Carrying Amount		
As at 31st March 2015	4,188,589	-
As at 31st March 2014	-	4,355,878

28 Other Assets

Refundable Deposits	13,964,639	11,090,611
Withholding Tax Receivable	18,645,520	15,073,873
Value Added Tax Recoverable	50,023,781	88,027,302
Prepaid Staff Cost	5,035,900	4,128,110
Real State Stock	-	2,800,000
Advance Payments	19,815,500	3,027,500
Insurance Claim Receivable	20,843,264	-
Other Debtors	31,270,916	41,427,749
	159,599,520	165,575,145

29 Deposits due to Customers

As at 31st March	2015 Rs.	2014 Rs.
Fixed Deposits (Note 29.1)	11,797,605,481	9,053,071,869
Certificate of Deposits (Note 29.2)	364,491,209	246,905,981
	12,162,096,690	9,299,977,850
29.1 Analysis of Fixed Deposits by Maturity Date		
1 to 90 days	4,303,841,652	3,581,325,014
91 to 365 days	4,778,548,705	4,197,371,510
More than 365 days	2,715,215,124	1,274,375,345
	11,797,605,481	9,053,071,869
29.2 Analysis of Certificate of Deposits by Maturity Date		
1 to 90 days	201,536,285	44,530,587
91 to 365 days	161,857,609	178,644,715
More than 365 days	1,097,315	23,730,679
	364,491,209	246,905,981

As at 31st March

	2015 Rs.	2014 Rs.
30 Interest bearing Borrowings		
Institutional Borrowings (Note 30.1)	298,431,031	538,398,812
Finance Lease Liabilities (Note 30.2)	1,091,764	4,118,025
	299,522,795	542,516,837

30.1 Institutional Borrowings

	As at 31/03/2014 Rs.	Facility Obtained Rs.	Repayments Rs.	As at 31/03/2015 Rs.	Tenure of Loan	Security Offered
Bank of Ceylon	173,888,843	-	79,999,999	93,888,844	36 - 48 Months	Quoted Shares and personal guarantee & Lease Portfolio
Deutsche Bank	10,699,902	-	10,699,902	-	48 Months	Lease Portfolio
Deutsche Bank	20,051,782	-	20,051,782	-	48 Months	Lease Portfolio
Deutsche Bank	333,758,285	-	129,216,098	204,542,187	48 Months	Lease Portfolio
	538,398,812	-	239,967,781	298,431,031		

30.1.1 Details of Borrowings

	Amount Rs.	Terms of Repayment Period	Repayment Terms
Bank of Ceylon	93,888,844	36 - 48 Months	Monthly rentals
Deutsche Bank	204,542,187	48 Months	Monthly rentals
	298,431,031		

30.2 Finance Lease Liabilities

	Within 1Yr Rs.	1-5 Yrs Rs.	After 5 Yrs Rs.	2015 Rs.	2014 Rs.
Lease Payables	1,108,113	-	-	1,108,113	4,432,436
Interest In Suspense	(16,349)	-	-	(16,349)	(314,411)
	1,091,764	-	-	1,091,764	4,118,025

31 Subordinated Term Debts

	2015 Rs.	2014 Rs.
Balance as at 1st April	898,088,784	399,255,587
Movement during the year	961,564,573	498,833,197
Balance as at 31st March	1,859,653,357	898,088,784

Notes to the Financial Statements

31.1 In 2011 Company issued 225,000 Unsecured Subordinate Redeemable Debentures at the value of Rs.1,000/- each accumulated to Rs.225,000,000/- with maturity of five years. The issue was carried out in two tranches.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Effective Annual yield %	Amortised Cost at 31st March 2015 Rs.	Amortised Cost at 31st March 2014 Rs.
2011 / 2016 - 13.00% p.a.	Annually	19-Dec-11	18-Dec-16	13.00%	103,668,493	103,668,494
2011 / 2016 - 13.00% p.a.	Annually	30-Dec-11	29-Dec-16	13.00%	129,095,890	129,095,890
					232,764,383	232,764,384

31.2 In 2013 Company issued 150,000 Unsecured Subordinate Redeemable Debentures at the value of Rs.1,000/- each accumulated to Rs.150,000,000/- with maturity of five years. The issue was carried out in three tranches.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Effective Annual yield % at 31 March 2015	Amortised Cost at 31st March 2015 Rs.	Amortised Cost at 31st March 2014 Rs.
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	14-Aug-12	13-Aug-17	11.39%	53,573,916	54,508,705
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	15-Aug-12	14-Aug-17	11.39%	21,423,324	21,795,606
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	27-Aug-12	26-Aug-17	11.39%	85,393,647	86,804,403
					160,390,887	163,108,714

31.3 In 2014 Company further issued 5,000,000 Unsecured Subordinated Redeemable Debentures at the value of Rs.100/- each accumulated to Rs. 500,000,000 with maturity of five years. The debentures are quoted on the Colombo Stock Exchange.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Effective Annual yield % at 31 March 2015	Amortised Cost at 31st March 2015 Rs.	Amortised Cost at 31st March 2014 Rs.
2014/2019 - 14.75% p.a.	Quarterly	20-Feb-14	20-Feb-19	15.59%	359,979,474	352,170,186
2014/2019 - 15.00% p.a.	Semi-annually	20-Feb-14	20-Feb-19	15.56%	21,089,178	19,889,502
2014/2019 - 15.50% p.a.	Annually	20-Feb-14	20-Feb-19	15.50%	148,352,590	130,155,997
					529,421,242	502,215,685

31.4 In 2015 Company issued 10,000,000 Rated , Guaranteed (Capital and Two Interest Installments) , Subordinated , Redeemable Debentures at the Value of Rs.100/- each accumulated to Rs.1,000,000,000/- with maturity of five years. The debentures are quoted on the Colombo Stock Exchange.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Effective Annual yield %	Amortised Cost at 31st March 2015 Rs.	Amortised Cost at 31st March 2014 Rs.
2015/2020 - 10.25% p.a.	Semi-annually	31-Mar-15	31-Mar-20	10.51%	937,076,845	-
					937,076,845	-

32 Current Tax Liabilities

	2015 Rs.	2014 Rs.
Balance as at Beginning of the Year	88,294,895	41,938,998
Income Tax Provision on Current Year Profits	203,900,295	161,817,912
Paid and Set off During the Year	(198,904,345)	(115,462,015)
Balance as at end of the Year	93,290,845	88,294,895

33 Deferred Tax Liabilities

Deferred Tax Liabilities (Note 33.3)	88,459,437	74,288,962
Deferred Tax Assets (Note 33.4)	(66,516,415)	(33,785,748)
Net Deferred Tax Liabilities (Note 33.1)	21,943,022	40,503,214

33.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

Taxable / (Deductible) Temporary Differences	2015 Rs.	2014 Rs.
Property, Plant & Equipment	24,335,491	14,436,648
Lease capital Balance	155,581,985	187,828,196
Legal Termination receivables	136,009,081	63,052,875
Taxable Temporary Differences	315,926,557	265,317,719
Retirement Benefit Obligation	(22,125,917)	(12,872,166)
Unclaimed Impairment provisions	(215,432,706)	(107,791,224)
Total Taxable Temporary Differences (net)	78,367,934	144,654,329
Applicable Tax Rate	28%	28%
Net Deferred Tax Liabilities / (Assets)	21,943,022	40,503,214

33.2 Deferred Tax Expense

Origination of Deferred tax		
Liability (Note 33.3)	14,170,475	9,199,786
Asset (Note 33.4)	(32,730,667)	(31,642,954)
	(18,560,192)	(22,443,168)
Total expense charged / (reversed) to Income Statement	(17,388,829)	(22,026,298)
Total expense charged / (reversed) to OCI	(1,171,362)	(416,871)

Notes to the Financial Statements

	Temporary Difference	2015 Tax Effect Rs.	Temporary Difference	2014 Tax Effect Rs.
33.3 Deferred Tax Liabilities				
Balance as at beginning of the year	265,317,718	74,288,962	232,461,341	65,089,176
Originating during the year	50,608,839	14,170,475	32,856,377	9,199,786
Balance as at end of the year	315,926,557	88,459,437	265,317,718	74,288,962
33.4 Deferred Tax Assets				
Balance as at beginning of the year	120,663,388	33,785,748	7,652,838	2,142,794
Originating during the year	116,895,240	32,730,667	113,010,550	31,642,954
Balance as at end of the year	237,558,628	66,516,415	120,663,388	33,785,748
34 Other Liabilities				
		2015 Rs.		2014 Rs.
Other Provisions & Payables (Note 34.1)		200,627,198		97,211,336
Accrued Expenses		19,603,455		13,912,751
		220,230,653		111,124,087
34.1 Other Provisions & Payables				
RMV Payable		1,405,136		1,068,450
Insurance Payable		27,869,211		48,884,870
Stamp Duty Payable		10,700,668		13,593,005
VAT on Financial Services Payable		6,364,538		3,317,408
Other Payables		154,287,645		30,347,603
		200,627,198		97,211,336
35 Retirement Benefit Obligations				
35.1 Net (Asset) Liability Recognised in Statement of Financial Position				
Balance as at 1st April		12,872,166		7,652,838
Charge for the Year (Note 35.2 & 35.3)		9,437,501		5,356,828
Payments during the Year		(183,750)		(137,500)
Balance as at 31st March		22,125,917		12,872,166

	2015 Rs.	2014 Rs.
35.2 Amounts Recognised in Income Statement		
Service cost	3,966,848	2,949,664
Net interest on the net defined benefit liability / (asset)	1,287,216	918,340
	5,254,064	3,868,004
35.3 Amounts Recognised in OCI		
Actuarial (gains)/losses arising from changes in assumptions	2,589,028	(1,606,276)
Actuarial (gains)/losses arising from experience adjustments	1,594,409	3,095,100
	4,183,437	1,488,824
35.4 Defined Benefit Obligation Reconciliation		
Benefit obligation at end of prior year	12,872,166	7,652,838
Company service cost	3,966,848	2,949,664
Interest cost	1,287,216	918,340
Actual benefits paid directly by employer	(183,750)	(137,500)
Actuarial (gains)/losses arising from changes in assumptions	2,589,028	(1,606,276)
Actuarial (gains)/losses arising from experience adjustments	1,594,409	3,095,100
Benefit obligation at end of year	22,125,917	12,872,166

35.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2015 was carried out by Messers Piyal S Goonetilleke and Associates, a firm of professional actuaries.

35.4.2 The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard - LKAS 19 “Employee Benefits”.

35.5 Assumptions

	2015	2014
Discount Rate	9.0%	10.0%
Salary increment	10.0%	10.0%
Staff Turnover		
20 years	15.0%	15.0%
25 years	15.0%	15.0%
30 years	9.0%	9.0%
35 years	6.0%	6.0%
40 years	1.0%	1.0%
45 years	1.0%	1.0%
50 years	1.0%	1.0%
Mortality - GA 1983 mortality Table		
Retirement age	55 Years	55 Years

35.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table demonstrates the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

Notes to the Financial Statements

The sensitivity of the Income Statement and the Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss & employment benefit obligation for the year.

Increase/(Decrease) in discount rate	Increase/(Decrease) in salary increment	2015	
		Sensitivity effect on Income Statement Increase/(Reduction) in results for the year Rs.	Sensitivity effect on Employment Benefit Obligation Increase/(Decrease) in the Liability Rs.
1%		2,589,028	(2,589,028)
-1%		(3,156,490)	3,156,490
	1%	(3,037,570)	3,037,570
	-1%	2,548,720	(2,548,720)

36 Stated Capital

	2015 Rs.	2014 Rs.
Ordinary Shares (Note 36.1)	287,153,000	287,153,000
No. of shares (Note 36.2)	41,550,600	41,550,600
36.1 Movement of Stated Capital		
At the Beginning of the Year	287,153,000	287,153,000
Issued during the Year	-	-
As at the End of the Year	287,153,000	287,153,000
36.2 Movement of no. of Shares		
At the Beginning of the Year	41,550,600	41,550,600
Issued During the Year	-	-
As at the End of the Year	41,550,600	41,550,600

37 Statutory Reserves

As at 31st March	2015 Rs.	2014 Rs.
Statutory Reserve Fund (Note 37.1)	280,523,995	205,966,675
Investment Fund Account (Note 37.2)	-	127,940,255
As at the End of the Year	280,523,995	333,906,930

37.1 Statutory Reserve Fund

Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3(b)(ii) of Central Bank Direction No. 1 of 2003.

As at 31st March	2015 Rs.	2014 Rs.
At the Beginning of the Year	205,966,675	145,184,628
Transfers during the Year	74,557,320	60,782,047
As at the End of the Year	280,523,995	205,966,675

37.2 Investment Fund Account (IFA)

Finance Companies are required to transfer 8% of profits calculated for the payment of Value Added Tax (VAT) on financial services and 5% of the profit before tax calculated for the payment of income tax to a fund identified as "Investment Fund Account" (IFA) as per a proposal made in the Government Budget 2011. The Operations of this fund was ceased with effect from 1st October 2014 and the balance as at that time was transferred to Retained Earnings based on the regulations imposed by Central Bank of Sri Lanka.

As at 31st March	2015 Rs.	2014 Rs.
At the Beginning of the Year	127,940,255	92,396,351
Transfers during the Year	14,104,799	35,543,904
Transferred to Retained Earnings	(142,045,054)	-
As at the End of the Year	-	127,940,255

37.2.1 Total Loans granted

The Company has financed several projects utilising funds available in the IFA. The details of loans granted under IFA are as follows:

	Outstanding Balance Rs.	Number of Loans outstanding	Rate of Interest %	Tenure of Loans Years
Infrastructure development	19,751,357	2	7.14%	5
	19,751,357			

38 Available For Sale Reserve

As at 31st March	2015 Rs.	2014 Rs.
At the Beginning of the Year	4,054,987	-
Net gains / (losses) on remeasuring available - for -sale financial investments	5,202,523	4,054,987
As at the End of the Year	9,257,510	4,054,987

38.1 The Available For Sale Reserve comprises the cumulative net change in fair value of available-for-sale financial investments ,until the assets are derecognised or impaired.

39 General Reserve

As at 31st March	2015 Rs.	2014 Rs.
General Reserve (Note 39.1)	7,500,000	7,500,000
	7,500,000	7,500,000

39.1 General Reserve

General reserve comprises the amounts appropriated by the Board of Directors as a General Reserve.

Notes to the Financial Statements

40 Retained Earnings

As at 31st March

	2015 Rs.	2014 Rs.
At the Beginning of the Year	548,128,273	403,941,844
Total Comprehensive Income		
Profit for the Year	372,786,602	303,910,233
Other Comprehensive Income	(3,012,075)	(1,071,953)
Transfers to Other Reserves	(88,662,119)	(96,325,951)
Transfer of Investment Fund Account to Retained Earnings	142,045,054	-
Dividends	(41,550,600)	(62,325,900)
At the End of the Year	929,735,135	548,128,273

41 Related Party Disclosures

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures", the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Company and is comparable with what is applied to transactions between the Company and its unrelated Customers.

41.1 Parent & Ultimate Controlling Party

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited.

41.2 Transactions with Key Management Personnel (KMPs)

According to Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), their Close Family Members (CFM) and selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company.

Close Family Members (CFM) of the KMPs are those family members who may be expected to influence or be influenced by that KMPs in their dealing with the entity. They may include KMPs domestic partner and children of the KMPs domestic partner and dependants of the KMPs domestic partner.

During the financial year certain Key employees who meet the criteria have been classified as Key Management Personnel of the Company. The comparative figures of the compensation paid to KMPs have been reclassified accordingly.

41.2.1 Compensation paid to KMPs

As at 31st March

	2015 Rs.	2014 Rs.
Short term employment benefits	47,830,479	44,499,204
Post employment benefits	-	-

41.2.2 Transactions, Arrangements and Agreements Involving KMPs and Their CFMs

As at 31st March

	2015 Rs.	2014 Rs.
Deposits Held by KMPs and Their CFMs		
Mrs. P.I. Perera	78,069,528	31,167,979
Mr. M.D.S. Goonatilleke	-	9,000,000
Mr. S. Senaratne	-	6,000,000
Miss W.C. Senaratne	-	1,000,000
Miss P.M. Senaratne	-	1,000,000
Mr. D.J. Senaratne	-	3,200,000
Mr. K.D.A. Perera	53,765,254	44,241,813

As at 31st March

	2015 Rs.	2014 Rs.
Mr.K.D.H.Perera	97,361,821	89,404,064
Mr.H.K.Perera	-	5,000,000
Miss M.T.D. Perera	-	5,000,000
Mr.P.B.Perera	-	5,000,000
Mr.Dhammika Perera	-	1,000,000
Mrs. D.K. Rathnayake	9,000,000	-
Mr. R.M. Karunaratne	3,500,000	-
Debentures Invested by KMPs and Their CFMs		
Mr. K.D.A. Perera	5,500,000	-
Mr. K.D.H. Perera	5,500,000	-
Mrs. D.K. Rathnayake	6,000,000	-

41.2.3 Transactions, Arrangements and Agreements involving Entities which are controlled and / or jointly controlled by the KMPs or their CFMs

Name of the Company	Relationship	Nature of Services	Amount Received/(Paid)		Balance as at 31 March	
			2014/15 Rs.	2013/14 Rs.	2015 Rs.	2014 Rs.
Pan Asia Banking Corporation PLC	Affiliate	Call Deposits	(958,753,630)	(251,165,068)	1,439,352,397	480,598,767
		Current Account	29,543,771	(20,434,712)	-	29,543,771
		Overdraft	(22,789,906)	-	22,789,906	-
LB Finance PLC	Affiliate	Debentures	-	15,540,000	-	-
		Fixed Deposit - Invested	253,359,844	(185,000,000)	183,459,771	436,819,615
		Fixed Deposit - Held	(15,000,000)	-	-	15,000,000
Vallibel One PLC	Affiliate	Fixed Deposit - Held	161,256,775	(214,462,534)	551,794,241	390,537,466
		Debentures	(2,717,829)	-	393,155,270	395,873,099
La - Fortresse (Pvt) Ltd	Affiliate	Fixed Deposit - Held	130,000,000	40,000,000	170,000,000	40,000,000
Vallibel Power Erathna PLC	Affiliate	Fixed Deposit - Held	82,640,607	49,423,721	132,064,328	49,423,721
Vallibel Power Kiriwaneliya (Pvt)Ltd	Affiliate	Fixed Deposit - Held	10,012,427	-	10,012,427	-
Sampath Bank PLC	Affiliate	Current Account	4,313,074	(4,039,504)	10,410,120	6,097,046
Bansei Securities Co. Ltd	Affiliate	Debentures	-	250,000,000	250,000,000	250,000,000

41.2.4 From time to time directors of the Company, or their related entities, may transact with the Company. These transactions are on the same terms and conditions as those entered into by other customers.

41.3 Related Party transactions exceeding 10% of the Equity or 5% of the total assets of the Entity as per Audited Financial Statements, whichever is lower.

Name of the Related Party	Relationship	Terms of the Transaction	Date	2015 Rs.	Rationale for entering Transaction
La-Fortresse (Pvt) Ltd	Affiliate	Fixed Deposits taken for 6.50% - 7.50% for 3 to 6 Months Maturity	01-Oct-14 to 27-Mar-15	170,000,000	To support further expansion of Business
Vallibel One PLC	Affiliate	Debentures taken 13% for 5 year maturity	19-Dec-11 to 30-Dec-11	232,764,383	To expand the capital Base of the Company
Vallibel One PLC	Affiliate	Debentures taken for 364 Days Gross TB Rate + 4.50% for 5 year maturity	14-Aug-12 to 15-May-12 to 27-Aug-12	160,390,887	To expand the capital Base of the Company
Vallibel One PLC	Affiliate	Fixed Deposits taken for 6.00% - 7.75% for 6 Months Maturity	26-Oct-14 to 12-Mar-15	551,794,241	To support further expansion of Business
LB Finance PLC	Affiliate	Investments made in Fixed Deposits	10-Dec-14 to 05-Feb-14	183,459,771	To invest excess funds of the Company
Pan Asia Banking Corporation PLC	Affiliate	Investments made in Fixed Deposits for 6.00% - 8.00% for 6 to 12 Months Maturity	4-July 14 to 31st Dec 14	1,439,352,397	To meet Liquidity Requirements
Bansei Securities Co. Ltd	Affiliate	Debentures taken for 14.75% for 5 year maturity	20-Feb-14	250,000,000	To expand the Capital Base of the Company

Notes to the Financial Statements

42 Contingent Liabilities and Commitments

42.1 Capital Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in these Financial Statements amounted to approximately.

As at 31st March	2015 Rs.	2014 Rs.
Approved and contracted for	2,275,000	1,000,000
Approved and not contracted for	-	-
	2,275,000	1,000,000

42.2 Future Monthly Commitments on Operating Leases

The company leases number of office buildings under operating leases. The leases typically run for a period of 10 years with an option to renew the lease after that date.

As at 31st March	2015 Rs.	2014 Rs.
Less than one year	51,087,163	40,719,586
Between one and five years	203,282,960	161,285,060
More than five years	103,227,248	73,546,251
	357,597,371	275,550,897

42.3 Litigations against the Company

Litigation is a common occurrence in the industry due to the nature of the business undertaken.

The Company has formal controls and policies in place for managing legal claims. Once professional advice has been obtained and the amount of loss is reasonably estimated, the Company makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Company confirms that there is no case filed against the Company which is not disclosed which would have a material Impact on the financial position of the Company.

43 Assets Pledged

The following assets have been pledged as securities against the long-term and short-term borrowings that have been disclosed under the Note 30 to the Financial Statements.

Funding institute	Nature of Assets	Nature of Liability	Value of Assets Pledged Rs.	Included Under
Bank of Ceylon	Leases & Hire Purchases Receivable	Long-term Borrowings	226,524,529	Future Rental Receivables
Pan Asia Banking Corporation PLC	Leases & Hire Purchases Receivable	Bank Overdraft	255,945,651	Future Rental Receivables
NDB Bank	Leases & Hire Purchases Receivable	Working Capital Loan	152,914,084	Future Rental Receivables
Deutsche Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	332,643,227	Future Rental Receivables

In the ordinary course of business the company enters into transaction that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The company has transferred future rental receivable of Leases & Hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within Lease Rental Receivable and Hire Purchase Receivable.

44 Events Occurring After the Reporting Period

44.1 Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than disclosed below.

Directors have recommended a dividend of Rs.2 per share for the financial year ended 31st March 2015 subject to the approval of the Central Bank of Sri Lanka.

45 Comparative Figures

The previous year's figures have been re-arranged wherever necessary to confirm to the current year's presentation and disclosure.

46 Segment Reporting

The Company has four reportable segments, as described below, which are the Company's strategic business lines. The strategic business lines offer different products and services, and are managed and monitored separately based on the Company's management and internal reporting structure. For each of the strategic business line, the Company Management reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Finance Lease
- Hire Purchase
- Loans and Advances
- Investments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment revenue, as included in the internal management reports that are reviewed by the Company Management. Segment revenue 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.

46.1 Business Segments

For the year ended 31 March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000	2015 Rs.'000	2014 Rs.'000
Income From External Operations												
Interest	1,341,933	1,229,205	917,717	867,090	351,008	189,160	189,088	166,346	-	-	2,799,746	2,451,801
Administration Fees	-	-	-	-	-	-	-	-	50,315	43,082	50,315	43,082
Capital Gains	-	-	-	-	-	-	-	431	-	-	-	431
Dividends	-	-	-	-	-	-	162	782	-	-	162	782
Other	-	-	15,782	43,529	-	-	-	-	30,183	31,000	45,965	74,529
Total Revenue	1,341,933	1,229,205	933,499	910,619	351,008	189,160	189,250	167,559	80,498	74,082	2,896,187	2,570,624
Profit Before Tax	-	-	-	-	-	-	-	-	-	-	558,640	443,003
Taxation	-	-	-	-	-	-	-	-	-	-	(185,855)	(139,093)
Profit After Tax											372,786	303,910
Other Information												
As at 31 March												
Segment Assets	5,380,672	4,862,964	3,880,708	3,925,564	3,307,495	1,149,653	3,543,626	1,989,964	781,006	650,568	16,893,507	12,578,713
Segment Liabilities	4,959,860	4,417,026	3,520,490	3,556,261	3,010,812	1,060,758	3,185,991	1,781,507	702,184	582,419	15,379,337	11,397,970
Net Assets	420,811	445,938	360,218	369,303	296,683	88,895	357,635	208,457	78,821	68,149	1,514,169	1,180,743

Value Added Statement

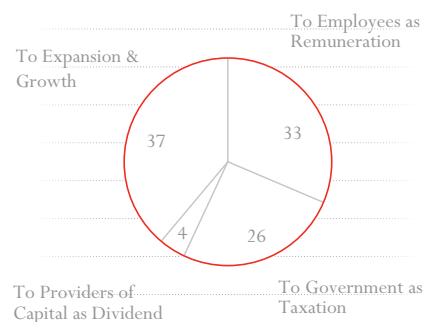
For the Year Ended 31st March

	2015		2014	
	Rs.	%	Rs.	%
Value Added				
Income from Interest Related Activities	2,799,745,875	97%	2,451,800,812	95%
Income from Other Activities	96,441,503	3%	118,823,541	5%
	2,896,187,378	100%	2,570,624,353	100%
Depositors & Lenders	1,344,337,892	72%	1,340,464,712	75%
Cost of Sales & Services	295,865,994	16%	238,823,823	13%
Impairment Charges for Loans and other losses	239,203,374	12%	210,654,141	12%
	1,879,407,260	100%	1,789,942,676	100%
Total Value Added	1,016,780,118		780,681,677	
Distribution of Value Added				
To Employees as Remuneration	336,574,216	33%	251,662,381	32%
To Government as Taxation	260,156,129	26%	185,099,891	24%
To Providers of Capital as Dividend	41,550,600	4%	62,325,900	8%
To Expansion & Growth				
Depreciation & Amortisation	47,263,171	5%	40,009,172	5%
Retained Profits	331,236,002	32%	241,584,333	31%
Total Distribution of Value Added	1,016,780,118	100%	780,681,677	100%

Value Added Statements

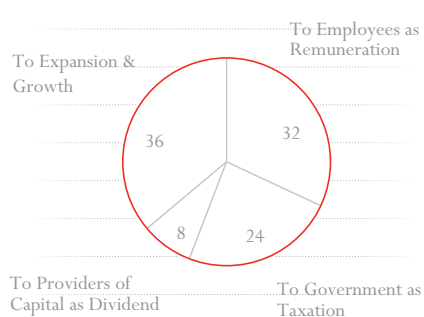
2015

(%)



2014

(%)



Sources and Utilisation of Income

For the year ended 31 March

Based on Financial Statements Prepared under SLFRS

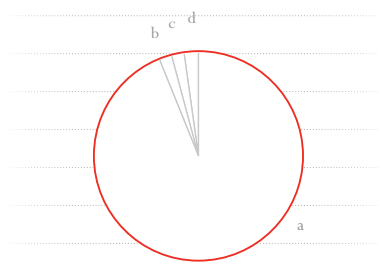
Based on Financial
Statements Prepared under
SLAS

	2015		2014		2013		2012		2011	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
SOURCES OF INCOME										
Loans and Advances	2,735,721,353	94.46	2,397,529,201	93.27	1,719,695,150	91.50	1,137,677,430	93.97	601,671,832	94.06
Government Securities	64,024,522	2.21	54,271,611	2.11	30,955,158	1.65	11,091,036	0.92	6,370,854	1.00
Commission Income	50,314,825	1.74	43,082,243	1.68	31,255,381	1.66	21,941,300	1.81	11,024,448	1.72
Other Income	46,126,678	1.59	75,741,298	2.94	97,490,794	5.19	39,924,210	3.30	20,593,371	3.22
Total	2,896,187,378	100	2,570,624,353	100	1,879,396,483	100	1,210,633,975	100	639,660,505	100
UTILISATION OF INCOME										
To Employees										
Personnel Expenses	336,574,216	11.62	251,662,381	9.79	131,946,471	7.02	81,618,145	6.74	44,199,129	6.91
To Suppliers										
Interest Paid	1,344,337,892	46.42	1,340,464,712	52.15	1,008,844,798	53.68	536,824,726	44.34	269,555,960	42.14
Other Expenses	295,865,994	10.22	238,823,823	9.29	192,110,480	10.22	151,478,005	12.51	84,600,953	13.23
Depreciation & Amortisation	47,263,171	1.63	40,009,172	1.56	26,946,852	1.43	18,485,252	1.53	6,451,106	1.01
Impairment charge /Provision for Credit Losses	239,203,374	8.26	210,654,141	8.19	51,678,935	2.75	34,266,148	2.83	3,436,577	0.54
To Government										
Value Added Tax and Other Taxes	74,302,462	2.57	46,006,899	1.79	38,748,927	2.06	37,386,342	3.09	39,568,361	6.19
Income Tax	185,853,667	6.42	139,092,992	5.41	134,646,817	7.16	119,460,984	9.87	84,142,121	13.15
To Shareholders										
Dividends	41,550,600	1.43	62,325,900	2.42	41,550,600	2.21	20,775,300	1.72	20,775,300	3.25
Retained Profit	331,236,002	11.44	241,584,333	9.40	252,922,603	13.46	210,339,073	17.37	86,930,997	13.59
Total	2,896,187,378	100	2,570,624,353	100	1,879,396,483	100	1,210,633,975	100	639,660,505	100

Sources and Utilisation of Income

SOURCES OF INCOME - 2015

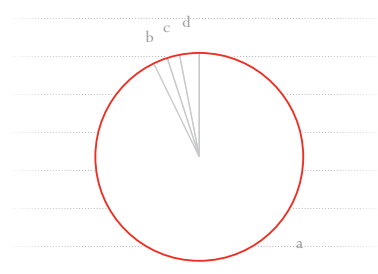
(%)



a) Loans and Advances	94
b) Government Securities	2
c) Commission Income	2
d) Other Income	2

SOURCES OF INCOME - 2014

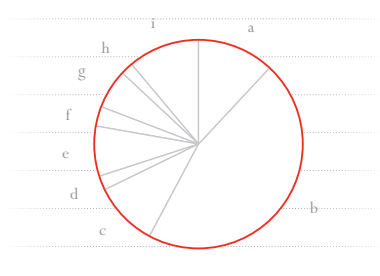
(%)



a) Loans and Advances	93
b) Government Securities	2
c) Commission Income	2
d) Other Income	3

UTILISATION OF INCOME - 2015

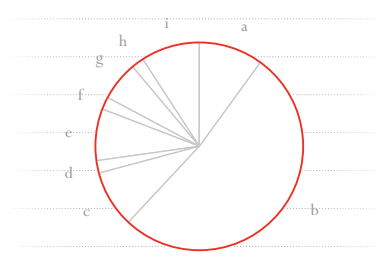
(%)



a) Personnel Expenses	12
b) Interest Paid	46
c) Other Expenses	10
d) Depreciation & Amortisation	2
e) Impairment charge / Provision for Credit Losses	8
f) Value Added Tax and Other Taxes	3
g) Income Tax	6
h) Dividends	2
i) Retained Profit	11

UTILISATION OF INCOME - 2014

(%)



a) Personnel Expenses	10
b) Interest Paid	52
c) Other Expenses	9
d) Depreciation & Amortisation	2
e) Impairment charge / Provision for Credit Losses	8
f) Value Added Tax and Other Taxes	2
g) Income Tax	6
h) Dividends	2
i) Retained Profit	9

Information on Ordinary Shares

Stock Exchange Listing

Vallibel Finance PLC is a Public Quoted Company, the ordinary shares of which were listed on the main board of the Colombo Stock Exchange on 4th May 2010.

Share Holder Base

The total numbers of shareholders as at 31st March 2015 were 2,406.

Distribution of Shareholding As At 31st March 2015

Shares	2015				2014			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
Up to 1000	1,671	69.45%	608,701	1.46%	1,885	70.39%	729,006	1.76%
1,001-10,000	593	24.65%	2,023,895	4.87%	681	25.43%	2,269,988	5.46%
10,001-100,000	124	5.15%	3,747,056	9.02%	98	3.66%	2,854,074	6.87%
100,001-1,000,000	17	0.71%	4,893,948	11.78%	11	0.41%	3,079,981	7.41%
Over 1,000,000	1	0.04%	30,277,000	72.87%	3	0.11%	32,617,551	78.50%
	2,406	100.00%	41,550,600	100.00%	2,678	100.00%	41,550,600	100.00%

Categories of Shareholders

Type of Investor	2015			2014		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	2,288	8,024,713	19.31%	2,580	7,099,646	17.09%
Local Institutions	106	33,130,443	79.74%	84	34,130,607	82.14%
Foreign Individuals	12	395,444	0.95%	14	320,347	0.77%
Foreign Institutions	-	-	-	-	-	-
	2,406	41,550,600	100.00%	2,678	41,550,600	100.00%

Information on Ordinary Shares

20 Major Shareholders As At 31st March 2015

Shareholders	2015		2014	
	No of Shares	%	No of Shares	%
01 Vallibel Investments (Pvt) Limited	30,277,000	72.87%	30,277,000	72.87%
02 Seylan Bank PLC/M/S Divasa Equity (Pvt) Ltd	918,900	2.21%	1,092,424	2.63%
03 Mr. K.D.A Perera	836,713	2.01%	836,713	2.01%
04 Mr. S. B. Rangamuwa	620,000	1.49%	203,031	0.49%
05 Mr. H A Van Starrex	357,500	0.86%	25,725	0.06%
06 Mr S Abishek	289,157	0.70%	26,074	0.06%
07 Pan Asia Banking Corporation PLC/Mr A S R Silva	217,332	0.52%	-	-
08 V R Kathiragamatamby	205,000	0.49%	300,000	0.72%
09 Mr.Beruwelage	202,800	0.49%	202,800	0.49%
10 Mr. B.A.R. Dissanayake	200,500	0.48%	198,000	0.48%
11 Mrs. K.I.A. Hewage	200,000	0.48%	200,000	0.48%
12 Mr. DV Seevaratnam	135,000	0.32%	-	-
13 Mr. N. Balasingam	134,900	0.32%	134,900	0.32%
14 Mr. A Sithampalam	130,605	0.31%	-	-
15 Merchant Bank of Sri Lanka PLC A/C No 1	125,000	0.30%	-	-
16 Andaradeniya Estate Private Limited	116,110	0.28%	-	-
17 Geotge Steuart Teas (Pvt) Ltd	104,331	0.25%	514,275	1.24%
18 Mr. F.J.P.Raj	100,100	0.24%	-	-
19 Mr.R. Gautam	100,000	0.24%	85,000	0.20%
20 Mr.A.Ragupathy	97,317	0.23%	6,000	0.01%
	35,368,265	85.12%	34,101,942	82.07%
Others	6,182,335	14.88%	7,448,658	17.93%
Total	41,550,600	100.00%	41,550,600	100.00%

Public holding

9,791,287 shares (23.56%) held by public comprising of 2,400 shareholders as at 31st March 2015.

Market Prices

		Quarter Ended				Year Ended	
		30.06.2014	30.09.2014	31.12.2014	31.03.2015	31.03.2015	31.03.2014
Highest	Rs.	37.00	48.50	48.80	49.50	49.50	35.10
Lowest	Rs.	29.00	33.00	40.10	44.60	29.00	26.00
Closing	Rs.	34.60	46.50	46.00	45.00	45.00	29.70

Information on Listed Debentures

During the year Company issued 10,000,000 Rated, Guaranteed (Capital and Two Interest Installments), Subordinated, Redeemable Debentures at a value of Rs. 100/- each accumulated to Rs. 1,000,000,000 with maturity of five years. The debentures are quoted on the Colombo Stock Exchange. The raised funds utilised to expand and strengthen the capital base of the company in line with the Company's expansion strategy and to maintain the Capital adequacy requirements as stipulated by Central Bank of Sri Lanka.

Market Values of Listed Debentures

Debentures 2014/2019	Highest		Lowest		Period End	
	2015	2014	2015	2014	2015	2014
Fixed - 14.75%	120.00	106.00	108.00	106.00	120.00	106.00
Fixed - 15.00%	N/T	N/T	N/T	N/T	N/T	N/T
Fixed - 15.50%	118.92	100.00	116.02	100.00	116.02	100.00

Debentures 2015/2020	Highest		Lowest		Period End	
	2015	2014	2015	2014	2015	2014
Fixed - 10.25%	N/T	N/A	N/T	N/A	N/T	N/A

Interest Rates

Debentures 2014/2019	2015		2014	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed - 14.75%	14.75%	15.59%	14.75%	15.59%
Fixed - 15.00%	15.00%	15.56%	15.00%	15.56%
Fixed - 15.50%	15.50%	15.50%	15.50%	15.50%

Debentures 2015/2020	2015		2014	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed - 10.25%	10.25%	10.51%	N/A	N/A

Interest Rates of Comparable Government Securities - Gross Rates

	2015	2014
5 Year Treasury Bond	9.13%	8.65%

Interest Yield and Yield to Maturity

Debentures 2014/2019	Fixed - 14.75%		Fixed - 15.00%		Fixed - 15.50%	
	2015	2014	2015	2014	2015	2014
Interest Yield	12.29%	13.92%	15.00%	15.00%	13.36%	15.50%
Yield to Maturity of last trade	9.09%	13.09%	N/T	N/T	10.53%	15.53%

Debentures 2015/2020	Fixed - 10.25%	
	2015	2014
Interest Yield	10.25%	N/A
Yield to Maturity of last trade	N/T	N/A

Ratios

	2015	2014
Debt to Equity Ratio (%)	143%	122%
Interest Cover (Times)	1.47	1.36
Liquid Asset Ratio (%) - Minimum Required 10%	24.00%	14.71%

* N/A - Not Applicable and N/T - Not Traded

Ten Year Summary

Based on Financial Statements prepared under SLFRS

For the year ended 31st March	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Income Statement				
Gross Income	2,896,187,378	2,570,624,353	1,879,396,483	1,210,633,975
Interest Income	2,799,745,875	2,451,800,812	1,791,914,232	1,111,638,186
Interest Expense	1,344,337,892	1,340,464,712	1,008,844,798	536,824,726
Net Interest Income	1,455,407,983	1,111,336,100	783,069,434	574,813,460
Net Fee and Commission Income	50,314,825	43,082,243	31,255,381	21,941,300
Other Operating Income	46,126,678	75,741,298	56,226,870	77,054,489
Operating Expenses and provisions	918,906,755	741,149,517	402,623,499	285,785,791
Profit Before Taxation	632,942,731	489,010,124	467,928,186	388,023,458
Provision for Taxation	260,156,129	185,099,891	173,395,744	156,847,326
Net Profit	372,786,602	303,910,233	294,532,442	231,176,132
As at 31st March	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Assets				
Cash and Cash Equivalents	357,722,928	311,612,928	239,915,519	79,321,134
Placements with Bank's and Other Finance Companies	1,768,499,428	1,146,244,786	698,087,988	210,974,451
Reverse Repurchase Agreements	1,353,477,948	112,017,262	-	-
Financial Investments - Held for Trading	4,822,336	5,101,684	14,329,011	12,283,156
Loans and Receivables to Finance Companies	-	-	16,472,400	16,472,400
Loans and Receivables to Other Customers	3,307,495,086	1,149,653,055	631,715,458	305,257,922
Lease Rental and Hire Purchase Receivables	9,261,379,875	8,788,528,303	7,152,325,616	5,518,414,888
Financial Investments - Available for Sale	120,529,779	113,965,232	203,800	203,800
Financial Investments - Held to Maturity	296,296,416	612,634,968	281,718,777	251,392,472
Other Financial Assets	11,806,411	7,912,643	6,343,169	17,656,274
Property, Plant and Equipment	181,172,558	127,325,987	116,748,120	105,792,958
Intangible Assets	4,188,589	4,355,878	5,997,534	-
Deferred Tax Assets	66,516,415	33,785,749	2,142,794	1,092,818
Other Assets	159,599,520	165,575,145	137,949,156	155,102,646
Total Assets	16,893,507,289	12,578,713,619	9,303,949,343	6,673,964,919

As at 31st March

	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Liabilities				
Bank Overdrafts	463,536,788	233,878,618	360,101,982	82,765,639
Rental Received in Advance	170,421,167	136,928,230	164,624,026	76,741,268
Deposits due to Customers	12,162,096,690	9,299,977,850	6,268,210,181	4,024,406,195
Interest bearing Borrowings	299,522,795	542,516,837	951,201,653	1,399,833,703
Subordinated Term Debts	1,859,653,357	898,088,784	399,255,587	232,764,384
Current Tax Liabilities	93,290,845	88,294,895	41,938,998	52,416,626
Deferred Tax Liabilities	88,459,437	74,288,962	65,089,176	40,018,009
Other Liabilities	220,230,653	111,124,087	109,699,079	76,721,663
Retirement Benefit Obligations	22,125,917	12,872,166	7,652,838	3,902,921
Total Liabilities	15,379,337,649	11,397,970,429	8,367,773,520	5,989,570,408
Shareholders' Funds				
Stated Capital	287,153,000	287,153,000	287,153,000	287,153,000
Statutory Reserves	280,523,995	333,906,930	237,580,979	130,551,881
Available For Sale Reserve	9,257,510	4,054,987	-	-
General Reserve	7,500,000	7,500,000	7,500,000	7,500,000
Retained Earnings	929,735,134	548,128,273	403,941,844	259,189,630
Total Shareholders' Funds & Total Liabilities	16,893,507,289	12,578,713,619	9,303,949,343	6,673,964,919
For the year ended 31 March	2015	2014	2013	2012
Information on Ordinary Shares				
Earnings per Share (Rs.)	8.97	7.31	7.09	5.56
Net Assets per Share (Rs.)	36.44	28.42	22.53	16.47
Interest Cover (Times)	1.47	1.36	1.46	1.72
Dividend Paid / Proposed Per Share (Rs.)	2.00	1.00	1.50	1.00
Dividend Payout (%)	-	13.67	21.16	17.97
Market Value Per Share	45.00	29.70	28.30	38.80
PE Ratio (Times)	5.02	4.06	3.99	6.97
Ratios (%)				
Return on Shareholders Funds (%)	24.62	25.74	31.46	33.78
Liquid Assets as a % of Deposits (%)	32.04	24.69	19.46	13.46
Growth in Income (%)	12.66	36.78	55.24	89.26
Growth in Interest Expenses (%)	0.29	32.87	87.93	99.15
Growth in Other Expenses (%)	23.98	84.08	40.88	106.06
Growth in Profit After Tax (%)	22.66	3.18	27.41	114.64
Growth in Advances (%)	26.47	27.67	33.27	78.82
Growth in Deposits (%)	30.78	48.37	55.75	50.06
Growth on Shareholders' Funds (%)	28.24	26.12	36.79	30.73

Ten Year Summary

Based on Financial Statements prepared under SLAS

For the year ended 31st March	2011 Rs.	2010 Rs.	2009 Rs.	2008 Rs.	2007 Rs.	2006 Rs.
Income Statement						
Gross Income	639,660,503	426,093,169	376,368,752	125,954,756	15,208,565	14,213,718
Interest Income	595,382,652	413,871,000	364,278,447	120,993,344	13,178,120	10,146,796
Interest Expenditure	269,555,960	233,952,166	236,607,948	70,323,132	3,321,171	3,297,701
Net Interest Income	325,826,692	179,918,834	127,670,499	50,670,212	9,856,949	6,849,095
Other Operating Income	44,277,851	12,222,169	12,090,305	4,961,412	2,030,445	4,066,921
Operating Expenditure	138,687,765	84,787,295	66,939,687	29,280,508	6,595,547	5,739,382
Profit Before Taxation	231,416,778	107,353,708	72,821,117	26,351,116	5,291,847	5,176,634
Provision For Taxation	123,710,483	65,468,118	40,628,587	14,884,736	1,360,299	1,503,824
Net Profit	107,706,295	41,885,590	32,192,530	11,466,380	3,931,548	3,672,810
As at 31st March	2011 Rs.	2010 Rs.	2009 Rs.	2008 Rs.	2007 Rs.	2006 Rs.
Assets						
Liquid Assets	356,060,756	172,712,628	284,252,629	116,588,050	96,997,214	3,957,966
Investments in Dealing Securities	4,668,076	445,727	314,117	2,076,794	2,076,794	29,081,311
Investments in Other Securities	15,743,800	15,540,000	10,540,000	-	-	-
Advances	3,256,747,669	1,551,895,858	1,109,195,424	771,532,338	33,605,481	25,089,347
Other Assets	177,478,281	44,531,957	42,515,016	21,175,310	4,551,971	732,147
Property, Plant & Equipment	78,882,526	12,765,533	9,701,836	10,149,862	1,280,524	532,429
Total Assets	3,889,581,108	1,797,891,703	1,456,519,022	921,522,354	138,511,984	59,393,200
Liabilities						
Bank Overdrafts	49,660,559	87,044,952	12,369,889	10,102,229	-	-
Borrowings	449,322,933	169,214,636	310,382,379	271,687,872	-	-
Deposits From Customers	2,596,232,472	1,139,477,444	820,547,319	473,682,925	31,563,014	29,806,480
Other Liabilities	326,229,359	135,349,881	80,530,880	50,553,303	2,919,325	(511,377)
Total Liabilities	3,421,445,323	1,531,086,913	1,223,830,467	806,026,329	34,482,339	29,295,103
Shareholders' Funds						
Stated Capital/Share Capital	287,153,000	172,753,000	172,753,000	87,753,000	87,753,000	17,753,000
Reserves	180,982,785	94,051,790	59,935,555	27,743,025	16,276,645	12,345,097
Total Shareholders' Funds & Total Liabilities	3,889,581,108	1,797,891,703	1,456,519,022	921,522,354	138,511,984	59,393,200

Based on Financial Statements prepared under SLAS (contd.)

For the year ended 31 March	2011	2010	2009	2008	2007	2006
Information on Ordinary Shares						
Earnings per Share (Rs.)	2.63	1.34	2.32	1.31	0.45	2.07
Net Assets per Share (Rs.)	11.27	8.56	14.94	13.16	11.85	16.95
Interest Cover (Times)	1.86	1.46	1.31	1.37	2.59	2.57
Dividend per Share (Rs.)	0.50	1.00	0.50	-	-	-
Dividend Payout (%)	19.29	37.31	21.55	-	-	-
Market Value Per Share	49.50	-	-	-	-	-
PE Ratio (Times)	18.82	-	-	-	-	-
Ratios (%)						
Return on Shareholder's Funds (%)	23.01	15.70	13.84	9.93	3.78	12.20
Liquid Assets as a % of Deposits (%)	13.71	15.16	34.64	24.61	307.31	13.28
Growth in Income (%)	50.12	13.21	198.81	728.18	7.00	0.02
Growth in Interest Expenses (%)	15.22	(1.12)	236.46	2,017.42	0.71	(11.35)
Growth in other Expenses (%)	63.57	26.66	128.62	343.94	14.92	(13.33)
Growth in Profit After Tax (%)	157.14	30.11	180.76	191.65	7.04	58.00
Growth in Advances (%)	109.86	39.91	43.77	2,195.85	33.94	(14.87)
Growth in Deposits (%)	127.84	38.87	73.23	1,400.75	5.89	0.07
Growth in Shareholders' Funds (%)	75.46	14.66	101.47	11.02	245.64	1.52

Branch Network

Branch / Collection Center	Address	Telephone	Fax	Contact Person
Maharagama	No.126-5, High Level Road, Maharagama	011-7487487	011-7487489	Mr. Rohan De Silva
Minuwangoda	No.28/5A, Kurunagala Road, Minuwangoda	011-7587587	011-7587589	Mr. Suren Abeywickrama
Kandy	No.161, D.S.Senanayaka Mawatha, Kandy	081-7687687	081-7687689	Mr. Jagath Atapattu
Aluthgama	No.375, Galle Road, Aluthgama	034-7687687	034-7687689	Mr. Chithraka Hettiarachchi
Ratnapura	No.8A, Bodhiraja Mawatha, Ratnapura	045-7687687	045-7687689	Mr. Ranjith Gunaratne
Kiribathgoda	No.121D, Gala Junction, Kandy Road, Kiribathgoda	011-7787787	011-7787789	Mr. Dilshan Rathnayake
Matara	No.274A, Anagarika Dharmapala Mawatha, Matara	041-7687687	041-7687689	Mr. Dilak Wanigathunga
Kurunegala	No.395, Colombo Road, Kurunegala	037-7687687	037-7687689	Mr. Asinil Perera
Negombo	No.299, St. Joseph's Street, Negombo	031-7687687	031-7687689	Mr. Saman Perera
Gampaha	No.55, Yakkala Road, Gampaha	033-7687687	033-7687689	Mr. Saminda Gammanpila
Galle	No. 159, Colombo Road, Kaluwella, Galle	091-7687687	091-7687689	Mr. Jagath Mendis
Chilaw	No. 84, Kurunegala Road, Chilaw	032-7687687	032-7687689	Mr. Wasantha Kumara
Kuliyapitiya	No. 111, Kurunegala Road, Aswedduma wattha, Kuliyapitiya	0377-787787	0377-787789	Mr. Lakmal Kuranage
Embilipitiya	No. 103, New Town Road, Embilipitiya	0477-687687	0477-687689	Mr. Janaka Kumara
Moratuwa	No.303/A, Galle Road, Rawathawatta, Moratuwa	0117-807807	0117-807809	Mr. Kalpa Amarasinghe
Malabe	No. 824/C, New Kandy Road, Malabe	0117-387387	0117-387389	Mr. Priyantha Ratnayaka
Panadura	No. 293 A, Galle Road, Panadura	0387-687687	0387-687689	Mr. Ravindra kumara
Nugegoda	No: 213, High Level Road, Nugegoda	0117-517517	0117-517519	Mr. Lakmal Gabadage
Bandarawela	No. 197, Badulla Road, Bandarawela	0577-687687	0577-687689	Mr. Wasantha Rodrigo
Kalutara	No. 426, Main Street, Galle Road, Kalutara South, Kalutara	0347-387387	0347-387389	Mr. Chalaka Ariyasinghe
Anuradhapura	No. 521/11, Maithripala Senanayake Mawatha, Anuradhapura	0257-687687	0257-687689	Mr. Rangana Rupasinghe
Kegalle	No. 315, Main Street, Kegalle	0357-687687	0357-687689	Mr. Amitha Liyanarachchi
Rajagiriya	No. 600A, Nawala Road, Rajagiriya	0117-489489	0117-489479	Mr. Dilhan Liyanage

Glossary of Financial Terms

Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

Actuarial Assumptions

An entity's unbiased and mutually compatible best estimates of the demographic and financial variables that will determine the ultimate cost of providing postemployment benefits.

Actuarial Gains and Losses

Actuarial gains and losses comprise the effects of differences between the previous actuarial assumptions and what has actually occurred and the effects of changes in actuarial assumptions.

Actuarial Valuation

Fund value determined by computing its normal cost, actuarial accrued liability, actuarial value of its assets, and other relevant costs and values.

Amortisation

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

Amortised Cost

The amount at which a financial asset or liability is measured at initial recognition, minus any repayment of principal, minus any reduction for impairment or uncollectibility, and plus or minus the cumulative amortisation using the effective interest method of the difference between that initial amount and maturity amount.

Available-for-Sale

All assets not in any of the three categories, namely, held to maturity, Fair Value through Profit or Loss and Loans & Receivable. It is a residual category. It does not mean that the entity stands ready to sell these all the time.

Capital Adequacy Ratio (CAR)

The relationship between capital and the risk weighted assets as prescribed by the Central Bank of Sri Lanka developed by modifying International best practices on maintenance of

Capital for financial Institutions, to suit the local requirements.

Cash Equivalents

Short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Collective Impairment Provision

Impairment is measured on a collective basis for homogeneous groups of loans that are not considered individually significant.

Corporate Governance

The process by which Corporate Institutions are governed. It involves the way in which authority is exercised over the management and the direction of the company, the supervisions of executive roles and the responsibility and accountability towards owners and other parties.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counter party to a financial instrument fails to meet its contractual obligations.

Deferred Tax

Sum set aside in the financial statements for taxation that would become payable/ receivable in a financial year other than the current financial year.

Depreciation

The systematic allocation of the depreciable amount of an asset over its useful life.

Earnings per Share

Net profit after tax divided by the number of ordinary shares in issue.

Effective Income Tax Rate

Provision for taxation divided by the net profit before taxation.

Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

Exposure

A claim, contingent claim or position which carries a risk of financial loss.

Fair Value

Fair Value is the amount for which an asset could be exchanged, or a liability settled, between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Fair Value through Profit or Loss

A financial asset or financial liability that is held for trading or upon initial recognition designated by the entity as fair value through profit or loss.

Financial Instrument

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity instrument in other entity.

Held-to-Maturity Investments

Non derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

Impairment

This occurs when recoverable amount declines below carrying amount.

Individually Significant Loans

Exposures which are above a certain threshold decided by the Company's management which should be assessed for objective evidence, measurement, and recognition of impairment on an individual basis.

Individually Significant Loan Impairment Provision

Impairment measured individually for loans that are individually significant to the Company.

Glossary of Financial Terms

Intangible Asset

An identifiable non-monetary asset without physical substance held for use in the production / supply of goods / services or for rental to others or for administrative purposes.

Interest Cover

Profits before interest and taxes divided by the interest cost. This ratio measures the number of times Interest is covered by the current year's profits before interest and taxes.

Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily.

Liquid Assets ratio

Assets that are held in cash or in a form that can be converted to cash readily (as prescribed by the Central Bank of Sri Lanka) divided by the total deposits.

Market capitalisation

Number of ordinary shares in issue multiplied by market value of a share and indicates total market value of all ordinary shares in issue.

Market Risk

This refers to the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices.

Net Assets per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income (NII)

The difference between the amounts a financial institution earns on assets such as loans and

securities and what it incurs on liabilities such as deposits and borrowings.

Non-Performing Loans

Loans advances and hire purchase/lease finance of which interest or capital is in arrears for six months or more.

Non-Performing Ratio

Total non-performing loans expressed as a percentage of the total loans and advances.

Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, peoples and systems or from external events.

Price Earnings Ratio

Market price of an ordinary share divided by earnings per share.

Projected Unit Credit Method

An actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Related Parties

Parties where one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related party Transactions

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Return on Average Assets (ROA)

Net profit after tax divided by the average assets.

Return on Average Equity (ROE)

Profit after tax less preference share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

Reverse Repurchase Agreement

Transaction involving the purchase of government securities and resale back to the seller at a given price on a specific future date.

Risk Weighted Assets

On-Balance Sheet assets and the credit equivalent of off-Balance Sheet assets multiplied by the relevant risk weighting factors prescribed by the Central Bank of Sri Lanka.

Solvency

The availability of cash over the long term to meet financial commitments as they fall due.

Tier I Capital

Core capital representing permanent shareholders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

Tier II Capital

Supplementary capital that consist of revaluation reserves, general provisions and debt instruments such as subordinated term debts and other hybrid capital instruments that combine characteristics of equity and debt.

Total Capital

Total capital is the sum of Tier I capital and Tier II capital.

Transaction costs

Are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Value Added

Value of wealth created by providing financial and other related services less the cost of providing such services.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Vallibel Finance PLC will be held on 26th June 2015 at 10.00 a.m at the Auditorium, The Institute of Chartered Accountants of Sri Lanka, 30 A, Malalasekera Mawatha, Colombo 07, for the following purposes:

1. To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Statement of Accounts for the year ended 31st March 2015 with the Report of the Auditors thereon.
2. To re-elect Mr. R M Karunaratne who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.
3. To re-elect Mr. T Murakami in terms of Article 94 of the Articles of Association, as a Director.
4. To re-elect Mr. K D A Perera in terms of Article 94 of the Articles of Association, as a Director.
5. To re-elect Mr. A Dadigama in terms of Article 94 of the Articles of Association, as a Director.
6. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration.
7. To authorise the Directors to determine donations for the year ending 31st March 2016 and upto the date of the next Annual General Meeting.

By Order of the Board
VALLIBEL FINANCE PLC



PW Corporate Secretarial (Pvt) Ltd
Secretaries

22nd May 2015
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company; No. 310, Galle Road, Colombo 3, not less than forty seven (47) hours prior to the time appointed for the meeting.

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Form of Proxy

I/We* NIC No.
of
being a shareholder / shareholders* of Vallibel Finance PLC hereby appoint
..... NIC No. of
..... or failing him.

Mr. K V P R De Silva	or failing him*
Mr. Dhammika Perera	or failing him*
Mr. S B Rangamuwa	or failing him*
Mr. R M Karunaratne	or failing him*
Mr. T Murakami	or failing him*
Mr. K D A Perera	or failing him*
Mr. A Dadigama	of Colombo*

as my/our* proxy to represent me/us*, to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 26th June 2015 at 10.00 a.m and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors on the affairs of Company and the Statement of Accounts for the year ended 31st March 2015 with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2.	To re-elect Mr. R M Karunaratne who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3.	To re-elect Mr. T Murakami in terms of Article 94 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4.	To re-elect Mr. K D A Perera in terms of Article 94 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5.	To re-elect Mr. A Dadigama in terms of Article 94 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6.	To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
7.	To authorise the Directors to determine donations for the year ending 31st March 2016 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

I witness my/our* hand(s) this day of Two Thousand and Fifteen.

.....
Signature of Shareholder(s)

**Please delete what is inapplicable.*

Note:

1. Instructions as to completion appear on the reverse
2. A Proxy need not be a shareholder of the Company

Form of Proxy

Instructions for completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company No. 310, Galle Road, Colombo 03, Sri Lanka, forty seven (47) hours prior to the time appointed for the Meeting
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney must be deposited at the Secretaries' Office (i.e. PW Corporate Secretarial Limited, No 3/17, Kynsey Road, Colombo 08) for registration.
5. If the appointor is a Company / Incorporated body this Form must be executed in accordance with the Articles of Association / Statute.

Corporate Information

Name of Company

Vallibel Finance PLC

Legal Form

Public Limited Liability Company incorporated in Sri Lanka.
A Finance Company licensed under the Finance Business Act No.42 of 2011.
A Registered Finance Leasing Establishment in terms of Finance Leasing Act No.56 of 2000.
An Approved Credit Agency under the Mortgage Act No.6 of 1949 and Trust Receipt Ordinance No.12 of 1947.

Date of Incorporation

5th September 1974

Company Registration Number

PB 526/PQ

Board of Directors

Mr. K V P R De Silva - Chairman
Mr. S B Rangamuwa - Managing Director
Mr Dhammika Perera - Executive Director
Mr. R M Karunaratne
Mr. T Murakami
Mr. K D A Perera
Mr. A Dadigama

Registered Office/Head office

No. 310,
Galle Road
Colombo 03.

VAT registration No.

104040950 7000

Telephone

(+94) 11-2370990

Facsimile

(+94) 11-2375851

Website

www.vallibelfinance.com

Secretaries and Registrars

P W Corporate Secretarial (Pvt) Ltd
No. 3/17, Kynsey Road
Colombo 08.
Telephone: (+94) 11-4640360-3
Fax: (+94) 11-4740588
Email: pwcs@pwcs.lk

External Auditors

KPMG
No. 32A, Sir Mohamed Macan Marker Mawatha
P.O Box 186
Colombo 03.
Telephone: (+94) 11-2426426
Fax: (+94) 11-2445872

Internal Auditors

Ernst & Young Advisory Service (Pvt) Ltd
No.201, De Saram Place
P.O Box 101
Colombo 10.
Telephone: (+94) 11-2463500
Fax: (+94) 11-2697369

Bankers

Bank of Ceylon

Corporate Branch
No.4, Bank of Ceylon Mawatha
Colombo 01.

People's Bank

Headquarters Branch
No.75, Sir Chittampalam A Gardiner Mawatha
Colombo 02.

Seylan Bank PLC

Cinnamon Gardens Branch
No.4, Baptist Chapel Road
Colombo 07.

Sampath Bank PLC

Headquarters Branch
No 110, Sir James Peiris Mawatha
Colombo 02.

Pan Asia Banking Corporation PLC

Head Office Branch
No.450, Galle Road
Colombo 03.

National Development Bank PLC

Head Office Branch
No.103A, Dharmapala Mawatha
Colombo 07.

Deutsche Bank AG

Colombo Branch
No. 86, Galle Road,
Colombo 03.

Hatton National Bank PLC

Kollupitiya Branch
No. 293, Galle Road,
Colombo 03.

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