

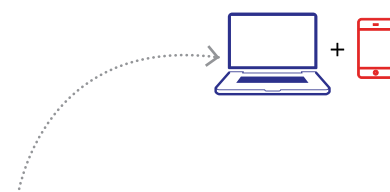
Growth, Trust and
Success

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Read this report online
www.vallibelfinance.com



Ranked among the
top 100
companies in
Sri Lanka
by LMD

“

LMD: Sri Lanka Business Magazine awarded a place to Vallibel Finance PLC within its top 100 brands in their annual brand supplement.

”

And an ICRA
credit
rating of
BBB-
with stable
outlook

“

The credit rating assigned by ICRA Lanka of (SL) BBB- with a stable outlook for the Company was based on the stable financial and managerial backing received from the Vallibel Group, the highly experienced senior management team, and the satisfactory internal controls and monitoring processes adopted by the Company.

”

A significant
**market
share**

of lending portfolio
and deposits.

“

For the Company's lending assets portfolio and deposits base, the year under review was highly successful, showcasing a lending portfolio increase by 47.03% to Rs. 18.48 Bn and total deposits base increase by 21.72% to reach the Rs. 14.80 Bn mark at end March 2016.

”

Pre-tax profits rise

by

44%

“

The Company's pre - tax profit increased by 44.05% to Rs. 911.74 Mn compared to Rs. 632.94 Mn in the previous year. Our contribution to the Sri Lankan Government also increased by 53.17% to Rs. 398.47 Mn in comparison to the previous year.

”

Strong
asset base with
Over
Rs. 3 Bn
income.

“

The Company's primary source of earnings which continues to be loans and advances, recorded a portfolio growth of 47.03% during the year, which augers well for the Company's long term prospects. These earnings generated an interest income of Rs. 3.04 Bn for the year under review which is a 16.42% increase compared to that of the previous year which was Rs. 2.61 Bn.

”

These are some of the facts that matter in any analysis of your finance company and the reasons why we are now one of the nation's most respected financial solution providers. At Vallibel Finance, we have always prided ourselves on being a finance company for the people. Over ninety thousand Sri Lankans now partner with us, trusting our strength and stability, our reliable financial products, advanced digital technologies and the genuine warmth of our people and service.

For several years we have driven job creation and social development in some of the remote regions across the country, supporting economic and social development through our many rural credit, SME and micro-credit programmes, designed to advance rural communities and economies. That's why we know it is a matter of fact that we are truly the best financial institution to partner the nation in making the most of tomorrow's opportunities and our own unlimited potential for growth, trust and success.

Growth, Trust and
Success

About us

Vallibel Finance came into existence in 2005 when the Vallibel Group acquired a potentially lucrative company known as Rupee Finance. Having undergone a re-branding to align ourselves under the prestigious Vallibel Group, today, Vallibel Finance has traversed a long way from its humble beginnings. Through the years since acquisition, we have been challenged and come out victorious and triumphant in all we have set-out to do.

The financial year 2015/16 saw Vallibel Finance continue onward with our growth prospects and expansion strategy. We pursued our goal to improve access to our branch network and set-up three new branches and one service centre, whereby our customers can obtain our service excellence more conveniently. Today, with 28 branches in strategic locations across the country, our dedicated team is positioned to serve customers professionally, yet giving personal attention.

By the year end, we were acknowledged as one of the fastest growing financial entities of Sri Lanka, offering customers a wide array of financial solutions designed to improve, yet simplify their transactions; as well as their lives. We have served customers from entrepreneurs to large corporate and small businesses to enterprising households, while ensuring a successful and satisfactory service delivery.

As we diversify our business and move on to developing exciting and innovative new products and services, our strong asset base together with solid profits, guarantee that exponential growth can be expected of Vallibel Finance PLC in the future. Most importantly, we at Vallibel Finance have made it possible for Sri Lankans across the country to place their trust in us for sure returns and secure investments.

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.

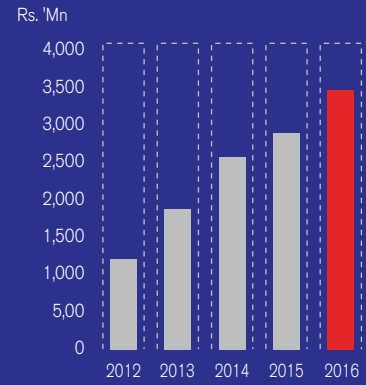
Financial Highlights

For the Year Ended / As at 31st March

	2016 Rs.'000	2015 Rs.'000	%
FINANCIAL PERFORMANCE			
Gross Income	3,468,277	2,896,187	19.75
Gross Interest Cost	1,558,668	1,344,338	15.94
Pre-Tax Profit	911,736	632,943	44.05
Income Taxation	270,359	185,854	45.47
Profit After Taxation	513,265	372,787	37.68
Revenue to The Government	398,471	260,156	53.17
FINANCIAL POSITION			
Shareholder's Funds	1,928,926	1,514,170	27.39
Total Deposit Base	14,804,037	12,162,097	21.72
Borrowings & Bank Overdrafts , Subordinated Term Debts	5,385,344	2,622,713	105.33
Loans & Advances, Lease and Hire Purchase	18,479,905	12,568,875	47.03
Total Assets	22,767,176	16,893,507	34.77
Market Capitalisation	2,231,267	1,869,777	19.33
KEY INDICATORS PER ORDINARY SHARE			
Earnings Per Share (Rs.)	12.35	8.97	37.68
Net Assets Per Share (Rs.)	46.42	36.44	27.39
Market Value Per Share (Rs.)	53.70	45.00	19.33
PE Ratio (Times)	4.35	5.02	(13.33)
KEY RATIOS			
Return on Average Equity (%)	29.81%	27.67%	7.73
Return on Average Assets - After Tax (%)	2.59%	2.53%	2.37
Interest Cover (Times)	1.58	1.47	7.48
Equity / Assets	0.08	0.09	(11.11)
Debt plus Total Deposit to Equity (Times)	9.83	9.46	3.91
Non Performing Ratio (%) - Gross	3.76%	5.11%	(26.42)
Non Performing Ratio (%) - Net	0.52%	0.95%	(45.26)
STATUTORY RATIOS			
Liquid Assets - Minimum Required 10%	19.11%	24.00%	(20.36)
Core Capital Ratio (%) - Minimum Required 5%	10.58%	11.53%	(8.24)
Total Risk Weighted Capital Ratio (%) - Minimum Required 10%	15.86%	17.29%	(8.24)

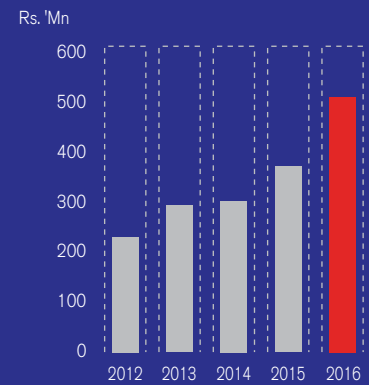
Rs.572Mn
Growth of Gross
Income **+19.8%**

Gross Income



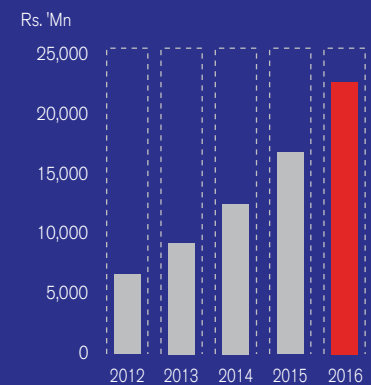
Rs.140Mn
Growth of Net
Profit **+37.7%**

Net Profit



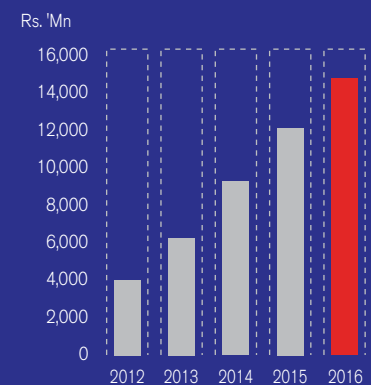
Rs.5.9Bn
Growth of Total
Assets **+34.8%**

Total Assets



Rs.2.6Bn
Growth of Total
Deposits **+21.7%**

Total Deposits




Chairman's Statement

Income

Rs. 3.5 Bn

Our focussed efforts, rendered a pre - tax profit of Rs. 911.74 Mn in the year under review and resulted in revenue of Rs. 3.47 Bn which was mainly derived from interest income.

 For more information:
Please refer page 94

PAT Growth

37.68%

Lending Portfolio

 **Rs.18.5 Bn**

Our quality portfolio combined with our range of products ensures a 47.03% growth in the Company's overall loans and advances portfolio.



A continued focus on the journey of success

“

We moved forward with our growth and expansion plans, branched out to four more towns in the country and continued providing our customers innovative products to satisfy their financial requirements.

”

It is with pleasure that I address all our stakeholders in this, Vallibel Finance's seventh annual report. I have been privileged to work with this Company and assist in leading Vallibel Finance through its journey of success.

The year just past challenged us and made us work that much harder. The Company's results reflect this hard work as a year that overtook even our preconceived expectations. A year in which the Company's performance has been relatively better than in the past.

The country faced unstable economic conditions in the year under review with the global economic downturn reflecting in the performance of the local economy. The prevailing low interest rate regime in the country also affected the financial services sector of the country. Despite these challenges the GDP of Sri Lanka continued an upward trend and showed a positive outlook, and the service sector reflected an expansion of 5.3% mainly led by the acceleration in financial activities and in transportation of goods and passengers.

In the face of these challenges, Vallibel Finance persevered. We moved forward with our growth and expansion plans, branched out to four more towns in the country and continued providing our customers innovative products to satisfy their financial requirements. These

focussed efforts, therefore rendered a profit before government taxes of Rs. 911.74 Mn in the year under review and resulted in revenue of Rs. 3.47 Bn which was mainly derived from interest income. Our quality portfolio combined with our range of products ensures a 47.03% growth in the Company's overall loans and advances portfolio. In monetary terms Vallibel Finance did indeed succeed very well in the year under review.

From an operational perspective too, the Company met success. We focused our marketing efforts on promoting the new products in our portfolio which resulted in new customers and new markets for the Company. I believe that the proactive stance adopted by the Company to identify opportunities and capitalise on the requirements in the market place coupled with our new technological platforms and continuous process improvements has resulted in Vallibel Finance making leaping strides in the industry, to slowly but steadily, become a household name in the sphere of financing.

The year also heralded some awards and accolades for the Company. I am pleased to announce that ICRA Lanka recognised the Company's growth and stability and bestowed us with an issuer rating of (SL) BBB- with a stable outlook.

Further LMD: Sri Lanka Business Magazine awarded a place to Vallibel Finance PLC within its top 100 brands in their annual brand supplement.

The close and continuing relationships the Company has established with all our stakeholders, including shareholders, customers, creditors, and vendors is testament to the trust our business is based on. As we continue to achieve our goals, we will continue with this culture of trust and accountability as well as transparency and ethical business practices, ensuring a sustainable enterprise in the long run.

Our success can be attributed to the many people who support the Company both directly and indirectly. I take this opportunity convey my appreciation to Mr. Dhammika Perera, whose vision this Company is built on, for his continued guidance and support. The Board of Directors, the management team, and every member of staff are part of the Company's success story. I take this opportunity to thank my fellow Board of Directors for their guidance and expertise in carrying out company business. I also thank the dynamic management team for their continued efforts in leading the Company into the future. Special mention to the Managing Director for being the leader who makes everything possible. Last, but most important, every person employed by Vallibel Finance has contributed to the Company's success through these years, ensure that the business runs smoothly every day and make a career of making Vallibel Finance a successful enterprise.

Loyalty, trust, and professionalism combined with the will to succeed have seen Vallibel Finance reach today's heights. We work together as one team, and this will enable us to reach our vision to change the financial landscape of our country.



K V P R De Silva
Chairman

Managing Director's Message

Pre - Tax Profit

Rs. 911 Mn

Growth 44.05%

Total Assets

Rs. 22.8 Bn

Growth 34.77%

"The year under review for Vallibel Finance, in my consideration, has been an astounding success. A year in which the Company has outperformed even our own expectations... a year that has laid the foundation on which to build in the future."



I welcome you to the latest annual report of Vallibel Finance PLC. Vallibel is a part of the prestigious Vallibel Group, one of the leading conglomerates in Sri Lanka with widespread interests in the trading, shipping, banking, finance, manufacturing, hospitality, etc. The Vallibel Group has played a significant role in the Vallibel Finance's continued success and has contributed towards many of the Company's achievements.

The year under review for Vallibel Finance, in my consideration, has been an astounding success. A year in which the Company has outperformed even our own expectations... a year that has laid the foundation on which to build in the future. We attribute our success to the Company's continued focus on technological advances, improvement in processes and systems, the knowledgeable and talented management team, and the continuous training and development of our employees.

Financial Performance Overview

Vallibel Finance had a year that was both operationally and financially successful, and its results show a performance that is above the industry average. The Company's total revenue for the year under review showed an increase of 19.75% compared to the previous year. This growth was mainly attributed to the confidence placed in the Company by our customers who continued to make use of our services portfolio. As a result, the overall loans and advances portfolio recorded a growth of 47%, while the main

contributor to the Company's revenue, interest income increased by 15.79% in the year under review.

The Company's profits before government taxes showed an increase of 44.05% during the year, which is much greater than the 29.43% recorded in the previous year. Further, the increased business volumes were reflected by the 34.77% growth in total assets as at the reporting date.

One aspect that the Company pursued in the year under review was to increase our mix funding lines from various forms. We are confident that this decision will lead the Company towards strengthening our liquidity position while the Company will benefit from prevailing low interest rate regime in the country.

Operational Performance Overview

The Company offers a wide ranging quality services portfolio of products to our customers, which is flexible and affordable. During the year under review, we concentrated on marketing and promoting the three services - Vallibel Auto Draft, Group Personal Loans, and Business Loans, launched in the latter part of the last financial year, and I am happy to report that our efforts have been well rewarded. One indicator of this is the low level of our non-performing loans ratio which has consistently remained well below the industry average, but decreased by 26.42% in the year under review compared the previous year.



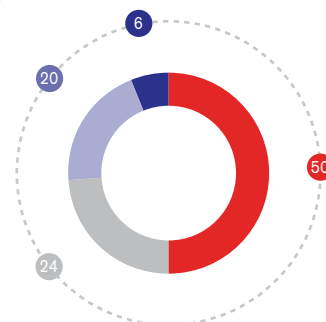
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Employees

The Company's employees are the people who drive our strategies, while working towards meeting our goals.

Composition of Interest Income - 2016

(%)



- Finance Leases
- Other Loans & Advances
- Hire Purchase
- From Other Investments

Deposit Base

Rs. 14.8 Bn

Growth 21.72%



The Company's total revenue for the year under review showed an increase of 19.75% compared to the previous year. This growth was mainly attributed to the confidence placed in the Company by our customers who continued to make use of our services portfolio.



Managing Director's Message

The Company also continued the aggressive drive to increase our presence across the country. Accordingly we opened three new branches in Kaduruwela, Warakapola, and Wattala and a service centre in Piliyandala.

Innovative Products

A notable change adopted by the Company, was our decision to re-structuring the hire purchase facilities to leasing facilities. We foresee the demand for hire purchase drastically reducing in the future, and are proactively identifying new products that would satisfactorily replace this product. The launch of the Vallibel Auto Draft was the Company's first step in this direction. We are confident that we will be able to provide other such innovative products to our customers in the future.

The Motor Division, which is a one of its kind facility, will benefit to its core activities. The Company's main aim in undertaking this venture was to establish closer ties with our suppliers and agents and ascertain a flourishing long term relationship with them.



The Company also continued the aggressive drive to increase our presence across the country. Accordingly we opened three new branches in Kaduruwela, Warakapola, and Wattala and a service centre in Piliyandala.



People, Sustainability and CSR

The Company's employees are the people who drive our strategies, while working towards meeting our goals. We employ people who will best fit our culture and values, and give opportunities for the newly qualified to join our team and excel in their chosen profession. In turn, we train and guide them to success in all they undertake to do. We see this as giving back to the society and ensuring the sustainability of the workforce in the country.

Corporate Social Responsibility (CSR) is something we believe in wholeheartedly. In the year under review we built a monastery at the Sri Shaykyasingharamaya, Panagoda in Homagama, held our annual Vesak dansala, and our third blood donation campaign – a cause aimed at saving lives and we do our CSR to the best of our abilities.

Achievements

The year under review was interspersed with noteworthy achievements for the Company. A testament to our financial stability is the issuer rating of (SL) BBB- with a stable outlook from ICRA Lanka. The Company was also recognised as one of the leading Finance Companies who have the largest deposit base and LMD: Sri Lanka Business Magazine awarded a place to Vallibel Finance PLC within its top 100 brands in their annual brand supplement.



Future Outlook

The coming year looks promising for the Company's continued success. We plan to continue to expand our footprint in the country and in the pipeline are the branch openings at Mount Lavinia, Borella, Balangoda, Hanwella, Dambulla, Nuwara Eliya and Katugastota. We will also continue to focus on the development of new and innovative products and have plans to launch savings accounts and further expand on the micro loans facilities. We expanded our partnerships in the year under review with special tie-ups with all agents and distributors, and have plans to further such mutually beneficial business models that give an advantage to our customers.

The close relationships built on trust with all our other stakeholders, including shareholders, customers, creditors and vendors will be the base on which we will continue to prosper and grow our business in the future.

Appreciation

I would like to take this opportunity to thank the Chairman and Board of Directors of Vallibel Finance for their unfailing support during the year. Their invaluable guidance has ensured our journey of success will continue. I would also like to put forth my appreciation to Mr. Dhammika Perera, who is the visionary behind Vallibel Finance and all our achievements.

The management and staff of the Company also must be mentioned, their commitment and desire to succeed has ensured the Company's continued success. Last, but not least, I thank all our stakeholders for the confidence and trust placed in Vallibel Finance, its management team and employees which makes our job in serving the entrepreneurs and enterprising households of Sri Lanka that much easier.

S B Rangamuwa
Managing Director

Board of Directors



1. **K. V. P. R. De Silva**
Chairman
3. **Dhammika Perera**
Executive Director

2. **S. B. Rangamuwa**
Managing Director
4. **R. M. Karunaratne**
Director



5. **T. Murakami**
Director

6. **K. D. A. Perera**
Director

7. **A. Dadigama**
Director

Board of Directors

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, 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.

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 is a former Director of Mercantile Investments PLC having held various key positions during his long standing career 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.

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 is with over 27 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 and Delmege Limited. He is the Co- Chairman of Hayleys PLC and The Kingsbury (Non-Executive), Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC, and Lanka Ceramic PLC. He also serves on the Boards of Amaya Leisure PLC, Lanka Tiles PLC, Haycarb PLC, Hayleys Fabrics PLC, Dipped Products PLC, Hayleys Global Beverages (Pvt) Ltd and Sun Tan Beach Resorts Ltd.

R. M. Karunaratne

Director

Mr. Rathnayake Mudiyanseelage 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.

T. Murakami

Director

Mr. Toyohiko Murakami is a Chief Executive of Bansei Group Japan. Mr. Murakami has over 32 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 at 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 Hoshō Co., Ltd. from November 2005 to February 2006 and as 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, Director of Pan Asia Banking Corporation PLC and Bansei Securities Finance (Pvt) Ltd, and Director of Hikkaduwa Hotel Holdings (Pvt) Ltd.

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.

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 University of Southern Queensland, Australia. Further, he is a degree holder (BBA) of University of Colombo.

He is specialized in finance, treasury, risk management and formulating strategic business plans and counts over 23 years of experience in different entities including finance companies and exporting companies.

At present, Mr. Dadigama is the Group CEO / Managing Director of Alugrow Group of Companies.

Hiroyuki Ota

Alternate Director

Mr. Ota is the Managing Director of Bansei Securities Finance (Pvt) Ltd and counts over 30 years of experience in finance business in the areas of commercial banking, trust banking, lease finance and securities business. Mr. Ota holds a Degree in Bachelor of Law from Kyoto University, Japan.

He has been the Managing Director of Bansei Securities Finance (Pvt) Ltd since 2015, and has been dedicated towards collaborations between Sri Lanka and Japan in Financial Business. Mr. Ota is also acknowledged by the Bansei Group as Managing Director who contributed towards strengthening and making the Bansei Group profitable.

He previously worked for the Long Term Credit Bank of Japan (Now called as Shinsei Bank) (1982-2000), Mitsui Sumitomo Trust & Banking (2000-2011) and Ricoh Co. Ltd (2011-2014).

He is a Director of Bansei Securities Capital (Pvt) Ltd, Bansei & NWS Consultancy (Pvt) Ltd, Bansei Holdings LK (Pvt) Ltd, Bansei Royal Resort Hikkaduwa PLC and Hikkaduwa Hotel Holdings (Pvt) Ltd.

Corporate Management Team



1. **D. G. N. Perera**
Deputy General Manager - Credit

2. **S. K. N. C. Jayawardana**
Deputy General Manager - Business Development

3. **P. B. D. T. S. Nanayakkara**
Deputy General Manager - Collections

4. **K. D. M. Sameera**
Assistant General Manager - Finance & Administration

5. **T. U. Amaraweera**
Assistant General Manager - Asset Management

6. **D. M. P. M. B. Dissanayaka**
Assistant General Manager - Credit

7. **S. Sapukotana**
Assistant General Manager - Business Development

Senior Management Team



1. **L. G. R. De Silva**
Senior Manager - Metropolitan Branch
3. **S. P. Abewickrama**
Senior Manager - Branches
5. **B. G. W. M. Ariyapala**
Senior Manager - Special Projects

2. **K. N. Warnakula**
Senior Manager - Micro Finance
4. **P. H. R. K. Sugathadasa**
Senior Manager - Internal Audit

Management Discussion & Analysis

For Vallibel Finance, the financial year under review was both challenging and imbued with opportunities. As the Company continued its journey of success, we were well positioned to reap the benefits of our past achievements while venturing into new opportunities that will pave the way for our future success. Our continuing growth story, which strengthens our foothold within the finance industry of the nation, we attribute to the dedication of our employees and their willingness to embrace the Company's vision, mission and values to bring the best possible service to our customers and other stakeholders.

The Company's ability to understand the heartbeat of the people, allowing for financial tools tailor-made for individuals from diverse backgrounds, and our perseverance in meeting our goals has resulted in an improved asset profile, being one of the leading Licensed Finance Companies who have the largest assets and deposit base, and gained us an issuer rating of (SL) BBB- with a stable outlook from ICRA Lanka.

Vallibel Finance has also successfully pursued our non-financial goals during the year by undertaking several corporate social responsibility projects which cater to the social empowerment of the people of Sri Lanka, as well as one of the Company's most important stakeholder – our employees.

THE ECONOMY IN PERSPECTIVE

Global Economic Outlook

The Global economic growth in 2015 was below expectations, slowing to

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For Vallibel Finance, the year under review showed the desired levels of growth and stability that the Company was aiming to achieve. The Company's efforts and continued strategic focus ensures that we are able to achieve the best possible operating results within the context of the current uncertain economic climate.

”

2.4%, and is expected to recover at a slower pace than previously envisioned with projected growth to reach 2.9% in 2016. The muted performance came even as central banks continued to pump in liquidity, oil prices plunged again and inflation was moderate. The collapsing commodity prices reflected adversely on emerging markets like Russia and Brazil but surprisingly, other emerging economies like India and Vietnam showed more positive results. The Chinese economy was a clear leader, although it experienced its slowest growth in 25 years, with overall GDP growth remaining relatively robust compared to its peers. The Indian economy also expanded faster than expected in the third quarter when GDP rose 7.4% from a year earlier, after a 7% expansion in the previous quarter.

In developed economies, robust U.S. jobs growth prompted the Federal Reserve to tighten monetary policy for the first time since 2006, while in Canada the outlook continued its downward spiral. In advanced economies, smaller European nations

were among the best performers, even outperforming China.

The post-crisis lows in commodity prices, weaker capital flows, spells of financial market volatility, and subdued global trade was reflected in the continued growth deceleration in emerging and developing economies which in turn significantly contributed towards the global economic slowdown. The largest emerging economies - Brazil, the Russian Federation, India, China, and South Africa – which have been showing a slowing growth for three consecutive years has had significant spill-overs to the rest of the world. The economic rebalancing in China is continuing, while Brazil and Russia have been going through severe adjustments in the face of external and domestic challenges.

In contrast to developing countries, the recovery in major high-income countries showed a more positive outlook in 2015 driven by stronger domestic demand as labour markets healed and credit conditions continued to improve.

Sri Lankan Economic Outlook

Sri Lanka's economic expansion has slowed in the past three years from the rapid pace of the post-conflict economic boom. Real economic growth recorded at 4.8% in 2015 was marginally lower than the 4.9% expansion of the previous year. The main causes for this can be attributed to the slowdown in growth of the country's traditional exports as a result of the weak global demand, and the political change experienced in the country during the year which resulted in an expansive fiscal policy being adopted.

Domestic consumption grew mainly as incomes among public sector workers increased. Private consumption expenditure also grew during 2015, mainly due to the low interest rate environment and increased real wages. Investment activities reduced in 2015 while net external demand deteriorated in real terms due to the combined outcome of the increased demand for imports, mainly from consumption goods, and the weak demand from Sri Lanka's major export destinations.

Inflation also grew to reach 4.5% at the end of the year driven primarily by the enhanced growth of bank credit as well as higher wages afforded to government workers and employees in other sectors of the economy. The Central Bank took early corrective action to address the adverse implications of growing demand pressures on price and financial stability as well as to help cushion the pressure on Balance of Payments by imparting greater flexibility in the management of the exchange rate, enforcing the new macro-prudential regulation of Loan

To Value (LTV) ratio as a selective demand management instrument, tightening monetary policy through an upward adjustment of the Statutory Reserve Requirement (SRR), and later increasing its policy interest rates.

On the supply side, 5.3% expansion in the large service sector was the main driver of growth as the contribution from industry declined. The higher result for the services sector came from the acceleration in financial services activities by 15.8% which benefitted from the relaxed monetary policy stance, and in transportation of goods and passengers by 5.5%.

Financial Sector of the Economy

The financial sector of the economy showed a marked improvement in growth in 2015, reflecting the underlying economic performance and supportive prudential regulatory measures, which led to further strengthening the financial system stability of the country. The banking sector total assets increased by 15.9% in 2015, funded mainly by customer deposits. Assets quality of the sector also improved further as reflected by the Non-Performing Loan (NPL) ratio falling to 3.2% at the end of 2015 compared to 4.2% in the previous year.

The NBFi Sector

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector performance remained robust during 2015 in terms of expansion in business volumes and business reach. Accordingly, this sector showed a sharp growth of 22.3% in its total assets at the end of 2015 with

improved assets quality reflected in the NPL ratio, which decreased to 5.7% in the year. Although, the share of deposits in total funding decreased to 48.2% in 2015, there was a steady growth in deposits as this sector continued to attract depositors due to the relatively high deposit rates offered when compared to those of banks.

The profitability of the LFCs/SLCs sector had a negative impact mainly due to the sharp increase in operational costs, which in turn adversely affected the Return on Assets (ROA) and Return of Equity (ROE) which decreased marginally by 10 basis points and 170 basis points, respectively. The total risk weighted capital adequacy ratio (CAR) of the sector also decreased to 11.2% in 2015 compared to 13.5% in 2014. The primary dealer industry showed 44.7% growth in total assets and moderate increase in profit levels.

The LFC/SLC sector operated with an excess liquidity position during the year and recorded a surplus of Rs.13.7 Bn in overall assets liquidity position at the end of 2015 compared to the stipulated minimum requirement of Rs. 65.7 Bn. It should also be noted that the liquid assets to deposits ratio was well above the statutory minimum requirement of 10% of time deposits and 15% of savings deposits.

Other non-banking financial institutions also recorded growth but mixed operating performances as a result of their individual business models and the financial market conditions prevailed during the year.

Management Discussion & Analysis

The new prudential regulations put into effect resulted in the introduction of a number of regulatory policies in 2015 to further strengthen the risk management and public confidence in the financial sector. The biggest challenge for the sector was the introduction of a maximum Loan To Value (LTV) ratio of 70% in respect of loans and advances granted for the purpose of purchase or utilisation of motor vehicles by banks and LFCs and SLCs, and a new regulatory framework for opening, closure and relocation of branches and other outlets of LFCs and SLCs.

The appropriate policy decisions made by the government together with supportive regulatory and supervisory measures in place enabled the sector to operate with lower market risk exposure and healthy levels of liquidity.

PERFORMANCE HIGHLIGHTS

For Vallibel Finance, the year under review showed the desired levels of growth and stability that the Company was aiming to achieve. The Company's pre - tax profit increased by 44.05% to Rs. 911.74 Mn compared to Rs. 632.94 Mn in the previous year. Our contribution to the Sri Lankan Government also increased by 53.17% to Rs. 398.47 Mn in comparison to the previous year. The Company's efforts and continued strategic focus ensures that we are able to achieve the best possible operating results within the context of the current uncertain economic climate.

The Company's total assets increased to Rs. 22.77 Bn as at

the financial year end, a 34.77% growth compared to the previous financial year. This was a landmark achievement for Vallibel Finance in the year under review.

The year under review heralded a few significant first time achievements for the Company in its short lifespan; the Company's monthly disbursement reached over the Rs. 1 Bn mark, the gold loan portfolio reached over Rs. 500 Mn for the year under review, and the total assets base exceeded Rs. 20 Bn. These signify the passion with which all employees work towards achieving the Company's goals and creating historic landmark achievements to be celebrated. The Rs. 14.80 Bn as the fixed deposit base as at the year-end was another accomplishment for the Company; as it places us among the leading Licensed Finance Companies with the largest deposit base in the country.

The credit rating assigned by ICRA Lanka of (SL) BBB- with a stable outlook for the Company was based on the stable financial and managerial backing received from the Vallibel Group, the highly experienced senior management team, and the satisfactory internal controls and monitoring processes adopted by the Company. The reasonable asset portfolio quality profile and the positive profitability indicators that the Company has achieved despite the moderation witnessed over the recent past also contributed towards the upgraded rating profile.

ICRA also deemed it necessary to upgrade Vallibel Finance's Rs. 1.5 Bn debenture in the following manner;

Rs. 500 Mn unsecured subordinated redeemable debentures upgraded to BB+ with a stable outlook from BB+ previously, and the issue rating of Rs. 1 Bn guaranteed subordinated redeemable debentures upgraded to AA-(SO) from AA(bg).

ICRA Lanka's confidence in Vallibel Finance reflects the general market confidence placed on the Company by its stakeholders and peers. This endorses the Company's growth and stable performance in the year under review, thus keeping us firmly on the road to success, while reaching out to change the financial landscape of our country and to seek out people who need help.

BRANCHING OUT

The Company's branches are strategically located, offering a variety of tailor-made products to satisfy the diverse needs of the assorted clientele in these locations, while supporting the fast-paced developments taking place in these locales.

In keeping with the Company's expansion drive, in the year under review, Vallibel Finance opened three new branches in Kaduruwela, Warakapola, and Wattala. We also opened one new service centre in Piliyandala. Thus, today, with a total of 20 branches and 8 service centres, the Company is able to assist with the finance needs of many individuals and businesses in seven out of the nine provinces in Sri Lanka.

The locations of the three branches opened in the year under review were chosen with careful consideration,

ensuring the strategic direction of Vallibel Finance is being met. The Kaduruwela branch is targeted at serving the finance needs of the town's agri-based business enterprises, while the Warakapola and Wattala branches together with the service centre in Piliyandala are aimed at bringing financing closer to the

homes of people living and working in the fast growing economies of these townships. These towns being in close proximity to the city of Colombo also are slowly and steadily becoming business centres, and the Company hopes to reach the entrepreneurs and businessmen in these areas with our tailor-made product offering.

The Company foresees these new branches becoming very productive and profitable in the coming years, and we have plans to continue with the expansion of our branch network in the coming financial years.



Wattala Branch opening



Warakapola Branch opening



Piliyandala Branch opening



Kaduruwela Branch opening

Management Discussion & Analysis

Location			Branch and Service Centre Network	
1	Colombo (Head Office)	15	Embilipitiya	
2	Maharagama	16	Moratuwa	
3	Minuwangoda	17	Malabe	
4	Kandy	18	Panadura	
5	Aluthgama	19	Nugegoda	
6	Ratnapura	20	Bandarawela	
7	Kiribathgoda	21	Kalutara	
8	Matara	22	Anuradhapura	
9	Kurunegala	23	Kegalle	
10	Negombo	24	Rajagiriya	
11	Gampaha	25	Kaduruwela	
12	Galle	26	Piliyandala	
13	Chilaw	27	Warakapola	
14	Kuliyapitiya	28	Wattala	

PRODUCT DEVELOPMENT INITIATIVES

Our Product Offering

Investment Products

- Fixed Deposits

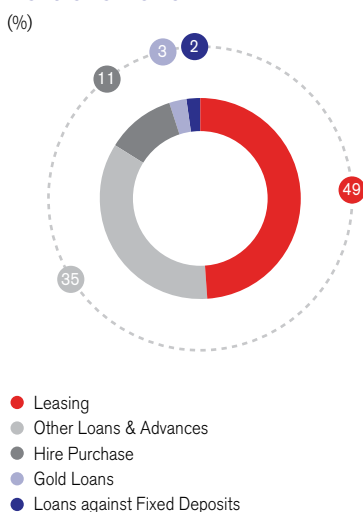
Lending Products

- Leasing
- Hire Purchase
- Personal Loans
- Mortgage Loans
- Property Mortgage Loans
- Group Personal Loans
- Business Loans
- Gold Loans
- Vallibel Auto Draft
- Loans against Fixed Deposits

Equally important as the expansion of the Company's branch network is the expansion of the Company's product lines. While we continue to situate ourselves around the country, it is important that we tailor-make products to suite the requirements and needs our diverse customer base

in the different towns and cities of Sri Lanka. Accordingly, in the year under review, the Company made great strides in further promoting the three new products launched in the latter part of the previous year, making these - Vallibel Auto Draft, Group Personal Loans, and Business Loans - major contributors to the total products portfolio of the Company.

Composition of Lending Portfolio 2016



Vallibel Auto Draft

One of the Company's newly launched products, the Vallibel Auto Draft is an innovative, tailor-made, one of its kind products in the industry. This product was introduced by Vallibel Finance in the later part of the financial year 2015. The creation of this product was a proactive move by the Company and has been strategically sound. Through concentrated advertising and marketing efforts, this product has improved its performance during the year under review. In fact, the Company is able to attribute the Vallibel Auto Draft as the product that enables us to successfully combat the downturn that affected the industry during the year under review.

Vallibel Auto Draft, branded as a speed draft product and deemed more economical than a bank overdraft, is a one year vehicle loan. 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. All a prospective customer has to do to obtain this financing product

is give his/her vehicle as security to the Company. It's simple and easy, and most importantly hassles free. There is also no restriction on the type of vehicle that may be used, but the finance provided will obviously be linked to the value of the vehicle used as security.

MARKETING OUR PRODUCTS

With the increased competition in the market place, it was critical for the Company to promote its products to rekindle the interests of existing customers, while targeting to garner the interests of new customers. Vallibel Finance applied tried and tested marketing strategies to penetrate further in to the financial market place of Sri Lanka.

Focus on Customer Service

To meet the Company's increased marketing focus, we employed new staff with the relevant skills and trained existing employees to enhance their marketing and relationship management skills. The Company also formed new teams for client relationship management where their sole responsibility was to focus on meeting the needs of existing customers and retaining them into the foreseeable future. These efforts have

only further re-enforced the Company's belief that customer service is the key to building long term relationships with our customers.

Marketing Communications and Promotions

In order to reach both existing and new customers, the Company used diverse marketing communications and sales promotion methodologies. Vallibel Finance used appropriate channels such as television, newspapers and also below-the-line advertising promotions such as hoardings and billboards to bring our products to the notice of our target markets. We also offered special promotions for leasing and fixed deposit products during the Christmas season for target customer groups. These promotions were respectively aimed at assisting with the transportation requirements of the people in the country and also to promote a savings culture within the country.

The Company also continues to open new branches in fast-growing townships, and marketed its products using methods such as door-to-door and personal selling to increase market penetration of its products.

Partnerships with Leading Corporates

The Company tied-up with leading suppliers and vendors and undertook joint promotional campaigns to offer special discounts and free offers for our partners' customers. To further strengthen our partnership model, in the year under review we tied up with leading names from the corporate sphere of Sri Lanka – Ideal Motors and DIMO – to promote leasing options for Mahindra and Tata passenger vehicles, respectively. These partnerships add greater value for the customer by allowing them to enjoy a range of benefits including special cash discounts on vehicle prices, low interest rates with lower down payments, free registration and insurance on selected vehicle models as well as specifically designed leasing packages. The Company is of the view that these partnerships will benefit not only all three companies, but will give the greatest benefit to the customer.

Participation at Events

A major promotional event carried-out by Vallibel Finance was our participation in the 'Kedella Art of Living' exhibition held at the BMICH in Colombo in June 2015.



Vallibel partnered with Ideal Motors



Vallibel partnered with DIMO

Management Discussion & Analysis



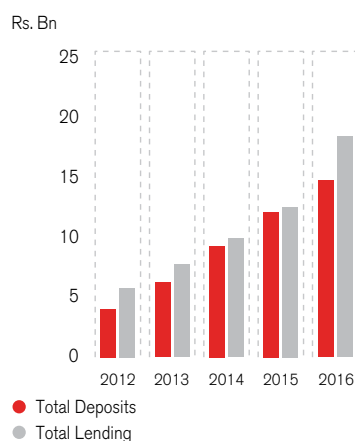
Promotion at Kaduruwela



Vallibel Finance at "Kadella; Art of Living 2015"

This exhibition was aimed at an audience who were planning to build a new home or office, or renovate their current premises. It was an ideal event for the Company to promote our business to this potential target customer base. Vallibel Finance used the event to promote all our products, with a special focus on the property mortgage loan product. The Company's stall was manned by our employees who were able to guide and provide relevant information of our products to interested visitors.

Total Lending & Deposit Portfolio



challenges and adversities by being flexible and adopting changes in our strategies to align the Company's plans with the overall changes taking place in the macroeconomic environment. This flexibility and openness to adopting change has resulted in the Company's performance meeting its targets and goals within satisfactory levels.

The Company operates within two main business segments - Deposits and Lending. We work with large corporates as well as small and medium businesses, and individuals who have financial needs to be fulfilled. We choose our partners with care and ensure that their values match our own belief system. In order to provide our customers the most flexible products, we offer several categories in each product segment that would satisfy their requirements.

BUSINESS PERFORMANCE REVIEW

Rs. Bn	2012	2013	2014	2015	2016
Total Deposits	4.02	6.27	9.30	12.16	14.80
Total Lending	5.82	7.78	9.94	12.57	18.48

At Vallibel Finance how we operate our business is derived from our core organisational values of simplicity, trust, integrity, and flexibility. These values are cascaded to all employees are whole-heartedly embraced by all when undertaking business activities. The Company strongly believes that even the smallest action we take should reflect our values, and we work as one to provide our

stakeholders the most simple of processes, with the highest levels of customer service combined with good governance and flexibility in all our dealings.

The year under review witnessed an eclectic macroeconomic environment mainly as a result of the overall global economic slowdown. However, Vallibel Finance resiliently overcame

Lending

The Company's lending portfolio is comprised of a range of financial services including leasing, personal loans, property mortgage loans, group personal loans, business loans, gold loans, and Vallibel auto draft. The three products Vallibel auto draft, group personal loans, and business loans introduced in the latter part of the last

financial year were further re-enforced and expanded to reap greater benefits to customers and the Company alike.

The Vallibel auto draft, branded as a speed draft product, allows an individual to obtain a one year loan against a vehicle used as security and has an annual settlement period. This product is targeted at traders and businessmen in most of the towns where the Company operates a branch.

The business loans product also introduces in the previous financial year; is a revolving loan facility which offers flexible financing to customers. The target market are small and medium sized businesses that receive substantial cash collections on a daily or frequent basis, but who require short term loans in order to purchase fast moving stocks. This loan acts as a bridging mechanism for any short term working capital deficiencies and enables these businesses to continue operating without any undue hardships or stress. In order to further reduce any hassle, repayment of this loan can be done either daily or weekly as preferred by our customer and we also have facilitated collections to be made by our representatives visiting our customers' business premises. This product is now available in both the Bandarawela and Negombo branches.

The group personal loan is targeted at salaried employees who require upfront lump sums of cash for their personal lifestyle needs such as purchase of home appliances and equipment, and loans for educations related purposes. In the year under review we further extended this type of loan to finance the purchase of gold jewellery. Payments are again hassle free as they are deducted from the employees' salary at source.

The total lending portfolio of the Company grew remarkably by 47.03% and reached Rs. 18.48 Bn in the year under review compared to Rs. 12.57 Bn in the previous year. The main driver of this portfolio growth can be attributed to gold loans, other loans and advances and leasing which grew by 251.29%, 115.53% and 69.19% respectively. The Volume of the portfolio in terms of the number of customers and the number of facilities provided also significantly increased in the year under review by 48% and 62% respectively.

In order to sustain the portfolio growth, the Company adopted structural adjustments that enabled us to move the hire purchase facilities to leasing facilities which are exempt from VAT. This change proved fruitful; with the 89% of the Company's total lending portfolio being comprised of leases and other loans and advances as at the end of the financial year.

Overall, the reasons for the growth of the Company's lending portfolio can be attributed to the strategic focus by the Company on expanding our branch network, training and developing our highly skilled employees while recruiting new skilled and experienced marketing personnel, the restructuring undertaken for the hire purchase and leasing portfolios, the targeted campaign to increase the customer base of the mortgage loan and gold loan facilities, and the unwavering customer service and support together with the innovative tailor-made product offering to satisfy the requirements of our diverse customers.

Leasing

Leasing facilities are provided by the Company for both new and used vehicles and other equipment. Our Leasing facilities differ from our

competitors' in that we take the regular product and tailor-make it to adapt to the requirements of each individual customer. Leasing facilities are targeted at small and medium sized business enterprises to assist in the running of their business enterprises, and low and middle income earners. This type of leasing generally falls under the category of referred to as 'Micro Leasing' which targets only small scale vehicles such as three-wheelers and motor bikes, and other small equipment.

The total leasing portfolio of the Company increased by 69.19% to Rs. 9.10 Bn in the year under review compared to Rs. 5.38 Bn in the previous year. The total number of lease facilities granted in the year under review was 12,196, which reflects a 27% growth compared to the previous year. Of the total leasing facilities, micro leasing facilities contributed 66%, mainly due to the Company's targeted strategies aimed at increasing this type of leasing facilities provided.

The revenue growth of the portfolio was also commendable and in the year under review the interest income from finance leases was Rs. 1.62 Bn compared to Rs. 1.34 Bn earned in the previous year, showing a year-on-year growth of 20.56%.

Hire Purchase

The strategic direction the Company took to re-structure its hire purchase portfolio to a leasing portfolio resulted in a negative growth of 45.26%, where the total hire purchase portfolio recorded decreased revenue of Rs. 648.83 Mn in the year under review compared to Rs. 917.72 Mn recorded in the previous year.

Management Discussion & Analysis

Hire purchase agreements are usually made by customers for registered and used vehicles, as well as when funding is required after the purchase of a vehicle, using the vehicle as collateral.

Other Loan and Advances

This comprises of personal loans, mortgage loans, business loans, group personal loans, loans against fixed deposit, and gold loans. The other loan and advances portfolio showed a marked increase of 119.25% to Rs.7.25 Bn in the year under review compared to Rs. 3.31 Bn in the previous year.

The main reasons attributed to this growth was the Company's increased focus to drive the demand for mortgage loan facilities, group personal loan facilities, and gold loan facilities which was facilitated by innovative tailor-made product offerings to suite customers' requirements.

During the year 2015/2016 several measures were taken by the Central Bank of Sri Lanka to control credit flows to selected sectors in order to ensure macroeconomic and financial system stability.

The most impactful of these measures to the Company was the maximum Loan to Value (LTV) ratio of 70% imposed with effect from 1st December 2015 in respect of loans and advances granted for the purpose of purchase or utilisation of motor vehicles by banks and financial institutions supervised by the Central Bank. These macro prudential measures which were a resultant effect of the steep increase in motor vehicles imports during 2015 were a challenge that the Company had to face head-on.

The above mentioned condition by the Central Bank of Sri Lanka was perceived as a new opportunity by the Company, and we pursued and capitalised on this

opportunity that resulted in exceptional volume growth for the other loans and advances category of the Company's product portfolio.

Gold Loans

The Company ventured into the Gold Loans business in March 2013.

As at the end of the financial year under review, the gold loan portfolio of the Company was Rs. 521.99 Mn compared to Rs. 148.59 Mn earned in the previous year. This product category showed a marked improvement in the year under review attributed mainly to the focussed efforts by the Company to market and promote this type of loan facility. Further, the stability achieved in the global gold prices in the year also had an overall positive impact on this product. During the year under review, the Company further expanded the availability of this in another six of our branches, thus increasing the total number of branches where this facility is available to the public from 18 locations.

Assets Quality

The Company was also able to sustain the Non-Performing Loans (NPL) ratio to well below industry average as a result of the increased focus to strengthen the recovery function and processes whereby we were able to proactively manage and prevent asset deterioration.

Fixed Deposits

As the Company's main source of funds, the deposits portfolio is the strongest indicator of public confidence placed upon the Company. Having offered this service to all our customers since the inception of Vallibel Finance, fixed deposits offered by us are generally treated with the utmost trust and shows the Company's integrity in meeting our customers' expectations when these deposits mature. There are several types of fixed deposit products offered by your

company, from one month fixed deposits to five-year fixed deposits and with varying forms of interest payments which can be done either at maturity or on a monthly basis. Total Deposits which were Rs. 12.16 Bn last year grew by 21.72% to reach the Rs. 14.80 Bn mark at end March 2016.

Borrowings

Borrowing by the Company comprise of bank overdraft facilities, term loan facilities obtained from banks, securitised borrowings, debentures, and other similar facilities. During the year under review, the bank borrowings were increased by 354.46% to Rs. 3.47 Bn compared to Rs. 763.06 Mn in the previous year. This increase in bank facilities was mainly due to the Company's strategic decision to finance its expansion activities through long-term bank borrowings as a result of the prevailing low interest rate regime in the country and to strengthen the liquidity position in order to have longer tenor facilities that would facilitate the bridging of maturity disparities.



Promoting Gold loans in Rajagiriya

INFORMATION TECHNOLOGY DEVELOPMENTS

Information technology is a silent advocate of the Company's successes. The adoption of state-of-the-art IT systems and processes together with information security measures, and business continuity and disaster recovery protocols ensures that Vallibel Finance is not only disaster ready but well placed to streamline and provide efficient services to our customers. Our dedicated IT team provides and maintains the Company's network infrastructure, supports software applications, provides training to users and constantly monitors and improves information security measures related to IT. They also take the lead in ensuring the preparedness of the Company in ensuring business continuity in case disaster strikes.

Information Technology Enhancements

In the year under review the Company implemented a cutting-edge Document Management System (DMS) to electronically store and retrieve documents as our first step towards becoming a paperless office and promoting a green environment. The DCM platform designed and installed by Epic Technologies Group, will not only enable the Company to move forward in providing a more efficient work-flow management system, but also provide customers greater security on information and transactions. In the longer term, the DMS will also bring about savings on energy and reduce the Company's operational expenses.

Another forward looking system the Company implemented was the Human Resource Management (HRM) system provided by hSenid Business Solutions, a renowned name in the industry for its eHRM solutions. This system is aimed at streamlining, and providing faster

and more efficient processes related to a wide spectrum of Human Resource related functions. This system will again garner costs savings and consolidate HR functions into one central system.

Vallibel Finance also continues with its enhancements to the Core Financial Management systems and introduced new modules for its new product – Group Loans. We also continue to upgrade and update our IT network infrastructure in order to achieve optimal performance. The introduction of the Sri Lanka Interbank Payment System (SLIPS) for payments in the previous financial year has further ascertained an efficient and effective fund transfer facility for the Company.

Being Environmentally Conscious

Toward reducing energy consumption and being more environmentally friendly, the Company introduced the concept of 'inverter power solution'. This concept promotes practices of energy savings by all employees by adopting simple measures as switching off lights when not in use, and using equipment that will only consume low levels of energy.

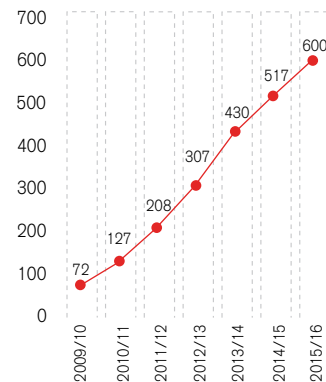
OUR PEOPLE, OUR STRENGTH

As one of our key stakeholders, our people are the source and strength behind Vallibel Finance's journey of success. Time and again our people have used their experience, skills, and knowledge to bring about exceptional growth for our young Company. Our employees' extraordinary conviction to succeed coupled with their determination to meet performance levels, have taken the Company from milestone to milestone in the last 11 years. Vallibel Finance too has endeavoured to reward and recognise our people and their loyalty to the Company. We work as an equal opportunity employer, do not discriminate by race or creed, and ensure

that all employees are treated fairly and with due integrity and humanity. We persevere through the good times and bad, reap our rewards while condoling on disappointments, but learning from them.

As at the end of the year under review, we had 600 employees of which 72% were between the ages of 18 to 30 years. This influx of young and upcoming leaders of the future lends itself to the Company's culture which embraces innovation and new ways of thinking to reach customers with the most innovative, effective and dynamic financial products in the market. We also provided 216 new job opportunities to the country's workforce.

Growth in Number of Employees



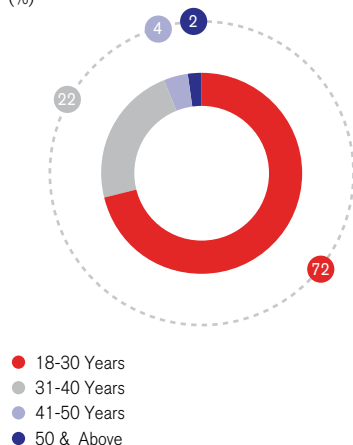
Employees' by Category of Employment

Senior Management	13
Middle Management	83
Senior Executives	26
Executives / Junior Executives	142
Operational staff	291
Clerical Staff	43
Casual employees	2
Total	600

Management Discussion & Analysis

Age Analysis

(%)



Training and Development Initiatives

Training and development plays an important role in ensuring that our employees are always up-to-date with the latest processes, mechanisms and innovative methodologies that have developed in both the global and local arena. Accordingly, the Company continued with its drive to impart more knowledge and skills to our employees by undertaking several internal and external training programmes in the year under review.

Most employees of the Company participated in internal training programmes conducted by respective

department heads, while 254 employees were provided with the opportunity to participate in external training programmes conducted by leading organisations in the country that included the Central Bank of Sri Lanka, the Bar Association of Sri Lanka, the Sri Lanka Institute of Marketing, RH Training & Development and Consultancy Firms, McQuire Rens & Jones (Pvt) Limited, and Zion Consulting and Sipcom-1 (Pvt) Ltd.

The training programmes in the year under review targeted identified areas of improvements and enhancements pertaining to credit control and management, leadership abilities



Winner at Sierra IT MCA 'F' Division 25 Over League Tournament 2015



Winner at Hayleys Fibre B T20 Super Tournament 2015



Annual Staff Gathering 2015



Vallibel Award Ceremony 2015

and development, performance achievements, customer relationship management, legal and regulatory framework, human resources management and information technology security and developments.

Employees' Exceptional Sporting Achievements

The Company believes that playing a sport, specifically team sports build camaraderie among employees. With this as a guiding principle, the Company encourages employees to participate and be a part of Company sponsored sports club. Accordingly, the Vallibel Sports Club continues to thrive and prosper over the years while leading the way in sporting events and achievements.

During the year under review the Vallibel cricket team continued its regular practises and also participated in many cricket tournaments organised by the Mercantile Cricket Association of Sri Lanka. A notable achievement for the Vallibel cricket team was emerging the winners at the 'Sierra IT' sponsored MCA 'F' Division 25 Over League Tournament final held on 11th July 2015. The Vallibel team who have only been playing cricket for the last three years in the mercantile arena, showed the prowess in teamwork when we won with a resounding 83 runs at the finals and took home the 'Sierra IT' Trophy. One of our employees –Adeesha Nanayakkara- was adjudged the 'Man of the Tournament' with a score of 295 runs and 15 wickets.

Another cricketing achievement for the Company was the Vallibel Team being crowned the champions of the Second Mercantile Cricket Association Tier B T20 Super Tournament 2015 held in September 2015 which was sponsored

by Hayleys Fibre. The captain of the Company's cricket team, Sagara Upuldeniya played a knock-out game, and together with a stylish half century by Adeesha Nanayakkara guided the Vallibel team to a well-earned five wickets win in the Finals.

Events for Recognising Achievers and Building Comradeship

As is customary, the Company sponsors several events for recognising achievements of our employees and for building their comradeship. In the year under review the Annual Business Review session designed for Managers at the Company was held at the Kingsbury Hotel on 1st April 2016. The event was also used to award the 'Top Performing' branches of the Company, where due recognitions and appreciated was made for their achievements during the financial year under review.

The Company's marketing team has an annual get-together and this year was no different. During the month of April 2016, a special event was organised at the Excel World, Colombo where outstanding performances by the branches and marketing team members were recognised and awarded for their achievements in leading the Company's lending facilities to success.

A looked-out for annual event by all employees is the Vallibel Annual Get-together. This year the theme was 'the glamour of Bollywood' and the event was held at the Kingsbury Hotel on 17th October 2015. All 600 employees of the Company were invited to this event. The event was a resounding success with maximum participation.

LAYING THE FOUNDATION FOR THE YEAR AHEAD

While the Company celebrates its past achievements, we acknowledge that we have been aligning all our strategies and laying the foundation to meet future goals and challenges. Towards this, we have identified the locations of our next branch openings and are working on fulfilling the varied requirements of our customers by undertaking new product developments. We also continue to review and upgrade our processes and information technology to greater efficiency and effectiveness in undertaking business operations and reaching customers. We continuously monitor our control and governance measures to ensure that we are operating a business that is both transparent and ethical in our business dealings with all stakeholders. As a Company which operates in the financial market space, we realise that trust and integrity play important roles and strive towards always meeting not only our high expectations, but also the high expectations of our stakeholders. The Company is continuously adapting our strategies to seize opportunities that become available in the market place and also to adjust our business focus to work within the fluctuating economic conditions within which we currently operate.

Vallibel Finance is proud of its achievements in the year under review, and the Company looks forward to accomplishing even more in the coming year.

Financial Performance Review

Financial Performance

As Vallibel Finance continues its journey of success, we do not underestimate the financial performance of our Company as a critical success factor in enabling us to meet our long term goals and ultimately vision. The consistency of the Company's financial performance since we became a part of the Vallibel Group is testament to this belief. The trust that our customers and shareholders have placed in us has been reciprocated by the Company's overall financial performance consistently showing results that are well above the industry average.

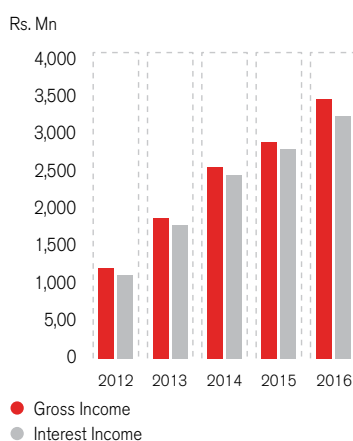
As important as stakeholder inclusiveness and operating the business for the wider benefits of the society is, the Company's economic viability plays a central role in ensuring that we are able to meet these wider social agenda. Thus, Vallibel Finance is quite proud of the achievements that the Company has made from a financial perspective amidst the volatile local and global economic uncertainties in the financial year under review.

Income

The Company's consistent performance is well reflected in the total income generated for the year of Rs. 3.47 Bn which shows an increase of 19.75% compared to that of the previous year which was Rs. 2.9 Bn. The Company's primary source of earnings which continues to be loans and advances, recorded a portfolio growth of 47.03% during the year, which augers well for the Company's long term prospects. These earnings generated an interest income of Rs. 3.04 Bn for the year under review which is a 16.42% increase compared to that of the previous year which was Rs. 2.61 Bn. In addition, interest income

on investments and other non-interest income was Rs. 430.02 Mn compared to the Rs. 286.55 Mn generated the previous year.

Growth in Revenue



Interest Income

A testament to the confidence in the Company by our customers is the overall year-on-year percentage increase of interest income. As the Company's main income generator, interest income increased by 15.79% to reach Rs. 3.24 Bn during the year under review compared to Rs. 2.80 Bn generated in the previous year. The leasing income which was Rs. 1.62 Bn, showed an increase of 20.56% compared to Rs. 1.34 Bn recorded in the previous year and continued to be the main contributor to interest income. The Company's trend towards a year-on-year increase in interest income has ensured our financial success despite the pressures faced due economic volatility in the country.

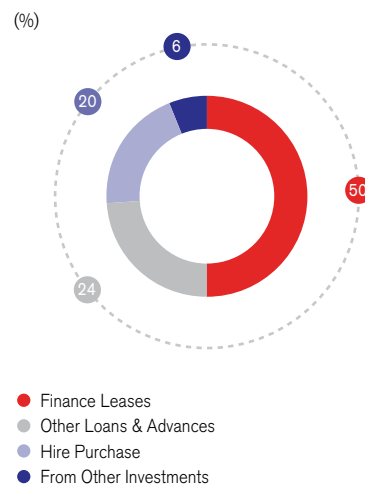
The Company's strategic direction to reduce on our hire purchase portfolio during the year under review, has resulted in decreased earnings in this portfolio of 29.30%. Therefore, the total interest received from the hire purchase

portfolio was only Rs. 648.83 Mn compared to Rs. 917.72 Mn earned in the previous year.

Interest income from other loans and advances showed a significant growth of 120.45% and recorded earnings of Rs. 771.55 Mn compared to Rs. 349.98 Mn in the previous year. This was mainly as a result of new products introduced by the Company during the latter part of the previous financial year, which in turn increased business volumes. The main products that comprise the other loan and advances portfolio include personal loans, mortgage loans, fixed deposit loans, group personal loans, business loans, and gold loans. We expect our strategic focus in these business lines to reap even greater rewards in the coming years.

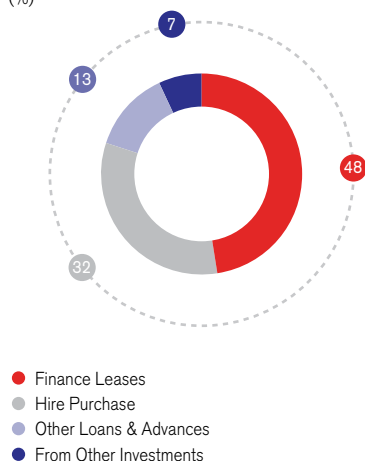
Interest income from fixed deposits with banks, other finance companies, and from investments in government securities such as treasury bills and treasury bonds was Rs. 202.00 Mn for the year under review.

Composition of Interest Income - 2016



Composition of Interest Income - 2015

(%)



Interest Expenses

Interest expenses comprising interest due to banks and customers, debt issued and other borrowed funds of the Company increased by 15.94% to Rs.1.56 Bn in the year under review compared to Rs. 1.34 Bn in the previous year. This can be mainly attributed to the increase in bank borrowings used towards the Company's expansion efforts in the year under review, a strategic reversal of the Company's earlier decision to focus on the reduction of bank borrowings.

Interest on bank borrowings increased by 39.38% from Rs. 57.75 Mn in the previous year compared to Rs. 80.49

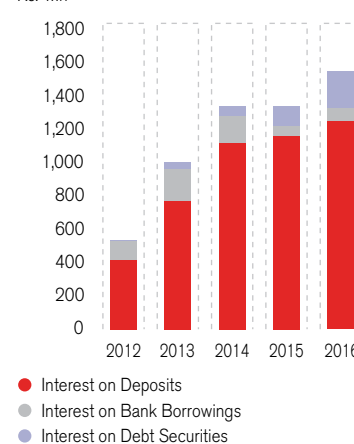
Mn in the year under review; mainly as a result of the increased banking facilities to the amount of Rs. 2.5 Bn which the Company obtained during the year under review. This decision, was a strategic move by the Company aimed toward reaping the benefits from the prevailing low interest rate regime in the country. We expect this decision will strengthen our liquidity position while supporting the rapid expansion plans of the Company. These new banking facilities will also play a role towards bridging the maturity discrepancies that arise from the longer tenor facilities of Vallibel Finance. Interest expense due to banks is incurred from bank overdraft and bank loan facilities, and finance leases.

As a result of the prevailing low interest rate regime in the country, the interest rates offered to the public saw a gradual decrease over the year under review. Therefore the resultant deposits interest expenses increased only marginally by 7.49% to Rs. 1.25 Bn compared to Rs. 1.17 Bn recorded in the previous year. Deposits interest expenses amounted to 80% of the total interest expenses incurred by the Company.

A total of Rs. 225.92 Mn was incurred as debenture interest expenses in the year under review. There were no new debentures issued by the Company in the year.

Composition of Interest Expense

Rs. 'Mn



Net Interest Income

Net Interest Income (NII) increased by 15.65% to Rs. 1.68 Bn in the year under review compared to Rs. 1.46 Bn in the previous year. This increase in NII was realised despite the healthy portfolio growth of 47.03%, mainly due to the highly depressed lending rates, which was a result of the relatively low interest regime prevailing in the country, and the intensified competitive pressures that the Company faced in the year under review. The prevalent low interest rate environment added pressure on the Net Interest Margins which witnessed a downward trend in the year under review.

Net Interest Income (Rs.)	2012	2013	2014	2015	2016
Total Interest Income	1,111,638,186	1,791,914,232	2,451,800,812	2,799,745,875	3,241,795,226
Total Interest Expense	536,824,726	1,008,844,798	1,340,464,712	1,344,337,892	1,558,667,730
Net Interest Income	574,813,460	783,069,434	1,111,336,100	1,455,407,983	1,683,127,496

Other Operating Income

Other operating income/non-interest income which supplements interest income was Rs. 226.48 Mn in the

year under review. This class of income is comprised mainly of fees and commissions, income from early termination of facilities, gains

on disposals of property, plant and equipment, and the gain from financial investments held for trading. During the year under review, the fees and

Financial Performance Review

commissions; and early termination components accounted for 64% of the total other operating income generated by the Company.

Total Operating Income

Total operating income comprises of net interest income and other income. Total operating income for the year under review was Rs. 1.91 Bn compared to Rs. 1.55 Bn in the previous financial year, which shows an increase of 23.05%. Net interest income contributed 88% towards the total operating income generated by the Company.

Operating Expenses

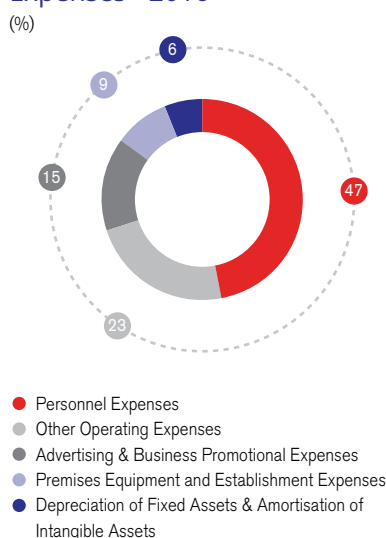
Total operating expenses for the year under review increased by 36.48% to Rs. 927.69 Mn compared to the previous year, largely due to the Company's aggressive expansion plans which resulted in an increase in expenses related to office premises, equipment and establishment, personnel costs arising from the expansion of business operations and promotional activities undertaken during the year.

Personnel expenses continued to account for the largest share of overhead expenses during the year under review comprising 47% of the total operating expenses. Personnel expenses grew by 29.56% to Rs. 436.06 Mn, a result of the new branches opened, expansion of business lines, and the increased benefits offered to employees by the Company. In the year under review, the Company's net increase in staff cadre was 83 people.

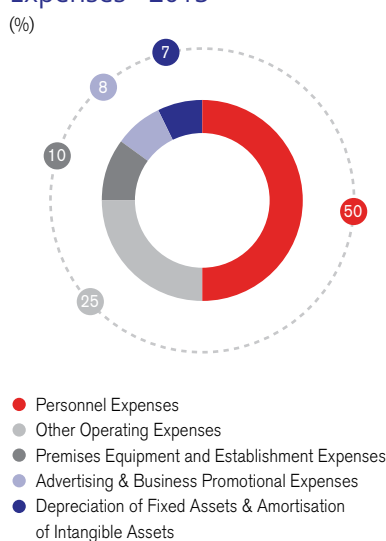
In the year under review, the premises, equipment and establishment expenses increased by 31.99% to Rs. 87.54 Mn mainly attributed to the Company's

expansion of operations. The Company's advertising and business promotional expenses increased by 144.70% primarily due to brand building and promotional initiatives engaged in this year.

Composition of Non Interest Expenses - 2016



Composition of Non Interest Expenses - 2015



Cost to Income Ratio

The Company cost to income ratio was 49% in the year under review compared to 44% recorded in the previous year. The increase in operating expenses was the result of the continued investments in staff and infrastructure, and the expenses incurred in relation to the aggressive advertising and business promotions carried out during the year under review. The Company is in the process of identifying areas of improvements that will assist with our efforts towards further increasing efficiency in all areas of business operations.

Loan Loss Provision and Credit Quality

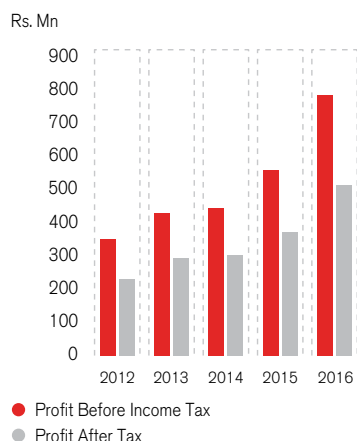
During the year under review, impairment charges on loans and advances decreased by 70.66% to Rs. 70.18 Mn due to the improvement in the quality of the loan portfolio of the Company. The Company's non-performing loan ratio remained at a manageable level of 3.76% which was well below the industry average. With the focused efforts made during the year towards recovery management of the non-performing loans, the ratio declined by 26.42% compared to the ratio of 5.11% realised in the previous year. After provisions were made for loan losses, the Net Non Performing Loans and Advances (NPA) ratio was 0.52% as at the end of the financial year under review. Prudent lending policies combined with aggressive recovery strategies put in place by the Company's Credit and Recovery Divisions were the main factors that helped achieve this low level of NPA ratio in the year under review.

Profitability

The profitability position supports the commendable positive trends shown by the key financial performance indicators

of Vallibel Finance. Accordingly, profit before government taxes increased by 44.05% to Rs. 911.74 Mn in the year under review compared to Rs. 632.94 Mn recorded in the previous year. Total government taxes amounted to Rs.398.47 Mn during the year and comprised of Rs. 270.36 Mn as corporate income tax and Rs. 128.11 Mn as VAT on financial services and NBT. Overall, the Company's net profit for the year increased by 37.68% to Rs. 513.26 Mn compared to Rs. 372.79 Mn earned during the previous financial year.

Profitability



Financial Position

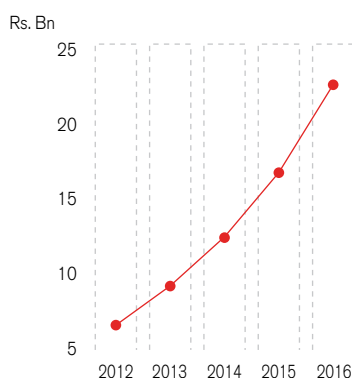
The financial position of Vallibel Finance shows the health of the Company's assets, and the liabilities owed thereof. The overall Balance Sheet position of the Company is fundamentally strong with the right mix of assets which augers well for the Company's continued stable growth, ensuring success and the continued positive performance trend enjoyed thus far in the year ahead.

Total Assets

A result of the expansion of branches and resultant business volumes in the year under review, the Balance

Sheet showed a 34.77% growth in total assets to Rs. 22.77 Bn as at the end of the financial year under review compared to Rs. 16.89 Bn in the end of the previous financial year. This growth was critical in maintaining the high quality portfolio of the Company and reverberates the efficient management of the Company's asset mix to enable optimised asset growth and stability.

Growth in Total Assets



Liquidity Position

The Company's liquid assets as at the end of the financial year under review was Rs. 3.08 Bn compared to Rs. 3.25 Bn as at the end of the previous financial year. The total liquid assets comprised of cash and short term funds as well as investments in government securities, treasury bills and placements with commercial banks. The Company's liquid assets to total deposits ratio was 20.79% as at the Balance Sheet date reflecting the Company's advantageous liquidity position.

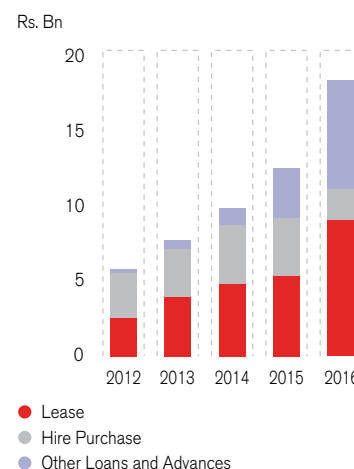
Lending Assets

For the Company's lending assets portfolio, the year under review was highly successful, showcasing a lending portfolio increase by 47.03% to Rs. 18.48 Bn as at the end of the year under review from Rs. 12.57 Bn as at

the end of the previous financial year. The total finance lease portfolio was the main contributor and was Rs. 9.10 Bn at the Balance Sheet date compared to Rs. 5.38 Bn as at the previous financial year end, an increase of 69.19%. Hire purchase receivable at the Balance Sheet date was Rs. 2.12 Bn compared to Rs. 3.88 Bn recorded during the previous financial year end. Both, hire purchase and leasing represent 11% and 49% of the total lending portfolio, respectively.

Other loans and advances which comprise of personal loans, mortgage loans, business loans, group personal loans, loans against fixed deposit, and gold loans made commendable contribution to the leasing portfolio in the year under review. The other loan and advance portfolio recorded a significant growth of 119.25%; an increase from Rs. 3.31 Bn recorded at the end of the previous financial year to Rs. 7.25 Bn as at the current financial year end. This increase was largely attributed to the growth of mortgage loans and the gold loan portfolio of the Company.

Lending Portfolio Distribution for Last Five Years



Financial Performance Review

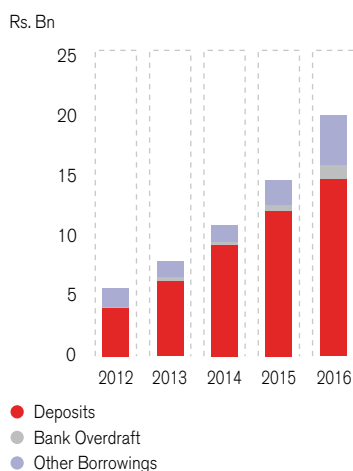
Total Liabilities

Total liabilities of the Company as at the Balance Sheet date increased by 35.50% from Rs. 15.34 Bn as at the end of the previous financial year to Rs. 20.84 Bn. The Company's total liabilities is largely comprised of its deposit base, bank overdraft facilities, term loan facilities obtained from banks, securitised borrowings and debentures (subordinated term debts).

A major portion of the funding was obtained from public deposits which accounted for 71% of the total liabilities as at the end financial year under review compared to 79% as at the end of the previous financial year. The decline in deposits as a source of funding was attributed to the strategic decision taken by the Company to obtain long term bank borrowings due to the prevailing low interest rate regime in the country. Thus, the Company reduced its reliance on deposits and focussed on obtaining funds from bank borrowings. This resulted in an increased exposure to bank borrowings by the Company, which accounted for 17% of the total liabilities as at the Balance Sheet date. The main source of bank borrowing include bank overdraft facilities, term loans facilities, and securitised borrowings which totalled Rs. 3.47 Bn as at the end of the year under review compared to Rs. 763.06 Mn as at the end of the previous financial year. This resulted in an exponential percentage increase in bank borrowings of 354%.

The Company did not issue any debentures during the year under review as the focus was directed at obtaining funding for our business expansions mainly from bank borrowings.

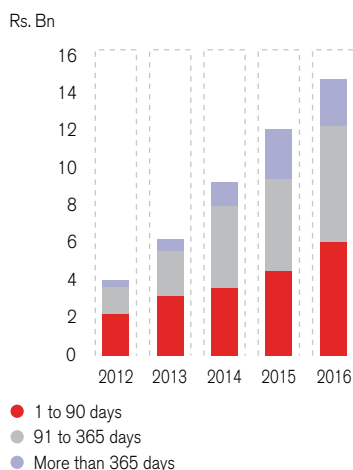
Deposit Base, Overdraft and Other Borrowings



Deposit Base

This increase in deposits by the public re-iterates the confidence placed by investors in Vallibel Finance's strong standing in the finance industry. Accordingly, the total public deposits as at the Balance Sheet date was Rs. 14.80 Bn, a rise of 21.72% compared to the Rs. 12.16 Bn as at the end of the previous financial year. Of this total deposit base, Fixed Deposits accounted for 98% while Certificate of Deposits accounted for only a modest 2%.

Deposits Base by Maturity Date

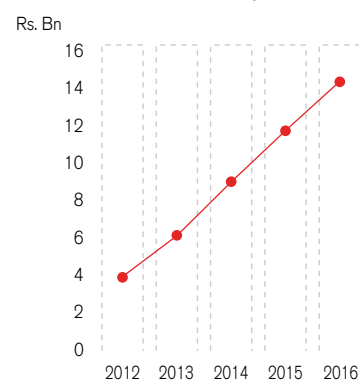


Fixed Deposits

During the year under review, the Company continued to focus on obtaining medium and long term funding in order to further minimise the discrepancies arising from the differing maturity periods of interest bearing assets and liabilities. Further, the provision of competitive interest rates, improved customer service levels, and the system efficiencies derived in the year under review enabled the Company to maintain and manage its fixed deposits at the optimum levels.

Consequently, the Company's fixed deposits show a year-on-year increase of 22.44% and was Rs. 14.44 Bn as at the financial year end under review compared to Rs. 11.80 Bn as at the end of the previous financial year. Of the total fixed deposits, 82% has a maturity timeframe spanning less than one year, while the remaining 18% has a longer maturity period.

Growth in Fixed Deposits



Certificate of Deposits

The total value of certificate of deposits of the Company as at the Balance Sheet date was Rs. 359.35 Mn which shows a minimal decrease by 1.41% compared to the Rs. 364.49 Mn recorded as at the previous year end.

Shareholders' Funds

The Company's main source of capital is retained earnings totalling Rs. 1.26 Bn as at the end of the financial year under review, an increase of 35.43% compared to the Rs. 929.73 Mn as at end of the previous financial year. The total shareholders' fund of the Company as at the Balance Sheet date was

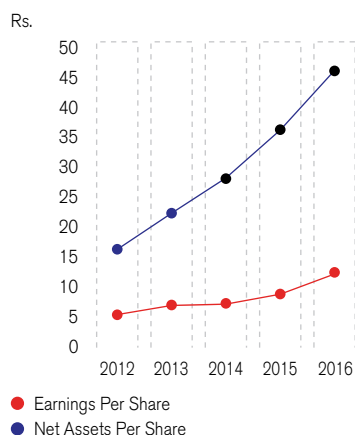
Rs. 1.93 Bn, an increase of 27.39% compared to Rs. 1.51 Bn as at the end of the previous financial year. The return on average shareholders' funds for the year under review was 29.81% compared to 27.67% of the previous financial year.

good governance, and compliance embedded in our business practices. We also embrace the premise of ethical practices as we pursue business opportunities while we continue on our journey of success.

Key Indicators per Ordinary Share

	As at 31.03.2016	As at 31.03.2015
Number of Shares (Mn)	41.55	41.55
Basic Earnings Per Share (Rs.)	12.35	8.97
Market Price per Share (Rs.)	53.70	45.00
PE ratio	4.35	5.02
Net Assets Per Share (Rs.)	46.42	36.44
Price to Book Value	1.16	1.23

Growth in Earnings Per Share & Net Assets Per Share



In the financial year under review, Vallibel Finance's core capital was Rs. 1.94 Bn and the total capital was Rs. 2.90 Bn. Taken in the form of a ratio, the total risk weighted capital ratio was 15.86%, while the Tier I capital ratio was 10.58%, both exceeded the minimum regulatory limits of 10% and 5% respectively, as set by the Central Bank of Sri Lanka. The Company's total risk weighted capital ratio and the core capital ratio as at the previous financial year end was 17.29% and 11.53% respectively. Our capital adequacy ratios show the Company's commitment towards adhering to best governance practices and compliance rules as stipulated by the industry within which we operate.

Capital Adequacy

Capital adequacy is the measure of financial strength of a company expressed as a ratio of its capital to its risk weighted assets. This ratio indicates the company's ability to maintain adequate capital in the form of equity and subordinated debts to meet any unexpected losses that may arise.

As seen above, the overall strength and stability of Vallibel Finance's financial performance shows that the Company has a strong foundation which has enabled us to build our reputation as a successful financial institution that pursues transparency,

Corporate Social Responsibility Report

In our journey of success, Corporate Social Responsibility (CSR) is recognised as being an important element within our business model. We consider the impact on the environment and the wider society when undertaking business operations and do our best to minimize any adverse impact. We believe that taking care of the needs of the community when plausible makes us a more responsible and viable business enterprise in the longer term. Our employees too; take an avid interest in the CSR activities undertaken by the Company, and lend their time and efforts to ensure that projects undertaken are successfully completed to the satisfaction of all involved stakeholders.

As a Company that practices social responsibility in the way we do business, we also consider the impact and advantages to be enjoyed by the societies that we serve. Towards this, we work towards facilitating and easing the finance needs of specific groups of people in our normal business operations. One such example is the opening of a new branch in Kaduruwela in the year under review. Kaduruwela is the home of one of the richest historic heritages of Sri Lanka but today faces its own challenges due to being an economy dependent on its agricultural trade. We offered finance

based products to the town's farmers tailor-made specifically to meet their requirements. We see this as an ideal situation - a win-win scenario for both the Company and its customers.

Some of our CSR projects are directed at philanthropy and helping to make people's lives better. Accordingly, we undertook several specific projects that directly assisted the needs of the communities in the country and assisted in the well-being of the Sri Lankan people.

Enabling Communities to Better Practice their Religion Activities

Religion plays an important role in the lives of people. With this belief, in September 2015, Vallibel Finance made a contribution towards building a monastery at the Sri Sakyasingha Ramaya, Panagoda in Homagama to enable people in the vicinity to have a place where they would be able to undertake their religious activities uninterrupted and away from the daily bustle of life.

Blood Donation Campaign

For the third consecutive year; the Company successfully conducted its annual blood donation campaign which revolved around an apt theme of "Give the Gift of Life". Held on 8th August,

2015 at the Company's Head Office, the blood donation campaign that was undertaken in collaboration with the National Blood Transfusion Service of Colombo. This CSR initiative was a resounding success with over 80 employees participating by donating blood, showing the true spirit of the integration of the Company's values in their lives.

Vesak Dansala

The employees of Vallibel Finance, for the third consecutive year, organised an ice cream Dansala to commemorate the festival of Vesakon 3rd May, 2015 at the Head Office of the Company. In true spirit of this festival, all employees worked as one team to ensure a successful endeavour.

As we mature as a Company and within the Vallibel Group, and our CSR activities are further enhanced, our efforts will progress towards embracing the wider aspects of sustainability that include the environment and the society at large. In the next few years, our focus will be to broaden and widen CSR to encompass all operating locations of the Company. As the Company continues to successfully grow its business operations, we are also steadily working towards making CSR an integral part of the business operations of Vallibel Finance.



Vesak Dansala



Blood Donation

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.

Compliance 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 served during the year under review are disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on pages 83.

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 the Finance Companies (Corporate Governance) Direction No. 3 of 2008.

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.

Mr. K V P R De Silva serves as the Chairman and Mr. S B Rangamuwa serves as the Managing Director and CEO.

During the year ended 31st March 2016, twelve (12) meetings of the Board were held. The attendances of the Directors at these meetings were as follows:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K V P R De Silva	Independent Non- Executive	12/12
Mr. Dhammika Perera	Executive	9/12
Mr. S B Rangamuwa	Executive	12/12
Mr. R M Karunaratne	Independent Non-Executive	11/12
Mr. T Murakami	Non-Executive	6/12
Mr. K D A Perera	Non-Executive	11/12
Mr. A Dadigama	Independent Non-Executive	12/12
Mr. K Hiroshige* (Alternate Director – Mr. T Murakami)	Non-Executive	2/6
Mr. H Ota ** (Alternate Director – Mr. T Murakami)	Non-Executive	2/4

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.

Corporate Governance

* Appointed w.e.f. 3rd June 2015 and resigned w.e.f. 10th December 2015

** Appointed w.e.f. 10th December 2015

Audit Committee

An Audit Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committees are given on page 85.

The Report of the Audit Committee is given on page 88.

Remuneration Committee

A Remuneration Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committees are given on page 85.

Related Party Transactions Review Committee

The Related Party Transactions Review Committee was appointed by the Board on 28th August 2015.

The names of the Directors who serve on the said Committees are given on page 85.

The Report of the Related Party Transaction Review Committee is given on page 89.

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, 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
P W Corporate Secretarial (Pvt) Ltd

Secretaries
27th May 2016

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. The Board approved risk policy and risk management framework is also in place.</p>

Corporate Governance

	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 Board's information where necessary.</p> <p>Please refer to Risk Management report on page 77 to 82 and Integrated Risk Management Committee report on page 86 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 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>

Directions		Extent of Compliance
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;	Complied with. 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.
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 on a periodic basis.
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.
l)	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.

Corporate Governance

	Directions	Extent of Compliance
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. Functions and responsibilities of the chairman and the MD/CEO have been defined and approved by the Board.
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. A Board approved procedure is in place for this purpose.
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.

Directions		Extent of Compliance
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 2015/2016. Circulation of resolutions/papers to obtain Board's consent is minimized and resorted only when absolutely necessary.
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 the 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 2015/2016.

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	Directions	Extent of Compliance
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 carryout other functions specified in related 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.
3 (9)	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. The minutes of a Board meeting shall clearly contain or refer to the following: 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.	Complied with. Detailed minutes are maintained by the Company Secretary covering these given criteria.

Directions		Extent of Compliance
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.	Complied with. The Board comprised of Seven Directors as 31st March 2016.
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.	Complied with. The total period of service of all Non Executive Directors is less than 9 years as at date.
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.	Complied with. 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.
4 (4)	The number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors.	Complied with. 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. Based on the declarations made by the Independent Non-Executive Directors the Board determined that Messrs K V P R De Silva, R M Karunaratne and A Dadigama 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.
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 20 and 21.
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 2015/2016, more than one half of the numbers of directors that constitute the quorum were Non Executive Directors.

Corporate Governance

Directions		Extent of Compliance
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 43 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.
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 2016.
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.

Directions		Extent of Compliance
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 its 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 the 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.
7 (2)	The chairman shall be a non-executive director. 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. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Complied with. The Chairman is an Independent Non-Executive Director.
7 (3)	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.	Complied with. 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. Directors Messrs K D D Perera and K D A Perera are of the same family. No relationships prevail among the other members of the Board, other than for Directors who are common Directors of certain Companies.

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	Directions	Extent of Compliance
7 (4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied with. 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.
7 (5)	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.	Complied with. 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.
7 (6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied with. Board papers covering adequate information of matters to be taken up for discussions are circulated in advance prior to the meeting.
7 (7)	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.	Complied with. All Directors are encouraged to actively participate in Board's affairs.
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 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.

Directions		Extent of Compliance
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, records 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 4). Related Party Transactions Review 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 86 to 88 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 21 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>
c)	<p>The committee shall make recommendations on matters in connection with:</p> <ol style="list-style-type: none"> (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (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>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>

Corporate Governance

	Directions	Extent of Compliance
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>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 of the regulations and guidelines.</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>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>
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> <ul style="list-style-type: none"> (i) An assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting; (ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and (iii) the co-ordination between auditors where more than one auditor is involved. 	<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>

	Directions	Extent of Compliance
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. 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> <ul style="list-style-type: none"> (i) major judgmental areas; (ii) any changes in accounting policies and practices; (iii) significant adjustments arising from the audit; (iv) the going concern assumption; and (v) the compliance with relevant accounting standards and other legal requirements. 	<p>Complied with.</p> <p>Meetings of the Audit Committee are convened for this purpose. 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)	<p>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>	<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)	<p>The committee shall review the external auditor's management letter and the management's response thereto.</p>	<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>

Corporate Governance

	Directions	Extent of Compliance
j)	<p>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 financial 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>
k)	<p>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>

	Directions	Extent of Compliance
	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.	Complied with. 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 two times with the External Auditors.
	m) The committee shall have: (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.	Complied with. The terms of reference of the Board Audit Committee include scope and responsibilities of the Committee. 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.
	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.	Complied with. The Audit Committee meets regularly and members of the Committee are provided with due notice of issues to be discussed. Minutes of the meetings maintained by the Company Secretary.
	o) The Board shall, in the Annual Report, disclose in an informative way, (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.	Complied with. Please refer Audit Committee Report on page 88.
	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.	Complied with. The Company Secretary functions as the Secretary to the Committee and records and maintains detailed minutes of the Committee.
	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.	Complied with. 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. The 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.

Corporate Governance

Directions		Extent of Compliance
8 (3) Integrated Risk Management Committee		
	The following shall apply in relation to the Integrated Risk Management Committee (IRMC):	
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, Assistant General Manager - Finance & Administration and Assistant General Manager - Asset Management who supervise 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 77 to 82 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. Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.
d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the 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.

Directions		Extent of Compliance
g)	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.	Complied with The minutes of the meetings are submitted to the next immediate Board meeting together with the recommendation and risk reports.
h)	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.	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. 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.
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> <ul style="list-style-type: none"> 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>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.</p> <p>The Related Party Transactions Review Committee was established in August 2015 in line with the Code of Best Practices on Related Party Transactions, issued by The Securities and Exchange Commission of Sri Lanka (SEC).</p> <p>The Report of the Related Party Transactions Review Committee is given on page 89.</p> <p>Transactions carried out with related parties in the normal course of business are disclosed in Note 41 on "Related Party Disclosures" in the Financial Statements.</p>

Corporate Governance

Directions		Extent of Compliance
9 (3)	<p>The transactions with a related party that are covered in this Direction shall be the following:</p> <ol style="list-style-type: none"> Granting accommodation, Creating liabilities to the finance company in the form of deposits, borrowings and investments, providing financial or non-financial services to the finance company or obtaining those services from the finance company, creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	<p>Complied with. 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.</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 in the manner mentioned herein. However, monitoring mechanism to identify favourable treatment will be strengthened.</p>
10. Disclosure		
10 (1)	<p>The Board shall ensure that:</p> <ol style="list-style-type: none"> 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 such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English. 	<p>Complied with. 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 that such statements published in the newspapers in all three languages. 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)	<p>The Board shall ensure that at least the following disclosures are made in the Annual Report:</p>	
	<ol style="list-style-type: none"> 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>Complied with. Relevant disclosures are included in page 92 of the annual report under "Statement of Directors Responsibilities".</p>
	<ol style="list-style-type: none"> 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>Complied with. "Directors' Statement on Internal Control System Over Financial Reporting" is given on page 87.</p>

	Directions	Extent of Compliance
c)	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.	Complied with. The Company has obtained a certification from the External Auditors on the effectiveness of the internal control mechanism over financial reporting.
d)	Details of directors, including names, transactions with the finance company.	Complied with. Please refer pages 20 to 21 for details of Directors, pages 147 to 149 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 41 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. Relevant disclosures are included in the Annual Report page 147 to 149 under "Related Party Disclosures".
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 147 to 149 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 and 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 factual findings report has been issued by the External Auditors on the level of compliance with the requirements of these regulations. The findings presented in their report addressed to the Board did not identify any inconsistencies to those reported above.

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

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 leaderships 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 approve 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 43.</p>

Code Ref.	Principle	Extent of Compliance
A.1.2	<p>Board responsibilities 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.</p> <p>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 45 for details.</p> <p>The Board has put in place a Corporate Management team led by the MD / CEO who possess required skills, experience and knowledge necessary to implement the strategy.</p> <p>Refer 2 (1) j) on page 47 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 86 to 88 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 57 and 62 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 50 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 and 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.

Code Ref.	Principle	Extent of Compliance
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 54 of Section One for further details.</p>
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 20 and 21 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 2016. 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	<p>Complied with.</p> <p>All persons who are appointed as Alternate Directors to existing Directors of the Board are subject to the same criteria applicable to Directors.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
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	Complied with. Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
A.5.9	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved.	Complied with. The Board Minutes include concerns raised by Directors and also the ultimate decisions made by the Board.

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 49 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.

Code Ref.	Principle	Extent of Compliance
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.	<p>Complied with.</p> <p>Re-election of Directors is carried out in accordance with the provisions of the Articles of Association.</p> <p>All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment.</p> <p>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.</p>
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 49 of Section One.
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.	<p>Complied with.</p> <p>Information pertaining to Directors is disclosed in the following sections of this Annual Report.</p> <ol style="list-style-type: none"> 1). Name, qualifications, expertise, material business interests and brief profiles on pages 20 to 21. 2). Related party transactions are given in Note No 41 to the Financial Statements on pages 147 to 149. 3). Membership of Sub Committees and attendance at Board Meetings on pages 85 & 43.
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.	<p>Complied with.</p> <p>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.</p>
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.		

Corporate Governance

Code Ref.	Principle	Extent of Compliance
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. 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 2). Mr. R M Karunaratne Independent Non-Executive Director 3). Mr. K D A Perera Non-Executive Director
B.1.3	Membership to be disclosed in the Annual Report	Complied with. Disclosed in the page 85 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 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	Complied with. The Remuneration Committee recommends the remuneration payable to the Managing Director. The Board makes the final determination after considering such recommendations.
	Remuneration packages in line with industry practices	The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/ industry rates.
	Executive share option	No share options schemes have been offered to the Executive Directors.
	Non Executive Directors remuneration	Non-Executive Directors of the Company are paid a fee in line with the market practices.

Code Ref.	Principle	Extent of Compliance
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 83 and 85 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 41 to the Financial Statements on page 147.
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.		
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	Complied with. A separate resolution is proposed at the AGM for each substantially separate issue.
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.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
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		
D.1	Requirement for Board to present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Complied with. The Company's position and prospects have been discussed in detail in the following sections of this Annual Report. 1.) Chairman's Statement on pages 12 to 13 2) Managing Director's Message on pages 14 to 17 3). Management Discussion and Analysis on pages 24 to 35 4). Financial Performance Review on pages 36 to 41

Code Ref.	Principle	Extent of Compliance
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 and 92.</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 83 to 85.</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 92 and "Directors' Statement on internal control system over financial reporting" is given on page 87.</p> <p>See "Independent Auditor's Report" on page 93 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 24 to 35 and "Financial performance Review" on pages 36 to 41.</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>

Corporate Governance

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 147 to 149.</p> <p>Please refer responses to requirements of section 9 of the Finance Companies Corporate Governance Direction on page 61 and 62 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 of 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 of the Board.</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>

Code Ref.	Principle	Extent of Compliance
D.2.2	Internal audit function	Complied with. 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.
D.2.3	Audit Committee to carryout reviews of the process and effectiveness of risk management and internal controls and document to the Board	Complied with. Described in response to D.2.1 above.

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 55 to 59 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. Please refer Audit Committee Report on page 88 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	Disclosure 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.
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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.
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Corporate Governance

Code Ref.	Principle	Extent of Compliance
B. 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	Individual shareholder voting	Complied with. Individual shareholders are encouraged to participate at 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 42 and it describes community –based development initiatives carried out by the Company to support and build the Community.

Risk Management Report

Risk Management

In our journey of success effective risk management continues to be a strong fundamental to the business operations at Vallibel Finance. 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 been remained focus 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.

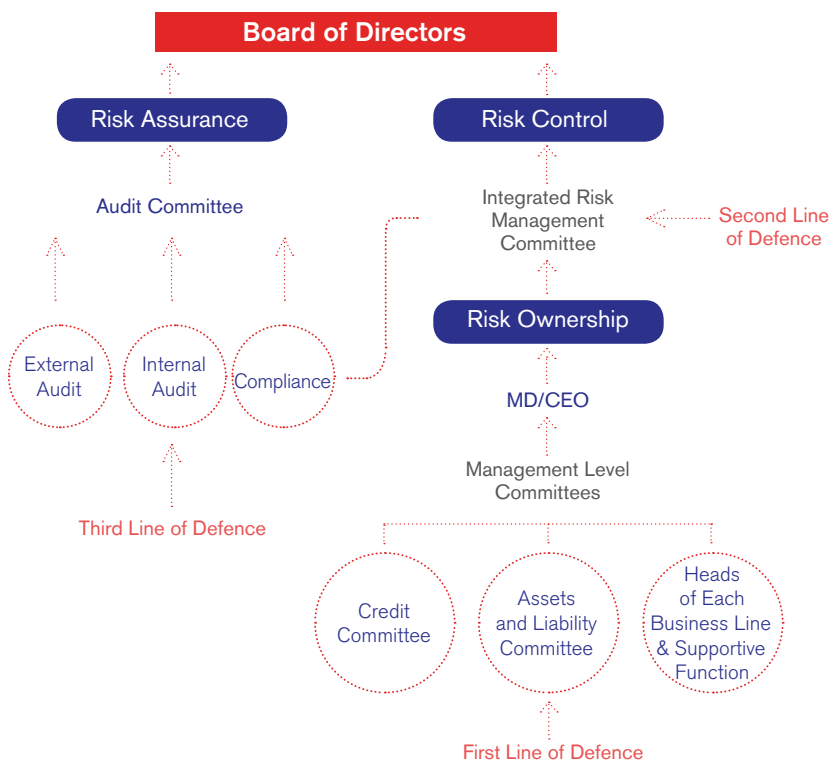
external auditor's independence and the performance of the Company's internal audit function. The Committee is responsible for monitoring and reviewing risk management policies and procedures and reviewing the adequacy of the risk management framework in relation to risks faced by the Company. The Audit 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 is reported to the Integrated Risk Management Committee.



With the purpose of establishing a robust risk management system the Company have adopted the three lines of defence governance framework to promote clear accountability for risk taking, oversight and independent assurance within the Company.

Board and Management Committees

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

Risk Management Report

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

The most significant risks faced by the Company at present and approaches of managing them are detailed below.

Credit Risk

Credit risk is defined as the risk of financial loss if a borrower/counterparty fails to meet their contractual obligations. Credit risk

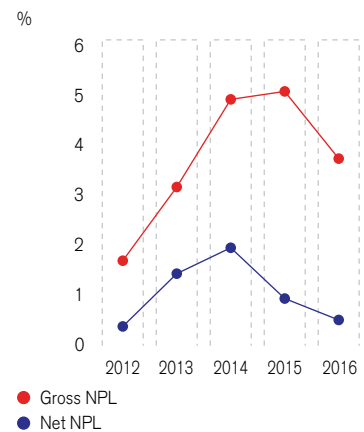
arises principally from the Company's lease and hire purchase facilities, pawning advances and other loans and advances to customers. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligations or default risk and 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 80% of the total assets.

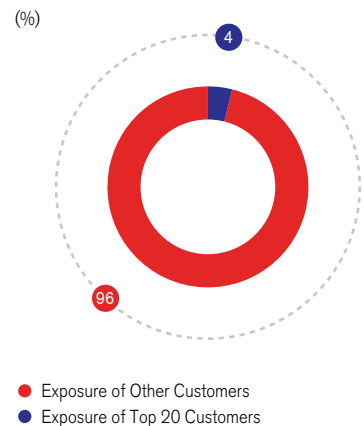
Risk indicators have been established based on the regulatory requirements and economic environment prevails in the country in order to assess the credit quality. These limits are reviewed by the IRMC quarterly or earlier if required.

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

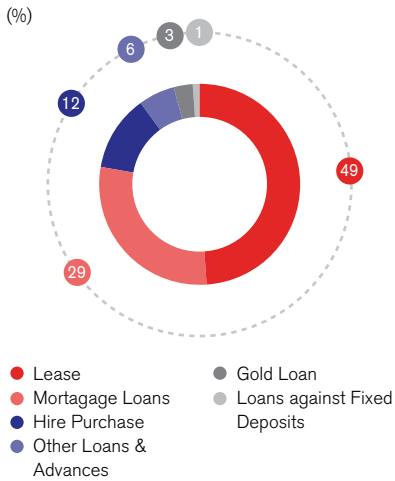
Movement of Gross & Net Non-Performing Loans (NPL) ratio



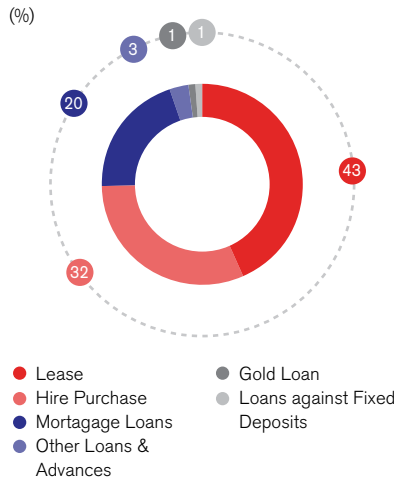
Concentration on Top 20 Customers - 2016



Product Concentration 2016



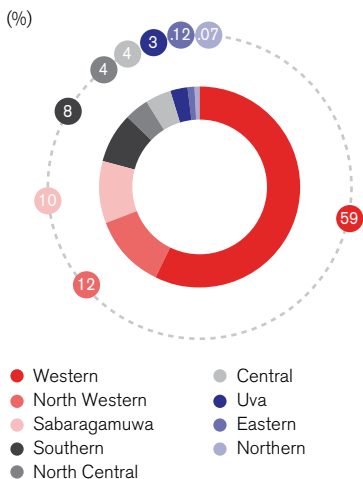
Product Concentration 2015



Maturity Analysis of Lending Portfolio

As at 31st March 2016 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)	2,617,612	5,412,612	7,913,763	2,522,036	13,882	18,479,905

Geographical Concentration 2016: Lease and Hire Purchase Customers



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 head 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

Risk Management Report

practice throughout the Company in the management of credit risk.

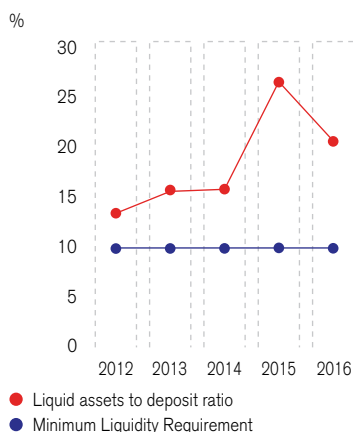
- Each business line is required to implement credit policies and procedures, with credit approval authorities delegated from the Credit Committee. Each business line has an officer who reports all credit related matters to the management and the Credit Committee. Each business line is responsible for 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

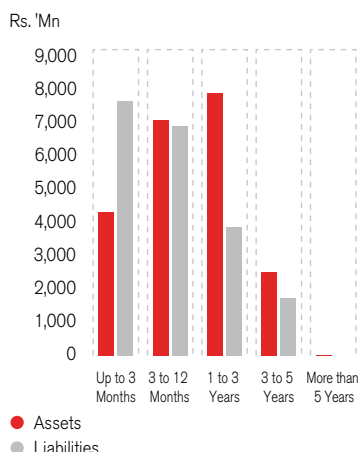
Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations. The Company may not be able to meet its obligations due to a lack of funds or having to meet these obligations at an excessive cost. This results from maturity mismatches between assets and 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:

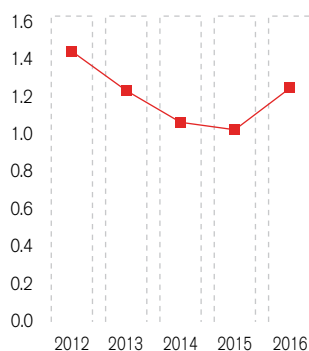
Liquid Assets to Deposit Ratio



Maturity analysis of assets & liabilities as at 31st March 2016



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. Integrated Risk Management 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 (IRMC) 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.

Capital Risk

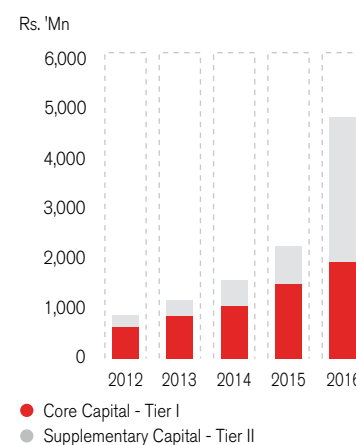
Capital risk is the risk that the Company has insufficient capital resources to meet minimum regulatory requirements and to support credit rating, growth and strategic options of the Company.

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.

The Company's Capital adequacy ratios as at 31st March 2016 were 10.58% for Tier I and 15.86% 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 120 to 121 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



As at 31st March	2012	2013	2014	2015	2016
Core Capital Ratio	10.39%	10.39%	10.11%	11.53%	10.58%
Total Risk Weighted Capital Ratio	14.03%	14.45%	15.16%	17.29%	15.86%

Risk Management Report

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.

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.

Compliance Risk

Compliance risks are the potential threats to the company that resulting 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 2016.

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, 10,000,000 Rated, Guaranteed (Capital and Two Interest Installments), Subordinated Redeemable Debentures and 5,000,000 Unsecured Subordinated Redeemable Debentures issued by the Company are on the Main Board of the Colombo Stock Exchange.

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 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, Finance Business Act No. 42 of 2011 and the directions issued under the said Finance Business Act.

Consequent to the Audit Committee's recommendations, the Financial Statements were reviewed and approved by the Board of Directors on 27th May 2016.

The Financial Statements of the Company duly signed by the AGM-Finance & Administration, and two Directors on behalf of the Board are given on pages 94 to 151, which form an integral part of the Annual Report of the Board of Directors.

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company appear on page 93.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 99 to 113. There were no significant changes to the accounting policies used by the Company during the year under review vis-à-vis those used in the previous year.

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 Karunartne* - 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)

** Alternate Director – **Mr. H Ota**

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).

Mr. Katsuhiko Hiroshige who was appointed as the Alternate Director to Mr. T Murakami on 03rd June 2015 resigned from his office as an Alternate Director on 10th December 2015 and Mr. Hiroyuki Ota was appointed the Alternate Director to Mr. Murakami on 10th December 2015. These appointments were made after obtaining the relevant regulatory approval in terms of Finance Companies Direction No.3 of 2011.

Mr. T Murakami 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.

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

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.

The relevant interests of Directors in the shares of the Company as at 31st March 2016 as recorded in the interests register are given in this report under Directors' shareholding.

Related Party Transactions with the Company

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.

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2016 are as follows:

Name of Director	Shareholding as at 31/03/2016	Shareholding as at 31/03/2015
Mr. K V P R De Silva	Nil	Nil
Mr. Dhammika Perera*	600	600
Mr. S B Rangamuwa	860,092	620,000
Mr. R M Karunaratne	Nil	Nil
Mr. T Murakami	Nil	Nil
Mr. K D A Perera*	1,266,879	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.

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 41.2.1 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 2015).

The number of shares issued by the Company stood at 41,550,600 fully paid ordinary shares as at 31st March 2016 (41,550,600 fully paid ordinary shares as at 31st March 2015).

The number of shares issued by the Company stood at 41,550,600 fully paid ordinary shares as at 31st March 2016 (41,550,600 fully paid ordinary shares as at 31st March 2015).

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 155 and 156 Earnings, Net Assets per Share, appear on page 10.

Auditors

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

A total amount of Rs. 2,685,000/- is payable by the Company to the Auditors for the year under review which comprise of Rs. 935,000/- as Audit fees and Rs. 1,750,000/- 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.

Dividends

A First and Final dividend of Rs. 2/- per share for the year ended 31st March 2015 was paid on 16th June 2015.

Donations

The total amount of donations made during the year under review is Rs. 547,010 /-

Property, Plant and Equipment

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

Material Foreseeable Risk Factors

The section on Risk Management on pages 77 and 82 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 Reporting date, have been paid or, where relevant, provided for.

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 No. 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 45 to 76.

The Corporate Governance Statement on page 43 and 44 explains the practices within the Company in this respect.

An Audit Committee, Remuneration Committee and Related Party Transaction Review Committee and Integrated Risk Management Committee function as Board Sub Committees, with Directors who possess the requisite qualifications

and experience. The composition of the said Committees 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 88.

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.

Related Party Transaction Review 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 Related Party Transaction Review Committee appears on page 89.

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/CEO

Mr. Nirosan 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 28th June 2016 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 165.

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

27th May 2016

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

Mr. S B Rangamuwa

Managing Director/CEO

Mr. Nirosan 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

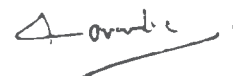
During the year, the Committee assessed and reviewed material risks associated with the conduct of the business, and also ensured strategies are in place to manage those risks to prudent levels. The Risk Management process which is used by the IRMC to discharge its functions is detailed in the Risk Management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

27th May 2016

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 presents 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 ("the 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
27th May 2016

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 23 years of experience in Finance, Treasury and Risk 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-Executive	Attendance
Mr. A Dadigama	Independent Non-Executive	5/5
Mr. R. M. Karunaratne	Independent Non-Executive	5/5
Mr. T Murakami	Non-Executive	0/5

The Company Secretaries function as the Secretaries to the Committee. The Managing Director and the Assistant General Manager - Finance & Administration 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. 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 2017, 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

27th May 2016

Related Party Transactions Review Committee Report

Composition of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee, appointed by the Board of Directors of Vallibel Finance PLC, comprises of a combination of Non-Executive Directors and Independent Non-Executive Directors. 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

Brief profile of each member of the Committee is given on pages 20 to 21.

Role of the Committee

The Related Party Transactions Review Committee was established in August 2015 in line with the Code of Best Practices on Related Party Transactions, issued by The Securities and Exchange Commission of Sri Lanka (SEC).

The purpose of the Committee is to provide independent review, approval and oversight of Related Party Transactions of the Company.

The main responsibilities of the Committee include the following.

- Develop and recommend policies and procedures to review Related Party Transactions of the Company

- Review proposed Related Party Transactions of the Company except those explicitly exempted by the Committee Charter
- Update the Board of Directors on the Related Party Transactions of the Company
- Make disclosures on applicable Related Party Transactions, as required by the applicable rules and regulations

Policies and Procedures

The Company has adopted a Related Party Transactions (RPTs) Policy in view of structuring the Company's policies and procedures to uphold good governance and in the best interests of the Company. The Policy has been prepared in accordance with the rules pertaining to RPTs under the Listing Rules of Colombo Stock Exchange.

Meetings

The Committee held two meetings during the year to recommend the Related Party Policy to the Board and to review the Related Party Transactions of the Company.

The Committee will meet quarterly or more frequently as it deems necessary to carry out its duties and responsibilities.

Related Party Transactions during the year

During the financial year under review, there were no non- recurrent or recurrent related party transactions that exceeded the respective thresholds as stipulated by Listing Rules of the Colombo Stock Exchange.

Details of other Related Party Transactions are given in Note No. 41 to the Financial Statements on pages 147 to 149.



A Dadigama

Chairman

Related Party Transactions Review Committee

27th May 2016

Financial statements

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+38%

Rs.513Mn

Net Profit After Tax

Regular
engagement
with investors

Total
Assets

Rs.22.8Bn

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 2016/17, 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



P W Corporate Secretarial (Pvt) Ltd
Secretaries

27th May 2016

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 31st March 2016, 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 as set out on pages 94 to 151.

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 31st March 2016, 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.

CHARTERED ACCOUNTANTS
Colombo

27th May 2016

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
T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara ACA
G.A.U. Karunaratne FCA
R.H. Rajan ACA
P.Y.S. Perera FCA
W.W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
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	2016 Rs.	2015 Rs.	Change %
Gross Income	124	6	3,468,276,901	2,896,187,378	19.8
Interest Income	125	7	3,241,795,226	2,799,745,875	15.8
Interest Expense	126	8	(1,558,667,730)	(1,344,337,892)	15.9
Net Interest Income			1,683,127,496	1,455,407,983	15.6
Fee and Commission Income			59,805,642	50,314,825	18.9
Net Fee and Commission Income			59,805,642	50,314,825	18.9
Net Gain / (Loss) from Trading	126	9	(618,563)	(117,290)	427.4
Other Operating Income	126	10	167,294,596	46,243,968	261.8
Total Operating Income			1,909,609,171	1,551,849,486	23.1
Impairment Charges for Loans and other losses	126	11	(70,182,156)	(239,203,374)	(70.7)
Net Operating Income			1,839,427,015	1,312,646,112	40.1
Operating Expenses					
Personnel Expenses	126	12	(436,060,020)	(336,574,216)	29.6
Premises Equipment and Establishment Expenses			(87,538,076)	(66,321,159)	32.0
Other Expenses			(404,093,342)	(276,808,006)	46.0
Operating Profit Before Value Added Tax & NBT	127	13	911,735,577	632,942,731	44.0
Value Added Tax on Financial Services & NBT	127	14	(128,112,003)	(74,302,462)	72.4
Profit Before Income Tax			783,623,574	558,640,269	40.3
Income Tax Expense	127	15	(270,359,053)	(185,853,667)	45.5
Profit for the Year			513,264,521	372,786,602	37.7
Basic Earnings Per Share	128	16.1	12.35	8.97	37.7

The notes on pages 99 to 151 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	2016 Rs.	2015 Rs.	Change %
Profit for the Year			513,264,521	372,786,602	37.7
Other Comprehensive Income For the Year, Net of Tax					
Other Comprehensive Income not to be reclassified to Income Statement					
Remeasurement on Retirement Benefit Obligation	143	35.3	2,582,738	(4,183,437)	(161.7)
Deffered Tax (Charge) / Reversal on Actuarial Gains / (Losses)	142	33.2	(723,167)	1,171,362	(161.7)
Total Other Comprehensive Income not to be reclassified to Income Statement			1,859,571	(3,012,075)	(161.7)
Other Comprehensive Income to be reclassified to Income Statement					
Gains / (Losses) on remeasuring Available For Sale Financial Assets	135	23.1	(17,266,607)	5,202,523	(431.9)
Total Other Comprehensive Income to be reclassified to Income Statement			(17,266,607)	5,202,523	(431.9)
Total Other Comprehensive Income for the Year, Net of Tax			(15,407,036)	2,190,448	(803.4)
Total Comprehensive Income for the Year			497,857,485	374,977,050	32.8

The notes on pages 99 to 151 are an integral part of these Financial Statements.
Figures in brackets indicate deductions.

Statement of Financial Position

As at 31st March	Page No.	Note	2016 Rs.	2015 Rs.	Change %
Assets	129	17			
Cash and Cash Equivalents	131	18.1	519,315,084	357,722,928	45.2
Placements with Banks and Other Finance Companies	131	19	1,312,169,859	1,768,499,428	(25.8)
Reverse Repurchase Agreements			1,679,716,852	1,353,477,948	24.1
Financial Investments - Held for Trading	131	20	4,067,378	4,822,336	(15.7)
Loans and Receivables to Other Customers	132	21	7,251,676,658	3,307,495,086	119.2
Lease Rental and Hire Purchase Receivables	133	22	11,228,228,344	9,261,379,875	21.2
Financial Investments - Available for Sale	135	23	104,658,351	120,529,779	(13.2)
Financial Investments - Held to Maturity	136	24	300,794,154	296,296,416	1.5
Other Financial Assets	136	25	15,968,593	11,806,411	35.3
Property, Plant and Equipment	137	26	194,787,387	181,172,558	7.5
Intangible Assets	138	27	4,129,612	4,188,589	(1.4)
Deffered Tax Assets	142	33.4	37,147,476	66,516,415	(44.2)
Other Assets	138	28	114,516,593	159,599,520	(28.2)
Total Assets			22,767,176,341	16,893,507,289	34.8
Liabilities	129	17			
Bank Overdrafts	131	18.2	1,224,665,038	463,536,788	164.2
Rental Received in Advance			208,870,398	170,421,167	22.6
Deposits due to Customers	138	29	14,804,037,141	12,162,096,690	21.7
Interest bearing Borrowings	139	30	2,243,116,105	299,522,795	648.9
Subordinated Term Debts	140	31	1,917,563,133	1,859,653,357	3.1
Current Tax Liabilities	141	32	38,687,596	93,290,845	(58.5)
Deferred Tax Liabilities	142	33.3	182,865,531	88,459,437	106.7
Other Liabilities	143	34	190,776,252	220,230,653	(13.4)
Retirement Benefit Obligations	143	35	27,669,222	22,125,917	25.1
Total Liabilities			20,838,250,416	15,379,337,649	35.5
Equity					
Stated Capital	145	36	287,153,000	287,153,000	-
Statutory Reserves	145	37	383,176,899	280,523,995	36.6
Available For Sale Reserve	146	38	(8,009,097)	9,257,510	(186.5)
General Reserve	146	39	7,500,000	7,500,000	-
Retained Earnings	146	40	1,259,105,123	929,735,135	35.4
Total Equity			1,928,925,925	1,514,169,640	27.4
Total Liabilities and Equity			22,767,176,341	16,893,507,289	34.8
Net Assets Value Per Share (Rs.)			46.42	36.44	27.4

The notes on pages 99 to 151 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.

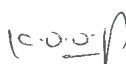


K.D. Menaka Sameera

AGM - Finance & Administration

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



S.B. Rangamuwa

Managing Director

27th May 2016,
Colombo.

Statement of Changes in Equity

	Stated	Statutory Reserves		Available	General	Retained	Total
	Capital	Statutory	Investment	For Sale	Reserve	Earnings	Equity
	Rs.	Reserve Fund	Fund	Reserve	Rs.	Rs.	Rs.
Balance as at 01st April 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
Total Comprehensive Income for the Year							
Profit for the Year	-	-	-	-	-	513,264,521	513,264,521
Other Comprehensive Income, net of Tax	-	-	-	(17,266,607)	-	1,859,571	(15,407,036)
Total Comprehensive Income for the Year	-	-	-	(17,266,607)	-	515,124,092	497,857,485
Transactions with Equity Holders of the Company							
Contributions and Distributions							
Dividends	-	-	-	-	-	(83,101,200)	(83,101,200)
Total Contributions and Distributions	-	-	-	-	-	(83,101,200)	(83,101,200)
Statutory Reserve Transfers	-	102,652,904	-	-	-	(102,652,904)	-
Balance as at 31st March 2016	287,153,000	383,176,899	-	(8,009,097)	7,500,000	1,259,105,123	1,928,925,925

The notes on pages 99 to 151 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	2016 Rs.	2015 Rs.
Cash Flow from Operating Activities				
Interest and Commission Receipts			3,331,664,926	2,747,689,310
Interest Payments			(1,363,959,644)	(1,322,114,096)
Cash Receipts from Customers			175,341,431	43,762,838
Cash Payments to Employees and Suppliers			(855,652,660)	(597,822,631)
Operating Profit Before Changes in Operating Assets and Liabilities			1,287,394,053	871,515,421
(Increase) / Decrease in Operating Assets				
Short Term Funds			26,136,926	35,654,157
Deposits held for Regulatory or Monetary Control Purposes			(1,714,651,266)	459,360,488
Funds Advanced to Customers			(5,942,762,970)	(2,768,599,079)
Other Short Term Negotiable Securities			1,809,029,534	(1,973,018,242)
Increase / (Decrease) in Operating Liabilities				
Deposits from Customers			2,517,433,370	2,716,781,727
Certificate of Deposits			(5,144,121)	117,585,228
Net Cash (Used in) / Generated from Operating Activities before Tax			(2,022,564,474)	(540,720,300)
Taxes Paid			(326,353,820)	(267,389,955)
Net Cash (Used in) / Generated from Operating Activities			(2,348,918,294)	(808,110,255)
Cash Flows from Investing Activities				
Dividends Received	126	9	136,395	162,058
Proceed from Sale of Property , Plant and Equipment			6,094,500	1,217,795
Purchase of Property, Plant and Equipment	137	26	(70,456,559)	(99,976,007)
Purchase of Intangible Assets	138	27	(2,353,464)	(2,000,000)
Net Cash (Used in) / Generated from Investing Activities			(66,579,128)	(100,596,154)
Cash Flows from Financing Activities				
Issue of Debentures			-	1,000,000,000
Net Increase / (decrease) in Borrowings			1,899,062,528	(233,291,162)
Dividend Paid			(83,101,200)	(41,550,600)
Net Cash (Used in) / Generated from Financing Activities			1,815,961,328	725,158,238
Net Increase / (Decrease) in Cash & Cash Equivalents				
Cash & Cash Equivalents at the Beginning of the Year			(105,813,860)	77,734,310
Cash & Cash Equivalents at end of the Year (Note A)			(705,349,954)	(105,813,860)
Note A				
Cash & Cash Equivalents at the end of the Year				
Cash in Hand and at Banks	131	18.1	519,315,084	357,722,928
Bank Overdrafts	131	18.2	(1,224,665,038)	(463,536,788)
			(705,349,954)	(105,813,860)

The notes on pages 99 to 151 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 2016 was 600 (517 as at 31st March 2015).

1.2. Principal Business Activities and Nature of Operations

The principal business 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.

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

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 Accounting

2.1. Statement of Compliance

The Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) 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. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

These SLFRSs and LKASs are available at www.casrilanka.com.

2.2. Responsibility for Financial Statements

The Board of Directors of the company is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and SLFRSs and LKASs.

The Board of Directors acknowledges their responsibility for Financial Statements 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 Certification on the Statement of Financial Position.

These Financial Statements include the following components:

- an Income Statement and 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 utilization of those cash flows.
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.3. Approval of Financial Statements by the Board of Directors

The Financial Statements of the Company for the year ended 31st March 2016 were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 27th May 2016.

2.4. Basis of Measurement

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

- Held for trading financial instruments are measured at fair value.
- Financial investments – Available – for- sale measured at fair value.
- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.

Notes to the Financial Statements

2.5. Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency).

There was no change in the Company's Presentation and Functional Currency during the year under review.

These Financial Statements are presented in Sri Lankan Rupees, the Company's Functional and Presentation Currency.

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.

No adjustments have been made for inflationary factors affecting 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 Sri Lanka Accounting Standard - LKAS 01 on "Presentation of Financial Statements".

2.8. Going Concern Basis for Accounting

The Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management is not

aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the Financial Statements of the Company continue to be prepared on a going concern basis.

2.9 Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the 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 not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretation Committee) and as specifically disclosed in the Accounting Policies of the Company.

2.10 Rounding

The amounts in the Financial Statements have been rounded off to the nearest Rupee, except where otherwise indicated as permitted by the Sri Lanka Accounting Standard – LKAS 01 on "presentation of Financial Statements".

2.11 Comparative Information

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

2.12. Events after the Reporting Date

Events after the reporting date 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.

2.13 Use of Judgments and Estimates

In preparing the Financial Statements of the Company in conformity with SLFRSs and LKASs the management has made judgments, estimates and assumptions which 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 prospectively.

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:

2.13.1 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.

2.13.2 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 provided 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 hence actual results may differ, resulting in future changes to the provision made.

The individual impairment provision applies to financial assets evaluated individually for impairment and is based on Management's best estimate of the present value of the future cash flows that are expected to be received. In estimating these cash flows, Management makes judgments about a borrower's financial situation and the net realizable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable.

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.

2.13.3 Impairment Losses on Available for Sale Investments

The Company reviews the equity investments and debt securities classified as available-for-sale investments at each Reporting date to assess whether they are impaired. This requires similar judgments as applied on the individual assessment of loans and advances.

The Company records impairment charges on available for sale equity investments and 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.

2.13.4. Impairment Losses on Non Financial Assets

The Company assesses whether there are any indicators of impairment for an asset or a cash-generating unit (CGU) at each Reporting date or more frequently, if events or changes in circumstances necessitate to do so. This requires the estimation of the 'Value in use' of such individual assets or the CGUs. Estimating 'Value in use' requires management to make an

estimate of the expected future cash flows from the asset or the CGU 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.

2.13.5. 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.

2.13.6. 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.

Notes to the Financial Statements

2.13.7 Useful Life time of Property, Plant & Equipment

The Company reviews the residual values, useful lives and methods of depreciation of Property, Plant & Equipment at each Reporting date. Judgment of the Management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Financial Statements of the Company, unless otherwise indicated.

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, that are directly attributable to acquisition or issue of such financial instruments except in the case of financial assets and

financial 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

Company classifies financial assets into one of the following categories:

- Financial Assets at Fair value through profit or loss, and within 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 include 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 they hold 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. Interest and dividend income are recorded in interest Income and Net Gains/ (Losses) from Trading respectively in the income statement according to the terms of the contract, or when the right to receive the payment has been established.

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.

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; or
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or
- The asset contains an embedded derivative that significantly modifies the cash flows which would have been required under the contract.

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' comprised of 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 provision 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'. The losses arising from impairment are recognised in

the Income Statement in 'Impairment charges for loans and other losses' in the Income Statement.

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

Notes to the Financial Statements

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'. 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 too 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 and 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

Company classifies financial liabilities into one of the following categories:

- Financial Liabilities at fair value through profit or loss, and within this category as :
 - Held for trading; or
 - Designated at fair value through profit or loss.
- Financial Liabilities 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".

Interest paid/ payable is accrued in Interest Expense using the EIR. 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 Assets and Liabilities

The Company reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

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 off. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to profit or loss.

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

A Financial asset (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 receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - 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

Notes to the Financial Statements

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, or for gains and losses arising from a group of similar transactions such as in the company's trading activity.

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 ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

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. Identification and Measurement of Impairment of Financial Assets

At each Reporting date, the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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 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 profit or loss. 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

Notes to the Financial Statements

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.

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

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for assets (including buildings under operating leases where the Company is the lessor) which are held for use in the provision of services, for rental to others or for administrative purposes and are expected to be used for more than one year.

3.2.1. Basis of 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.

The Company applies the Cost Model to all Property, Plant & Equipment and records at cost of purchase together with any incidental expenses thereon, less accumulated depreciation and any accumulated impairment losses.

An item of Property, Plant & Equipment that qualifies for recognition as an asset is initially measured at its cost. 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 labour, any other costs directly attributable to bringing the asset to a working condition for its intended use and the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software which is integral to the functionality of the related equipment is capitalised as part of Computer Equipment.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

3.2.2. Subsequent cost

Subsequent expenditure is capitalised only when it is probable that the future economic benefits of the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

3.2.3. Depreciation

Depreciation is calculated to write-off the cost of items of Property, Plant & Equipment less their estimated residual values using the straight-line method over their estimated useful

lives, and is recognised in profit or loss. Leased assets under finance leases are depreciated over the shorter of the lease term and their useful lives. Freehold land is not depreciated.

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

Freehold Buildings	15 years
Leasehold 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

The depreciation rates are determined separately for each significant part of an item of Property, Plant & Equipment depreciation of asset begins when it is available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or the date that the asset is derecognised.

3.2.4. Change in Depreciation Rate

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

3.2.5. De-recognition

An item of Property, Plant & Equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset), is recognised in 'Other Operating Income' in profit or loss in the year the asset is derecognised. When replacement costs are recognised in the carrying amount of an item of Property, Plant

& Equipment, the remaining carrying amount of the replaced part is derecognised as required by Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment'.

3.3. Intangible Assets

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 future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with the Sri Lanka Accounting Standard – LKAS 38 on 'Intangible Assets'.

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 increases the future economic benefits embodied in the specific asset to which it relates. 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. 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. Operating Leases

3.4.1.1. Operating Leases – Company as a Lessee

Leases that do not transfer to the Company substantially all risks and benefits incidental to ownership of the leased assets are operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight line basis over the lease term. Contingent rental payable is recognised as an expense in the period in which they are incurred.

3.4.1.2. Operating Leases – Company as a Lessor

Leases where the Company does not transfer substantially all risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

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

3.4.2. Finance Leases

3.4.2.1. Finance Leases – Company as a Lessee

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

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

3.4.2.2. Finance Leases – Company as a Lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of Unearned charges, are included in 'Lease rentals receivables', as appropriate. 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.

3.5. Impairment of Non-Financial Assets

At each Reporting date, the Company reviews the carrying amounts of its non – financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or CGUs.

The 'recoverable amount' of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 'Value in use' is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, 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. Interest paid / payable on these deposits recognised in profit or loss.

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 profit or loss.

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 if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in 'Interest Expense' in profit or loss.

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 profit or loss using the Effective Interest Rate (EIR) method. 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 includes 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 financial liability.

Interest income and expense presented in the Income Statement include:

- Interest on financial assets and financial liabilities measured at amortised cost calculated using EIR method;
- Held-for-trading calculated using EIR method;
- Interest on available-for-sale investment securities calculated using EIR method.

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

Notes to the Financial Statements

fees and commission income are recognised as the related services are performed.

3.12.3. Net Gain / (Loss) from Trading

'Net gain / (loss) from trading' comprise gains less losses related to trading assets and liabilities, and include all realised and unrealised fair value changes and dividends.

3.13. Income Tax Expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Income Statement, except to the extent it relates to items recognised directly in Equity or in OCI.

3.13.1 Current Taxation

'Current tax' comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted, at 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 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 recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting

purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each Reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the Reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the Reporting date, to recover or settle the carrying amount of its assets and liabilities.

3.14. Value Added Tax on Financial Services

The value base for the computation of value added tax on financial services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting

profit before Income Tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

3.15. Nation Building Tax on Financial Services (NBT)

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

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. Statement of Cash Flows

The Statement of Cash Flows has been prepared using the “Direct Method” of preparing Cash Flows in accordance with the Sri 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 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. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Company plans to apply these standards on the respective effective dates.

- 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 9.

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, 2018.

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 & 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 2016	Neither past due not individually impaired Rs.	Past due but not individually impaired Rs.	Individually impaired Rs.	Total Rs.
Cash and Cash Equivalents	519,315,084	-	-	519,315,084
Placements with Banks and Other Finance Companies	1,312,169,859	-	-	1,312,169,859
Reverse Repurchase Agreements	1,679,716,852	-	-	1,679,716,852
Financial Investments - Held for Trading	4,067,378	-	-	4,067,378
Loans and Receivables to Other Customers	4,806,121,077	2,470,414,756	96,047,439	7,372,583,272
Less : Impairment	-	-	-	(120,906,613)
Lease Rental and Hire Purchase Receivables	5,334,347,521	6,151,410,573	279,059,538	11,764,817,632
Less : Impairment	-	-	-	(536,589,288)
Financial Investments - Available for Sale	104,658,351	-	-	104,658,351
Financial Investments - Held to Maturity	300,794,154	-	-	300,794,154
Other Financial Assets	15,968,593	-	-	15,968,593
	14,077,158,869	8,621,825,329	375,106,977	22,416,595,274

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	1,262,149,574	632,491,053	272,177,397	303,596,732	2,470,414,756
Lease Rental and Hire Purchase Receivables	2,680,422,512	1,858,739,243	940,680,931	671,567,887	6,151,410,573
	3,942,572,086	2,491,230,296	1,212,858,328	975,164,619	8,621,825,329

Notes to the Financial Statements

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

Analysis of Risk Concentration

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

Province	Lease Rental Receivables		Hire Purchase Receivables	
	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Western	5,387,699,178	3,247,552,125	1,566,817,112	2,808,124,551
Southern	829,348,148	605,459,113	162,563,885	294,563,509
Sabaragamuwa	977,145,515	663,961,922	153,639,724	253,290,640
Central	435,792,716	296,433,003	81,624,209	148,437,014
Uva	286,947,267	143,567,261	61,704,138	108,199,995
Eastern	7,297,441	3,105,245	6,611,223	10,357,245
North Western	1,112,368,209	671,606,820	241,175,162	404,566,886
North Central	413,777,382	83,360,886	32,658,435	46,132,791
Northern	6,953,933	3,311,015	693,954	3,805,625
	9,457,329,789	5,718,357,390	2,307,487,842	4,077,478,257

(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	2016	2015
Liquid Asset Ratio (LAR)		
Average for the year	15.56%	15.56%
Maximum for the year	22.29%	24.00%
Minimum for the year	10.77%	12.25%

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

As at 31st March	2016 Rs.	2015 Rs.
Cash in Hand	39,952,110	34,323,076
Balances in Current Accounts free from lien	12,952,669	44,063,718
Deposits in Commercial Banks free from lien	1,050,000,000	1,520,625,000
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	295,216,271	296,405,245
Any Other Approved Securities	1,679,361,208	1,353,477,948
Total liquid assets as at end of March	3,077,482,258	3,248,894,987

Notes to the Financial Statements

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2016, 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	517,263,512	794,404,238	502,109	-	-	1,312,169,859
Reverse Repurchase Agreements	1,095,379,242	584,337,610	-	-	-	1,679,716,852
Financial Investments - Available for Sale	104,658,351	-	-	-	-	104,658,351
Financial Investments - Held to Maturity	-	300,794,154	-	-	-	300,794,154
Loans and Receivables to Other Customers*	1,246,195,908	2,463,865,403	2,537,433,207	993,258,425	10,923,715	7,251,676,658
Finance Lease Receivables*	1,053,052,786	2,293,099,647	4,333,147,443	1,421,614,487	2,874,651	9,103,789,014
Hire Purchase Receivables*	318,363,673	655,647,128	1,043,181,914	107,162,729	83,886	2,124,439,330
Total Interest Bearing Assets	4,334,913,472	7,092,148,180	7,914,264,673	2,522,035,641	13,882,252	21,877,244,218
Percentage 2016	20%	32%	36%	12%	0%	
Percentage 2015	25%	30%	36%	9%	0%	
Interest Bearing Liabilities						
Bank Overdrafts	1,224,665,038	-	-	-	-	1,224,665,038
Interest Bearing Borrowings	284,289,363	493,928,872	1,164,909,898	299,987,972	-	2,243,116,105
Subordinated Term Debts	81,826,624	232,543,151	617,941,049	985,252,310	-	1,917,563,134
Deposits Due to Customers - Public Deposits	5,963,297,448	5,944,338,910	2,089,773,315	447,280,380	-	14,444,690,052
Deposits Due to Customers - Certificate of Deposits	115,871,411	242,272,079	1,203,599	-	-	359,347,089
Total Interest Bearing Liabilities	7,669,949,884	6,913,083,012	3,873,827,861	1,732,520,662	-	20,189,381,418
Percentage 2016	38%	34%	19%	9%	0%	
Percentage 2015	34%	35%	18%	13%	0%	

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

(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

	2016 Rs.	2015 Rs.
Rate Sensitive Assets (RSA)	21,877,244,218	16,107,678,532
Rate Sensitive Liabilities (RSL)	20,189,381,418	14,784,809,629
GAP (RSA-RSL)	1,687,862,800	1,322,868,903

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 2016 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	1,864,300	1,081,500	782,800
Diversified Holdings	2,203,078	2,203,078	-
Total	4,067,378	3,284,578	782,800

	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

Notes to the Financial Statements

(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:

As at 31st March	Balance		Risk Weight Factor %	Risk Weighted Balance	
	2016 Rs.	2015 Rs.		2016 Rs.	2015 Rs.
Assets					
Cash and Cash Equivalents	519,315,084	357,722,928	0%	-	-
Placements with Banks and Other Finance Companies	1,312,169,859	1,768,499,428	20%	262,433,972	353,699,886
Reverse Repurchase Agreements	1,679,716,852	1,353,477,948	0%	-	-
Financial Investments - Held for Trading (excluding items deducted from the total Capital)	4,067,378	4,822,336	100%	4,067,378	4,822,336
Financial Investments - Available for Sale					
Government of Sri Lanka Treasury Bonds	104,454,551	120,325,979	0%	-	-
Unquoted Equities	203,800	203,800	100%	203,800	203,800
Financial Investments - Held to Maturity	300,794,154	296,296,416	0%	-	-

As at 31st March Assets	Balance		Risk Weight Factor %	Risk Weighted Balance	
	2016 Rs.	2015 Rs.		2016 Rs.	2015 Rs.
Loans and Receivables :					
Loans against Fixed Deposits	277,329,779	145,454,672	0%	-	-
Loans against Gold and Gold Jewellery (Less than 10% in Total Advances)	521,994,269	148,591,989	0%	-	-
Loans and Receivables to Other Customers	6,452,352,610	3,013,448,425	100%	6,452,352,610	3,013,448,425
Lease Rental and Hire Purchase Receivables	11,228,228,344	9,261,379,875	100%	11,228,228,344	9,261,379,875
Other Financial Assets	15,968,593	11,806,411	100%	15,968,593	11,806,411
Other Assets	114,516,593	159,599,520	100%	114,516,593	159,599,520
Property, Plant and Equipment	194,787,387	181,172,558	100%	194,787,387	181,172,558
Intangible Assets	4,129,612	4,188,589	100%	4,129,612	4,188,589
Deffered Tax Assets	37,147,476	66,516,415	100%	37,147,476	66,516,415
Total Risk Weighted Assets	22,767,176,341	16,893,507,289		18,313,835,765	13,056,837,815

As at 31st March	2016 Rs.	2015 Rs.
Tier I : Core Capital		
Stated Capital	287,153,000	287,153,000
Statutory Reserve Fund	383,176,899	280,523,995
General Reserve	7,500,000	7,500,000
Retained Earnings	1,259,105,123	929,735,135
Total Tier I Capital	1,936,935,022	1,504,912,130
Tier II : Supplementary Capital		
Eligible Approved Unsecured Subordinated Term Debt	968,467,511	752,456,065
Total Eligible Tier II Capital	968,467,511	752,456,065
Total Capital	2,905,402,533	2,257,368,195
Deductions		
Investments in capital of other banks	-	-
Capital Base	2,905,402,533	2,257,368,195
Computation of Capital Adequacy Ratios		
Core Capital Ratio (Minimum Requirement 5%)	10.58%	11.53%
Core Capital Risk Weighted Assets	x 100	
Total Risk Weighted Capital Ratio (Minimum Requirement 10%)	15.86%	17.29%
Capital Base Risk Weighted Assets	x 100	

Notes to the Financial Statements

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 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 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31st March 2016				
Financial Investments - Held for Trading				
Equity Shares - Quoted	4,067,378	-	-	4,067,378
	4,067,378	-	-	4,067,378
Financial Investments - Available for Sale *				
Government of Sri Lanka Treasury Bonds	104,454,551	-	-	104,454,551
	104,454,551	-	-	104,454,551
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

* Value of unquoted equities have 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.

	Carrying Value Rs.	Fair Value			Total Rs.
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
As at 31st March 2016					
Financial Assets					
Cash and Cash Equivalents	519,315,084	-	519,315,084	-	519,315,084
Placements with Banks and Other Finance Companies	1,312,169,859	-	1,312,169,859	-	1,312,169,859
Reverse Repurchase Agreements	1,679,716,852	-	1,679,716,852	-	1,679,716,852
Loans and Receivables to Other Customers	7,251,676,658	-	7,158,350,880	-	7,158,350,880
Lease Rental and Hire Purchase Receivables	11,228,228,344	-	11,180,678,228	-	11,180,678,228
Financial Investments - Held to Maturity	300,794,154	295,216,271	-	-	295,216,271
Other Financial Assets	15,968,593	-	15,968,593	-	15,968,593
	22,307,869,544	295,216,271	21,866,199,496	-	22,161,415,767
Financial Liabilities					
Bank Overdrafts	1,224,665,038	-	1,224,665,038	-	1,224,665,038
Rental Received in Advance	208,870,398	-	208,870,398	-	208,870,398
Deposits due to Customers	14,804,037,141	-	14,804,037,141	-	14,804,037,141
Interest bearing Borrowings	2,243,116,105	-	2,243,116,105	-	2,243,116,105
Subordinated Term Debts	1,917,563,133	-	1,917,563,133	-	1,917,563,133
	20,398,251,815	-	20,398,251,815	-	20,398,251,815

Notes to the Financial Statements

	Carrying Value Rs.	Fair Value			Total Rs.
		Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	
As at 31st March 2015					
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

For the year ended 31st March

	2016 Rs.	2015 Rs.
6 Gross Income		
Interest Income (Note 7)	3,241,795,226	2,799,745,875
Fee and Commission Income	59,805,642	50,314,825
Net Gain / (Loss) from Trading (Note 9)	(618,563)	(117,290)
Other Operating Income (Note 10)	167,294,596	46,243,968
	3,468,276,901	2,896,187,378

For the year ended 31st March

	2016 Rs.	2015 Rs.
7 Interest Income		
7.1 Hire Purchase		
Interest Income	579,827,552	826,106,518
Over Due Interest	68,999,587	91,610,570
	648,827,139	917,717,088

For the year ended 31st March

	2016	2015
	Rs.	Rs.
7.2 Lease		
Interest Income	1,445,685,395	1,180,087,073
Over Due Interest	172,199,723	161,845,895
	1,617,885,118	1,341,932,968
7.3 Loans		
Interest Income	639,701,721	278,678,564
Over Due Interest	56,238,761	30,607,989
	695,940,482	309,286,553
7.4 Loans against Deposits		
Interest Income	25,630,144	17,805,932
	25,630,144	17,805,932
7.5 Investment Fund Loans		
Interest Income	-	4,010,686
	-	4,010,686
7.6 Gold Loans		
Interest Income	49,974,426	18,881,652
	49,974,426	18,881,652
7.7 Fixed Deposits		
Placements with Banks	101,150,611	72,814,939
Placements with Other Finance Companies	21,913,585	52,248,836
	123,064,196	125,063,775
7.8 Interest on Call Deposits		
	63,525	-
7.9 Interest on Staff Loans		
	1,540,792	1,022,699
7.10 Interest Income from Sri Lanka Government Securities		
	78,869,404	64,024,522
	3,241,795,226	2,799,745,875

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. 7,886,940 (2014/15 - Rs. 6,402,452).

Notes to the Financial Statements

For the Year Ended 31st March	2016 Rs.	2015 Rs.
8 Interest Expense		
On Fixed Deposits	1,220,380,736	1,127,237,777
On Borrowings	80,475,237	57,452,435
On Finance Leases	16,349	298,062
On Certificate of Deposits	31,874,282	37,769,024
On Debentures	225,921,126	121,580,594
	1,558,667,730	1,344,337,892
9 Net Gain / (Loss) from Trading		
Net marked to Market Loss	(754,958)	(279,348)
Dividend Income from Financial Investments - Held for Trading	136,395	162,058
	(618,563)	(117,290)
10 Other Operating Income		
Early Termination Income	85,997,759	15,781,730
Gain on Disposal of Property, Plant & Equipment	1,634,798	184,241
Redemption Income - Unit Trusts	10,921,659	-
Amortised Staff Cost - Interest Income	2,991,515	1,782,266
Other Income	65,748,865	28,495,731
	167,294,596	46,243,968
11 Impairment Charges for Loans and other losses		
On Hire Purchase Receivable	(13,721,536)	56,365,477
On Lease Receivable	15,855,052	146,829,065
On Loans Receivable	67,736,762	34,821,623
On Gold Loan Receivable	311,878	1,187,209
	70,182,156	239,203,374
12 Personnel Expenses		
Salaries & Bonus	360,472,662	277,057,209
Retirement Benefit Costs (Note 35.2)	8,295,443	5,254,064
Amortised Staff Cost - Personnel Expenses	2,991,515	1,782,266
Employer's Contribution to Employee's Provident Fund	28,154,897	22,122,666
Employer's Contribution to Employee's Trust Fund	6,917,755	5,417,765
Staff Welfare	29,227,748	24,940,246
	436,060,020	336,574,216

For the Year Ended 31st March**2016****2015****Rs.****Rs.****13 Operating Profit Before Value Added Tax & NBT**

Operating Profit Before Value Added Tax & NBT is stated after charging all the expenses including the following:

Professional Fees	920,111	778,270
Auditors Remuneration - Statutory Audit	935,000	915,000
- Other Non Audit Services	1,750,000	670,000
Directors Fees and Expenses	3,930,384	4,080,513
Depreciation of Property, Plant and Equipment	52,382,027	45,095,882
Amortisation of Intangible Assets	2,412,441	2,167,289
Advertising & Related Expenses	91,492,937	43,897,487
Business Promotion Expenses	48,666,082	13,379,411
Donations	547,010	240,530
Deposit Insurance Premium	16,361,757	14,205,592
CROP Insurance Levy	5,688,764	3,132,884
Staff Expenses (Note 12)	436,060,020	336,574,216

14 Value Added Tax on Financial Services & NBT

Value Added Tax on Financial Services	109,922,086	62,161,184
Nation Building Tax on Financial Services	18,189,917	12,141,278
	128,112,003	74,302,462

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**2016****2015****Rs.****Rs.**

Current Income Tax Expense on Profits for the Year (Note 15.1)	145,750,587	203,900,295
(Over) / under provision in respect of previous year	1,556,600	(657,799)
	147,307,187	203,242,496
Deferred Tax Charge / (Reversal) for the Year (Note 33.2)	123,051,866	(17,388,829)
	270,359,053	185,853,667

15.1 Reconciliation of Accounting Profit to Income Tax Expense

Profit Before Taxation	783,623,574	558,640,269
Add : Disallowable Expenses	4,301,872,796	3,427,579,343
Less : Tax Deductible Expenses	(4,553,900,506)	(3,256,353,427)
Less : Allowable Credits	(11,058,054)	(1,650,847)
Assessable Income	520,537,810	728,215,338
Less : Qualifying Payments	-	-
Taxable Income	520,537,810	728,215,338
Current Income Tax Expense @ 28%	145,750,587	203,900,295
	145,750,587	203,900,295

Notes to the Financial Statements

15.2 Reconciliation of Effective Tax Rate

For the Year Ended 31st March

	2016		2015	
	%	Rs.	%	Rs.
Profit Before Income Taxation		783,623,574		558,640,269
Taxable Income	28.0%	219,414,601	28.0%	156,419,275
Disallowable Expenses	153.7%	1,204,524,383	171.8%	959,722,216
Tax Deductible Expenses	-162.7%	(1,275,092,142)	-163.2%	(911,778,960)
Allowable Credits	-0.4%	(3,096,255)	-0.1%	(462,237)
Effects on Deferred Taxation	15.7%	123,051,866	-3.1%	(17,388,829)
Effects on (Over) / under provision	0.2%	1,556,600	-0.1%	(657,799)
Total Income Tax Expense	34.5%	270,359,053	33.3%	185,853,667

16 Earnings / Dividend Per Share

16.1 Basic Earnings per Share

The calculation of Basic Earnings Per Share is based on the profit attributable to ordinary shareholders and 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

	2016	2015
	Rs.	Rs.
Profit Attributable to Ordinary Shareholders (Rs.)	513,264,521	372,786,602
Weighted Average Number of Ordinary Shares (Note 16.1.1)	41,550,600	41,550,600
Basic Earnings Per Share (Rs.)	12.35	8.97

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 Dividend per Share

16.2.1 Dividend Paid Per Share

For the Year Ended 31st March

	2016	2015
	Rs.	Rs.
Dividend paid per share	2.00	1.00
	2.00	1.00

16.2.2 Dividend Proposed Per Share

The Directors have recommended the payment of a first and final dividend of Rs. 2.50 per share (Rs. 2.00 in 2014/15) subject to the approval of the Central Bank of Sri Lanka.

In accordance with the Sri Lanka Accounting Standard LKAS 10 – 'Events After the Reporting Period' this proposed first and final dividend has not been recognized as a liability in the Financial Statements for the year ended 31st March 2016.

17 Analysis of Financial Instruments by Measurement Basis

17.1 Analysis of Financial Instruments by Measurement Basis As at 31st March 2016

	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	-	-	519,315,084	-	519,315,084
Placements with Banks and Other Finance Companies	-	-	1,312,169,859	-	1,312,169,859
Reverse Repurchase Agreements	-	-	1,679,716,852	-	1,679,716,852
Financial Investments - Held for Trading	4,067,378	-	-	-	4,067,378
Loans and Receivables to Other Customers	-	-	7,251,676,658	-	7,251,676,658
Lease Rental and Hire Purchase Receivables	-	-	11,228,228,344	-	11,228,228,344
Financial Investments - Available for Sale	-	-	-	104,658,351	104,658,351
Financial Investments - Held to Maturity	-	300,794,154	-	-	300,794,154
Other Financial Assets	-	-	15,968,593	-	15,968,593
Total Financial Assets	4,067,378	300,794,154	22,007,075,390	104,658,351	22,416,595,273

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Liabilities			
Bank Overdrafts	-	1,224,665,038	1,224,665,038
Rental Received in Advance	-	208,870,398	208,870,398
Deposits due to Customers	-	14,804,037,141	14,804,037,141
Interest bearing Borrowings	-	2,243,116,105	2,243,116,105
Subordinated Term Debts	-	1,917,563,133	1,917,563,133
Total Financial Liabilities	-	20,398,251,815	20,398,251,815

Notes to the Financial Statements

17.2 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
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

As at 31st March	2016 Rs.	2015 Rs.
18 Cash and Cash Equivalents		
Cash and Cash equivalents (Note 18.1)	519,315,084	357,722,928
Bank Overdrafts	(1,224,665,038)	(463,536,788)
Net cash and Cash Equivalents	(705,349,954)	(105,813,860)
18.1 Cash at Banks		
Cash in Hand	263,961,868	286,159,733
	255,353,216	71,563,195
	519,315,084	357,722,928
18.2 Bank Overdrafts		
	(1,224,665,038)	(463,536,788)

As at 31st March	2016 Rs.	2015 Rs.
19 Placements with Banks and Other Finance Companies		
Placements with Banks and Other Finance Companies	1,312,169,859	1,768,499,428
	1,312,169,859	1,768,499,428

	Institute	Type of Investment	2016 Rs.	2015 Rs.
Placements with Banks	PABC Bank	Fixed Deposit	785,905,857	1,439,352,397
	Hatton National bank PLC	Fixed Deposit	120,545,902	120,429,041
	PABC Bank	Call Deposit	300,063,525	-
Other Finance Companies	LB Finance PLC	Fixed Deposit	105,654,575	183,459,771
	Peoples' Leasing & Finance PLC	Fixed Deposit	-	25,258,219
			1,312,169,859	1,768,499,428

20 Financial Investments - Held for Trading

As at 31st March	2016 Rs.	2015 Rs.
Quoted Equities (Note 20.1)	4,067,378	4,822,336
	4,067,378	4,822,336
20.1 Investments in Quoted Equities		
Balance at the Beginning of the year	4,822,336	5,101,684
Gain / (Loss) from marked to market valuation	(754,958)	(279,348)
Balance at the End of the year	4,067,378	4,822,336

Notes to the Financial Statements

	No of Ordinary shares	Cost of investment Rs.	Market Price as at 31/03/2016 Rs.	Market value as at 31/03/2016 Rs.	Market Price as at 31/03/2015 Rs.	Market value as at 31/03/2015 Rs.
Bank , Finance & Insurance						
Singer Finance (Lanka) PLC	103,000	1,918,331	18.10	1,864,300	18.30	1,884,900
Diversified Holdings						
Browns Capital PLC	1,835,898	8,628,721	1.20	2,203,078	1.60	2,937,436
Total Quoted Equities	1,938,898	10,547,052		4,067,378		4,822,336

As at 31st March

2016

2015

Rs.

Rs.

21 Loans and Receivables to Other Customers

Gross Loans and Receivables	7,372,583,271	3,360,353,059
Less :- Allowance for Impairment	(120,906,613)	(52,857,973)
Net Loans and Receivables (Note 21.1)	7,251,676,658	3,307,495,086

21.1 Net Loans and Receivables

21.1.1 Receivable on Loans and advances	6,452,352,610	2,993,697,068
21.1.2 Receivable on Loans against fixed deposits	277,329,779	145,454,672
21.1.3 Receivable on Investment Fund Loans	-	19,751,357
21.1.4 Receivable on Gold Loans	521,994,269	148,591,989
	7,251,676,658	3,307,495,086

21.1.1 Receivable on Loans and advances

Future receivable	8,216,781,158	3,892,712,921
Future interest	(1,645,315,772)	(847,639,839)
Gross loans	6,571,465,386	3,045,073,082
Allowance for impairment	(119,112,776)	(51,376,014)
Net Receivable on Loans and advances	6,452,352,610	2,993,697,068

21.1.2 Receivable on Loans against Fixed Deposits

Future receivable	277,329,779	145,454,672
Future interest	-	-
Gross loans	277,329,779	145,454,672
Allowance for impairment	-	-
Net Receivable on Loans against Fixed Deposits	277,329,779	145,454,672

As at 31st March	2016	2015
	Rs.	Rs.
21.1.3 Receivable on Investment Fund Loans		
Future receivable	-	23,751,210
Future interest	-	(3,999,853)
Gross loans	-	19,751,357
Allowance for impairment	-	-
Net Receivable on Investment Fund Loans	-	19,751,357
21.1.4 Receivable on Gold Loans		
Future receivable	523,788,106	150,073,948
Future interest	-	-
Gross loans	523,788,106	150,073,948
Allowance for impairment	(1,793,837)	(1,481,959)
Net Receivable on Gold Loans	521,994,269	148,591,989
21.1.5 Allowance for Impairment		
Balance brought forward	52,857,973	16,849,141
Net impairment charge for the year	68,048,640	36,008,832
Balance carried forward	120,906,613	52,857,973

As at 31st March	2016	2015
	Rs.	Rs.
22 Lease Rental and Hire Purchase Receivables		
22.1 Hire Purchase Receivables	2,124,439,330	3,880,708,208
22.2 Lease Rental Receivables	9,103,789,014	5,380,671,667
	11,228,228,344	9,261,379,875
22.1 Hire Purchase Receivables		
22.1.1 Future Receivables	2,794,571,908	5,223,907,802
Future Interest	(487,084,065)	(1,146,429,545)
Gross Hire Purchase Receivables	2,307,487,843	4,077,478,257
Allowance for Impairment (Note 22.1.5)	(183,048,513)	(196,770,049)
Net Hire Purchase Receivables	2,124,439,330	3,880,708,208
22.1.2 Hire purchase receivables within one year from Statement of Financial Position date		
Future Receivables	1,450,829,053	2,291,080,750
Future Interest	(293,769,740)	(610,801,008)
	1,157,059,313	1,680,279,742
22.1.3 Hire purchase receivables after one year but before five years from Statement of Financial Position date		
Future Receivables	1,343,655,355	2,932,739,552
Future Interest	(193,310,711)	(535,624,923)
	1,150,344,644	2,397,114,629

Notes to the Financial Statements

As at 31st March	2016 Rs.	2015 Rs.
22.1.4 Hire purchase receivables after five years from Statement of Financial Position date		
Future Receivables	87,500	87,500
Future Interest	(3,614)	(3,614)
	83,886	83,886
22.1.5 Allowance for Impairment		
Balance brought forward	196,770,049	140,404,572
Net impairment charge / (reverse) for the year	(13,721,536)	56,365,477
Balance carried forward	183,048,513	196,770,049
22.2 Lease Rental Receivables		
22.2.1 Future Receivables		
Future Receivables	12,322,363,265	7,439,023,116
Future Interest	(2,865,033,476)	(1,720,665,726)
Gross Lease Rental Receivables	9,457,329,789	5,718,357,390
Allowance for Impairment (Note 22.2.5)	(353,540,775)	(337,685,723)
Net Lease Rental Receivables	9,103,789,014	5,380,671,667
22.2.2 Lease rental receivables within one year from Statement of Financial Position date		
Future Receivables	5,158,175,705	3,733,886,645
Future Interest	(1,458,482,498)	(995,133,846)
	3,699,693,207	2,738,752,799
22.2.3 Lease rentals receivables after one year but before five years from Statement of Financial Position date		
Future Receivables	7,161,271,532	3,705,136,471
Future Interest	(1,406,509,601)	(725,531,880)
	5,754,761,931	2,979,604,591
22.2.4 Lease rentals receivables after five years from Statement of Financial Position date		
Future Receivables	2,916,028	-
Future Interest	(41,377)	-
	2,874,651	-
22.2.5 Allowance for Impairment		
Balance brought forward	337,685,723	190,856,658
Net impairment charge for the year	15,855,052	146,829,065
Balance carried forward	353,540,775	337,685,723

23 Financial Investments - Available for Sale

As at 31st March

	2016 Rs.	2015 Rs.
Government of Sri Lanka Treasury Bonds (Note 23.1)	104,454,551	120,325,979
Unquoted Equities - (Note 23.2)	203,800	203,800
	104,658,351	120,529,779

23.1 Government of Sri Lanka Treasury Bonds

As at 31st March

	2016 Rs.	2015 Rs.
Balance at the Beginning of the year	120,325,979	113,761,432
Movement During the year	1,395,179	1,362,024
Gain / (Loss) on marked to Market valuation	(17,266,607)	5,202,523
Balance at the End of the year	104,454,551	120,325,979

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	20,891,855	9.00%
Treasury Bond	30,000,000	2021	26,165,130	27,247,711	9.00%
Treasury Bond	27,000,000	2021	23,967,468	24,523,773	9.00%
Treasury Bond	35,000,000	2021	34,235,215	31,791,212	9.00%
	115,000,000		104,656,136	104,454,551	

23.2 Unquoted Equities

	No.of Ordinary Shares	Cost of Investment Rs.	Market Value/ Managers Buying Price as at 31/03/2016 Rs.	Market Value/ Managers Buying Price as at 31/03/2015 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.

Notes to the Financial Statements

24 Financial Investments - Held to Maturity

As at 31st March	2016 Rs.	2015 Rs.
Government of Sri Lanka Treasury Bills - Face Value	315,000,000	300,468,201
Less:- Income allocated for future periods	(14,205,846)	(4,171,785)
	300,794,154	296,296,416

25 Other Financial Assets

As at 31st March	2016 Rs.	2015 Rs.
Staff Loans (Note 25.1)	15,968,593	11,806,411
	15,968,593	11,806,411

25.1 Staff Loans

Balance at the beginning of the year	11,806,411	7,912,643
Granted during the year	14,945,000	12,932,000
Recovered during the year	(10,248,989)	(8,130,442)
Net change in Prepaid Staff Cost during the year	(533,829)	(907,790)
Balance at the end of the year	15,968,593	11,806,411

26 Property, Plant and Equipment

	Freehold Land	Freehold Building	Leasehold Building	Computer Equipment	Furniture & Fittings	Office Equipment	Freehold Motor Vehicles	Leasehold Motor Vehicles	Total 2016	Total 2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost										
As at 01st April	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
Additions	-	-	1,950,000	11,798,740	26,664,277	23,791,862	6,251,680	-	70,456,559	99,976,007
Disposals/Transfers	-	-	-	-	(45,494)	(397,611)	4,687,325	(10,625,000)	(9,959,680)	(2,279,762)
As at 31st March	56,319,000	12,000,000	1,950,000	51,456,547	136,385,487	76,443,925	39,219,785	-	373,774,744	313,277,865
Accumulated Depreciation										
As at 01st April	-	1,413,906	-	21,611,142	67,466,773	27,573,640	4,521,617	9,518,229	132,105,307	88,255,633
Depreciation for the year	-	800,400	32,500	8,795,585	20,968,996	13,640,463	7,037,312	1,106,771	52,382,027	45,095,882
Disposals/Transfers	-	-	-	-	(30,329)	(3,819,265)	8,974,617	(10,625,000)	(5,499,977)	(1,246,208)
As at 31st March	-	2,214,306	32,500	30,406,727	88,405,440	37,394,838	20,533,546	-	178,987,357	132,105,307
Carrying Amount										
As at 31st March 2016	56,319,000	9,785,694	1,917,500	21,049,820	47,980,047	39,049,087	18,686,239	-	194,787,387	-
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

26.1 Based on the assessment of potential impairment carried out internally by the Board of Directors as at 31st March 2016, 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. 36,038,349/- as at 31st March 2016 (2014/15 Rs. 35,101,148/-).

26.3 There were no capitalised borrowing costs related to the acquisition of Property, Plant & Equipment during the year (2014/15 - nil).

26.4 There were no restrictions on the title of the Property, Plant & Equipment as at 31st March 2016.

26.5 There were no items of Property, Plant & Equipment pledged as security as at 31st March 2016.

26.6 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2016.

26.7 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2016.

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

	Extent Buildings Perches		Buildings		Cost of Land		Cost of Building		Accumulated Depreciation		Net Book Value	
	Sq.ft.	Rs.	Sq.ft.	Rs.	Sq.ft.	Rs.	Sq.ft.	Rs.	As at 31st March	As at 31st March	As at 31st March	As at 31st March
Maharagama Branch												
126-5, Highlevel Road, Maharagama.	152	30,000,000	4,990	4,000,000	1,458,374	2,541,626	2,808,427					
Kiribathgoda Branch												
121-D, Gata Junction, Kandy Road, Kiribathgoda	100	26,319,000	2,626	8,000,000	755,932	7,244,068	7,777,667					

Notes to the Financial Statements

27 Intangible Assets

As at 31st March	2016 Rs.	2015 Rs.
Computer Software (Note 27.1)	4,129,612	4,188,589
	4,129,612	4,188,589
27.1 Intangible Assets		
Cost		
Balance as at 01st April	8,669,156	6,669,156
Additions	2,353,464	2,000,000
Balance as at 31st March	11,022,620	8,669,156
Accumulated Amortisation		
Balance as at 01st April	4,480,567	2,313,278
Charge for the year	2,412,441	2,167,289
Balance as at 31st March	6,893,008	4,480,567
Carrying Amount		
As at 31st March 2016	4,129,612	-
As at 31st March 2015	-	4,188,589

28 Other Assets

As at 31st March	2016 Rs.	2015 Rs.
Refundable Deposits	16,069,611	13,964,639
Withholding Tax Receivable	20,306,444	18,645,520
Value Added Tax Recoverable	-	50,023,781
Prepaid Staff Cost	5,569,729	5,035,900
Advance Payments	27,973,248	19,815,500
Vehicle stock	11,476,850	1,960,000
Insurance Claim Receivable	-	20,843,264
Other Debtors	33,120,711	29,310,916
	114,516,593	159,599,520

29 Deposits due to Customers

As at 31st March	2016 Rs.	2015 Rs.
Fixed Deposits (Note 29.1)	14,444,690,052	11,797,605,481
Certificate of Deposits (Note 29.2)	359,347,089	364,491,209
	14,804,037,141	12,162,096,690

As at 31st March

	2016	2015
	Rs.	Rs.
29.1 Analysis of Fixed Deposits by Maturity Date		
1 to 90 days	5,963,297,448	4,303,841,652
91 to 365 days	5,944,338,910	4,778,548,705
More than 365 days	2,537,053,694	2,715,215,124
	14,444,690,052	11,797,605,481
29.2 Analysis of Certificate of Deposits by Maturity Date		
1 to 90 days	115,871,411	201,536,285
91 to 365 days	242,272,079	161,857,609
More than 365 days	1,203,599	1,097,315
	359,347,089	364,491,209

30 Interest bearing Borrowings**As at 31st March**

	2016	2015
	Rs.	Rs.
Institutional Borrowings (Note 30.1)	2,243,116,105	298,431,031
Finance Lease Liabilities (Note 30.2)	-	1,091,764
	2,243,116,105	299,522,795

30.1 Institutional Borrowings

	As at	Facility	Interest	Repayments		As at	Tenure of	Security
	31/03/2015	Obtained	Recognised	Capital	Interest	31/03/2016	Loan	Offered
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Bank of Ceylon	93,888,844	-	5,821,041	78,611,111	5,821,041	15,277,733	36 - 48 Months	Quoted Shares and personal guarantee and Lease Portfolio
Bank of Ceylon	-	1,000,000,000	37,840,183	125,000,004	37,840,183	874,999,996	48 Months	Quoted Shares and personal guarantee, Lease Portfolio and letter of authority to debit Current Account
PABC Bank	-	500,000,000	11,464,640	27,777,778	7,848,398	475,838,464	36 Months	Mortgage Bond over lease portfolio
Deutsche Bank	204,542,187	-	19,349,214	129,686,818	19,349,214	74,855,369	48 Months	Mortgage Bond over lease portfolio
Seylan Bank	-	500,000,000	348,361	-	-	500,348,361	48 Months	Mortgage Bond over lease portfolio
Cargills Bank	-	200,000,000	1,193,443	-	-	201,193,443	48 Months	Mortgage bond over lease and Hire Purchase portfolio
NDB Bank	-	300,000,000	4,458,355	200,000,000	3,855,616	100,602,739	3 Months	Mortgage bond over lease and Hire Purchase portfolio
	298,431,031	2,500,000,000	80,475,237	561,075,711	74,714,452	2,243,116,105		

Notes to the Financial Statements

30.1.1 Details of Borrowings

	Amount As at 31st March Rs.	Terms of Repayment Period	Repayment Terms
Bank of Ceylon	15,277,733	36 - 48 Months	Monthly rentals
Bank of Ceylon	874,999,996	48 Months	Monthly rentals
PABC Bank	475,838,464	36 months	Monthly rentals
Deutsche Bank	74,855,369	48 Months	Monthly rentals
Seylan Bank	500,348,361	48 Months	Monthly rentals
Cargills Bank	201,193,443	48 Months	Monthly rentals
NDB Bank	100,602,739	03 Months	Maturity
	2,243,116,105		

30.2 Finance Lease Liabilities

As at 31st March	2016 Rs.	2015 Rs.
Lease Payables	-	1,108,113
Interest In Suspense	-	(16,349)
	-	1,091,764

31 Subordinated Term Debts

As at 31st March	2016 Rs.	2015 Rs.
Balance as at 1st April	1,859,653,357	898,088,784
Movement during the year	57,909,776	961,564,573
Balance as at 31st March	1,917,563,133	1,859,653,357

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 % at 31 March 2016	Amortised Cost at 31st March 2016 Rs.	Amortised Cost at 31st March 2015 Rs.
2011 / 2016 - 13.00% p.a.	Annually	19-Dec-11	18-Dec-16	13.00%	103,477,598	103,668,493
2011 / 2016 - 13.00% p.a.	Annually	30-Dec-11	29-Dec-16	13.00%	129,346,998	129,095,890
					232,824,596	232,764,383

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 2016	Amortised Cost at 31st March 2016 Rs.	Amortised Cost at 31st March 2015 Rs.
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	14-Aug-12	13-Aug-17	12.90%	54,051,982	53,573,916
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	15-Aug-12	14-Aug-17	12.90%	21,613,746	21,423,324
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	27-Aug-12	26-Aug-17	12.90%	86,116,731	85,393,647
					161,782,459	160,390,887

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 2016	Amortised Cost at 31st March 2016 Rs.	Amortised Cost at 31st March 2015 Rs.
2014/2019 - 14.75% p.a.	Quarterly	20-Feb-14	20-Feb-19	15.59%	360,787,600	359,979,474
2014/2019 - 15.00% p.a.	Semi-annually	20-Feb-14	20-Feb-19	15.56%	21,133,958	21,089,178
2014/2019 - 15.50% p.a.	Annually	20-Feb-14	20-Feb-19	15.50%	148,634,872	148,352,590
					530,556,430	529,421,242

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 % at 31 March 2016	Amortised Cost at 31st March 2016 Rs.	Amortised Cost at 31st March 2015 Rs.
2015/2020 - 10.25% p.a.	Semi-annually	31-Mar-15	31-Mar-20	10.51%	992,399,648	937,076,845
					992,399,648	937,076,845

32 Current Tax Liabilities

As at 31st March	2016 Rs.	2015 Rs.
Balance as at Beginning of the Year	93,290,845	88,294,895
Income Tax Provision on Current Year Profits	145,750,587	203,900,295
Paid and Set off During the Year	(200,353,836)	(198,904,345)
Balance as at end of the Year	38,687,596	93,290,845

Notes to the Financial Statements

33 Deferred Tax Liabilities

As at 31st March	2016 Rs.	2015 Rs.
Deferred Tax Liabilities (Note 33.3)	182,865,531	88,459,437
Deferred Tax Assets (Note 33.4)	(37,147,476)	(66,516,415)
Net Deferred Tax Liabilities (Note 33.1)	145,718,055	21,943,022

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

As at 31st March	2016 Rs.	2015 Rs.
Property, Plant & Equipment	28,308,761	24,335,491
Lease capital Balance	475,822,754	155,581,985
Legal Termination receivables	148,959,663	136,009,081
Taxable Temporary Differences	653,091,178	315,926,557
Retirement Benefit Obligation	(27,669,222)	(22,125,917)
Unclaimed Impairment provisions	(105,000,338)	(215,432,706)
Total Taxable Temporary Differences (net)	520,421,618	78,367,934
Applicable Tax Rate	28%	28%
Net Deferred Tax Liabilities / (Assets)	145,718,053	21,943,022

33.2 Deferred Tax Expense

Origination of Deferred tax

Liability (Note 33.3)	94,406,094	14,170,475
Asset (Note 33.4)	29,368,939	(32,730,667)
	123,775,033	(18,560,192)
Total expense charged / (reversed) to Income Statement	123,051,866	(17,388,829)
Total expense charged / (reversed) to OCI	723,167	(1,171,362)

	2016		2015	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
33.3 Deferred Tax Liabilities				
Balance as at beginning of the year	315,926,557	88,459,437	265,317,718	74,288,962
Originating during the year	337,164,621	94,406,094	50,608,839	14,170,475
Balance as at end of the year	653,091,178	182,865,531	315,926,557	88,459,437
33.4 Deferred Tax Assets				
Balance as at beginning of the year	237,558,628	66,516,415	120,663,388	33,785,748
Originating / (reversing) during the year	(104,889,068)	(29,368,939)	116,895,240	32,730,667
Balance as at end of the year	132,669,560	37,147,476	237,558,628	66,516,415

As at 31st March	2016	2015
	Rs.	Rs.
34 Other Liabilities		
Other Provisions & Payables (Note 34.1)	153,192,405	200,627,198
Accrued Expenses	37,583,847	19,603,455
	190,776,252	220,230,653
34.1 Other Provisions & Payables		
RMV Payable	4,671,951	1,405,136
Insurance Payable	49,371,790	27,869,211
Stamp Duty Payable	10,760,182	10,700,668
VAT on Financial Services Payable	10,988,373	6,364,538
Other Payables	77,400,109	154,287,645
	153,192,405	200,627,198
35 Retirement Benefit Obligations		
As at 31st March	2016	2015
	Rs.	Rs.
35.1 Retirement Benefit Liability Recognised in Statement of Financial Position		
Balance as at 1st April	22,125,917	12,872,166
Amounts Recognised in Income Statement	8,295,443	5,254,064
Amounts Recognised in OCI	(2,582,738)	4,183,437
Payments during the Year	(169,400)	(183,750)
Balance as at 31st March	27,669,222	22,125,917
35.2 Amounts Recognised in Income Statement		
Service cost	6,304,111	3,966,848
Interest on defined benefit Obligation	1,991,332	1,287,216
	8,295,443	5,254,064
35.3 Amounts Recognised in OCI		
Remeasurement of retirement benefit obligation arising from changes in assumptions	2,039,644	2,589,028
Remeasurement of retirement benefit obligation arising from experience adjustments	(4,622,382)	1,594,409
	(2,582,738)	4,183,437
35.4 Defined Benefit Obligation Reconciliation		
Benefit obligation at end of prior year	22,125,917	12,872,166
Company service cost	6,304,111	3,966,848
Interest cost	1,991,332	1,287,216
Payment made during the year	(169,400)	(183,750)
Remeasurement of retirement benefit obligation arising from changes in assumptions	2,039,644	2,589,028
Remeasurement of retirement benefit obligation arising from experience adjustments	(4,622,382)	1,594,409
Benefit obligation at end of year	27,669,222	22,125,917

Notes to the Financial Statements

35.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2016 was carried out by Mr. Piyal S Goonetilleke, FIA, of Messrs. 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

	2016 Rs.	2015 Rs.
Discount Rate	10.25%	9.00%
Salary increment	10.00%	10.00%
Staff Turnover		
20 years	15.00%	15.00%
25 years	15.00%	15.00%
30 years	9.00%	9.00%
35 years	6.00%	6.00%
40 years	1.00%	1.00%
45 years	1.00%	1.00%
50 years	1.00%	1.00%
Mortality - GA 1983 mortality Table		
Retirement age	55 Years	55 Years

35.6 Sensitivity of Assumptions Employed in Actuarial Valuation

The following table illustrates the impact of the possible changes in the discount rate and salary increment rates on the gratuity valuation of the Company as at 31st March 2016.

Variable	Sensitivity effect on Statement of Financial Position (Benefit Obligation) Rs.
1% Increase in discount rate	(2,978,489)
1% decrease in discount rate	3,605,554
1% Increase in salary increment rate	3,512,704
1% decrease in salary increment rate	(2,961,029)

As at 31st March	2016	2015
	Rs.	Rs.
36 Stated Capital		
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	2016	2015
	Rs.	Rs.
Statutory Reserve Fund (Note 37.1)	383,176,899	280,523,995
Investment Fund Account (Note 37.2)	-	-
As at the End of the Year	383,176,899	280,523,995

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	2016	2015
	Rs.	Rs.
At the Beginning of the Year	280,523,995	205,966,675
Transfers during the Year	102,652,904	74,557,320
As at the End of the Year	383,176,899	280,523,995

Notes to the Financial Statements

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	2016 Rs.	2015 Rs.
At the Beginning of the Year	-	127,940,255
Transfers during the Year	-	14,104,799
Transferred to Retained Earnings	-	(142,045,054)
As at the End of the Year	-	-

38 Available For Sale Reserve

As at 31st March	2016 Rs.	2015 Rs.
At the Beginning of the Year	9,257,510	4,054,987
Gains / (losses) on remeasuring available - for -sale financial assets	(17,266,607)	5,202,523
As at the End of the Year	(8,009,097)	9,257,510

38.1 The Available For Sale Reserve comprises the cumulative net change in fair value of available-for-sale financial assets, until the assets are derecognised or impaired.

39 General Reserve

As at 31st March	2016 Rs.	2015 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.

40 Retained Earnings

As at 31st March	2016 Rs.	2015 Rs.
At the Beginning of the Year	929,735,135	548,128,273
Total Comprehensive Income		
Profit for the Year	513,264,521	372,786,602
Other Comprehensive Income	1,859,571	(3,012,075)
Transfers to Other Reserves	(102,652,904)	(88,662,119)
Transfer of Investment Fund Account to Retained Earnings	-	142,045,054
Dividends	(83,101,200)	(41,550,600)
At the End of the Year	1,259,105,123	929,735,135

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) and selected key employees who meet the above criteria have been classified as Key Management Personnel of the Company.

41.2.1 Compensation paid to KMPs

For the year ended 31st March	2016 Rs.	2015 Rs.
Short term employment benefits	48,790,729	43,749,966
Directors fees and expenses	3,930,384	4,080,513
Post employment benefits	-	-

As at 31st March	2016 Rs.	2015 Rs.
Deposits Held by KMPs		
Mr. K. D. A. Perera	236,453,114	53,765,254
Mr. R. M. Karunaratne	3,500,000	3,500,000
Mr. D.G. N. Perera	75,000	75,000
Mr. K. D. M. S. Piyasiri	661,921	-
Mr. S. K. N.C. Jayawardana	1,608,951	1,178,000
Debentures Invested by KMPs		
Mr. K. D. A. Perera	5,500,000	5,500,000

41.2.2 Transactions, arrangements and agreements involving CFMs

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.

As at 31st March	2016 Rs.	2015 Rs.
Deposits Held by CFMs		
Mrs. P. I. Perera	90,206,026	78,069,528
Ms. E T S Soysa	6,000,000	-
Mrs. M A F S M Fernando	492,875	1,000,000
Mrs. D. K. Rathnayake	12,600,110	9,000,000
Debentures Invested by CFMs		
Mrs. D. K. Rathnayake	6,000,000	6,000,000

Notes to the Financial Statements

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	Nature of Services	Amount Received/ (Paid)		Balance as at 31 March	
		2015/16	2014/15	2016	2015
		Rs.	Rs.	Rs.	Rs.
Pan Asia Banking Corporation PLC	Fixed deposit	653,446,540	(958,753,630)	785,905,857	1,439,352,397
	Call Deposits	(300,063,525)	-	300,063,525	-
	Current Account	(10,096,883)	29,543,771	10,096,883	-
	Overdraft	238,776,120	22,789,906	261,566,026	22,789,906
	Term Loan	475,838,464	-	475,838,464	-
LB Finance PLC	Fixed Deposit - Invested	77,805,196	253,359,844	105,654,575	183,459,771
	Fixed Deposit - Held	-	(15,000,000)	-	-
Vallibel One PLC	Fixed Deposit - Held	823,810,017	161,256,775	1,375,604,258	551,794,241
	Debentures	(1,451,785)	(2,717,829)	394,607,055	393,155,270
Altrernate Power Systems (Pvt) Ltd	Fixed Deposit - Held	80,187,150	-	80,187,150	-
Country Energy (Pvt) Ltd	Fixed Deposit - Held	136,667,878	-	136,667,878	-
Vallibel Plantation (Pvt) Ltd	Fixed Deposit - Held	1,272,439	-	1,272,439	-
Bansei Securities Co. Ltd	Fixed Deposit - Held	90,000,000	-	90,000,000	-
	Debentures	-	250,000,000	250,000,000	250,000,000
La - Forteresse (Pvt) Ltd	Fixed Deposit - Held	295,000,000	130,000,000	465,000,000	170,000,000
Vallibel Power Erathna PLC	Fixed Deposit - Held	5,193,599	82,640,607	137,257,927	132,064,328
Vallibel Power Kiriwaneliya (Pvt) Ltd	Fixed Deposit - Held	20,080,035	10,012,427	30,092,462	10,012,427
Sampath Bank PLC	Current Account	5,978,298	4,313,074	4,431,822	10,410,120

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	Terms of the Transaction	Date	2016 Rs.	Rationale for entering Transaction
La-Fortresse (Pvt) Ltd	Fixed Deposits taken for 10.00% for 3 to 6 Months Maturity	01-Oct-15 to 30-Mar-16	465,000,000	To support further expansion of Business
Vallibel One PLC	Debentures taken 13% for 5 year maturity	19-Dec-11	232,824,596	To expand the capital Base of the Company
		30-Dec-11		
Vallibel One PLC	Debentures taken for 364 Days Gross TB Rate + 4.50% for 5 year maturity	14-Aug-12	161,782,459	To expand the capital Base of the Company
		15-May-12		
		27-Aug-12		

Name of the Related Party	Terms of the Transaction	Date	2016 Rs.	Rationale for entering Transaction
Vallibel One PLC	Fixed Deposits taken for 7.00% - 11.00% for 6 Months Maturity	13-Oct-15 to 31-Mar-16	1,375,604,258	To support further expansion of Business
Pan Asia Banking Corporation PLC	Investments made in Fixed Deposits for 8.60% - 10.30% for 12 Months Maturity	1-April- 15 to 13- Mar- 16	785,905,857	To invest the excess funds of the Company
Pan Asia Banking Corporation PLC	Investment made in Call Deposit for 7.75% for 7 Days Maturity	31-Mar-16	300,063,525	To invest the excess funds of the Company
Pan Asia Banking Corporation PLC	Term Loan taken for AWPLR+ 1.5% for 3 year maturity	12-Nov-15	475,838,464	To further expand the Business
Bansei Securities Co. Ltd	Debentures taken for 14.75% for 5 year maturity	20-Feb-14	250,000,000	To expand the capital Base of the Company

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

	2016 Rs.	2015 Rs.
Approved and contracted for	3,100,000	2,275,000
Approved and not contracted for	-	-
	3,100,000	2,275,000

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

	2016 Rs.	2015 Rs.
Less than one year	61,741,116	51,087,163
Between one and five years	250,619,599	203,282,960
More than five years	79,949,705	103,227,248
	392,310,420	357,597,371

Notes to the Financial Statements

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	Lease & Hire Purchase Receivables	Long-term Borrowings	1,701,555,548	Future Receivables
Pan Asia Banking Corporation PLC	Lease & Hire Purchase Receivables	Bank Overdraft	590,399,155	Future Receivables
NDB Bank	Lease & Hire Purchase Receivables	Working Capital Loan	160,240,016	Future Receivables
Deutsche Bank	Lease & Hire Purchase Receivables	Long-term Borrowings	307,887,972	Future 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 Occuring 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.2.50 per share for the financial year ended 31st March 2016 subject to the approval of the Central Bank of Sri Lanka.

45 Compative 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

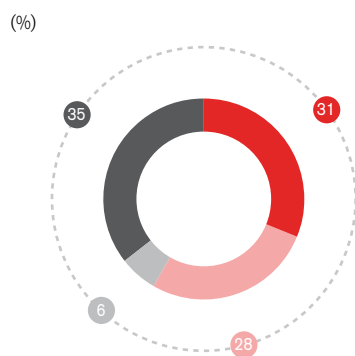
For the year ended 31 March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016
	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income From												
External Operations												
Interest	1,617,885	1,341,933	648,827	917,717	773,086	351,008	201,997	189,088	-	-	3,241,795	2,799,746
Administration Fees	-	-	-	-	-	-	-	-	59,806	50,315	59,806	50,315
Capital Gains	-	-	-	-	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	136	162	-	-	136	162
Other	-	-	85,998	15,782	-	-	10,922	-	69,620	30,183	166,540	45,965
Total Revenue	1,617,885	1,341,933	734,825	933,499	773,086	351,008	213,055	189,250	129,426	80,498	3,468,277	2,896,188
Profit Before Tax	-	-	-	-	-	-	-	-	-	-	783,624	558,640
Taxation	-	-	-	-	-	-	-	-	-	-	(270,359)	(185,854)
Profit After Tax											513,265	372,787
Other Information												
As at 31 March												
Segment Assets	9,103,789	5,380,672	2,124,439	3,880,708	7,251,677	3,307,495	3,401,407	3,543,626	885,865	781,006	22,767,176	16,893,507
Segment Liabilities	8,383,998	4,959,860	1,941,604	3,520,490	6,629,362	3,010,812	3,080,895	3,185,991	802,391	702,184	20,838,250	15,379,337
Net Assets	719,791	420,812	182,835	360,218	622,315	296,683	320,512	357,635	83,474	78,822	1,928,926	1,514,170

Value Added Statement

For the Year Ended 31st March

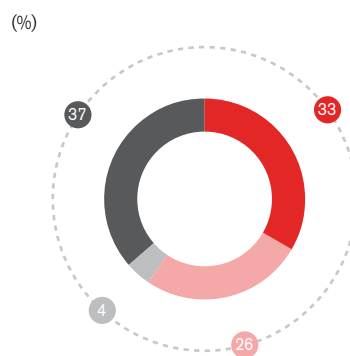
	2016		2015	
	Rs.	%	Rs.	%
Value Added				
Income from Interest Related Activities	3,241,795,226	93%	2,799,745,875	97%
Income from Other Activities	226,481,675	7%	96,441,503	3%
	3,468,276,901	100%	2,896,187,378	100%
Depositors & Lenders	1,558,667,730	75%	1,344,337,892	72%
Cost of Sales & Services	436,836,950	22%	295,865,994	16%
Impairment Charges for Loans and other losses	70,182,156	3%	239,203,374	12%
	2,065,686,836	100%	1,879,407,260	100%
Total Value Added	1,402,590,065		1,016,780,118	
Distribution of Value Added				
To Employees as Remuneration	436,060,020	31%	336,574,216	33%
To Government as Taxation	398,471,056	28%	260,156,129	26%
To Providers of Capital as Dividend	83,101,200	6%	41,550,600	4%
To Expansion & Growth				
Depreciation & Amortisation	54,794,468	4%	47,263,171	5%
Retained Profits	430,163,321	31%	331,236,002	32%
Total Distribution of Value Added	1,402,590,065	100%	1,016,780,118	100%

Value Added Statement - 2016



- To Employees as Remuneration
- To Government as Taxation
- To Providers of Capital as Dividend
- To Expansion & Growth

Value Added Statement - 2015



- To Employees as Remuneration
- To Government as Taxation
- To Providers of Capital as Dividend
- To Expansion & Growth

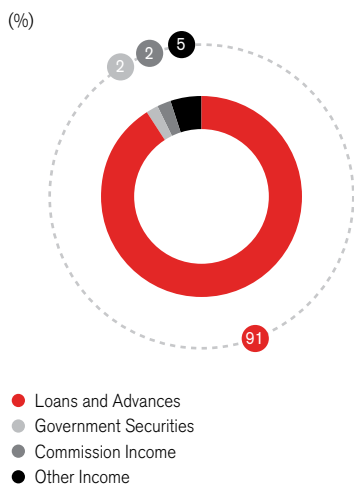
Sources and Utilisation of Income

Based on Financial Statements Prepared under SLFRS

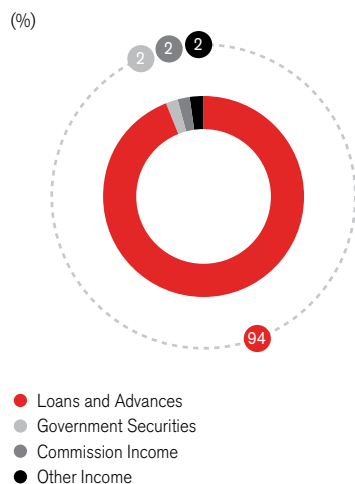
For the year ended 31 March	2016		2015		2014		2013		2012	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
SOURCES OF INCOME										
Loans and Advances	3,162,925,822	91.20	2,735,721,353	94.46	2,397,529,201	93.27	1,719,695,150	91.50	1,137,677,430	93.97
Government Securities	78,869,404	2.27	64,024,522	2.21	54,271,611	2.11	30,955,158	1.65	11,091,036	0.92
Commission Income	59,805,642	1.72	50,314,825	1.74	43,082,243	1.68	31,255,381	1.66	21,941,300	1.81
Other Income	166,676,033	4.81	46,126,678	1.59	75,741,298	2.94	97,490,794	5.19	39,924,210	3.30
Total	3,468,276,901	100	2,896,187,378	100	2,570,624,353	100	1,879,396,483	100	1,210,633,976	100
UTILISATION OF INCOME										
To Employees										
Personnel Expenses	436,060,020	12.57	336,574,216	11.62	251,662,381	9.79	131,946,471	7.02	81,618,145	6.74
To Suppliers										
Interest Paid	1,558,667,730	44.94	1,344,337,892	46.42	1,340,464,712	52.15	1,008,844,798	53.68	536,824,726	44.34
Other Expenses	436,836,950	12.60	295,865,994	10.22	238,823,823	9.29	192,110,480	10.22	151,478,005	12.51
Depreciation & Amortisation	54,794,468	1.58	47,263,171	1.63	40,009,172	1.56	26,946,852	1.43	18,485,252	1.53
Impairment charge for Loans & other Losses	70,182,156	2.02	239,203,374	8.26	210,654,141	8.19	51,678,935	2.75	34,266,148	2.83
To Government										
Value Added Tax and Other Taxes	128,112,003	3.69	74,302,462	2.57	46,006,899	1.79	38,748,927	2.06	37,386,342	3.09
Income Tax	270,359,053	7.80	185,853,667	6.42	139,092,992	5.41	134,646,817	7.16	119,460,984	9.87
To Shareholders										
Dividends	83,101,200	2.40	41,550,600	1.43	62,325,900	2.42	41,550,600	2.21	20,775,300	1.72
Retained Profit	430,163,321	12.40	331,236,002	11.44	241,584,333	9.40	252,922,603	13.46	210,339,073	17.37
Total	3,468,276,901	100	2,896,187,378	100.0	2,570,624,353	100	1,879,396,483	100	1,210,633,975	100

Sources and Utilisation of Income

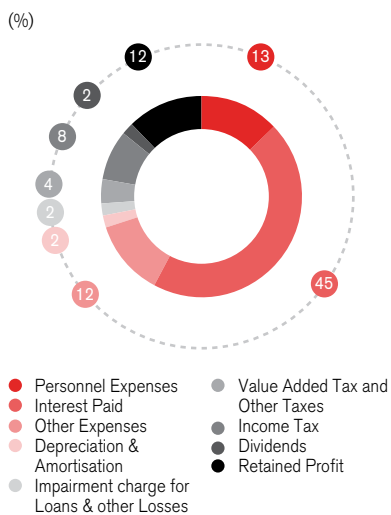
SOURCES OF INCOME - 2016



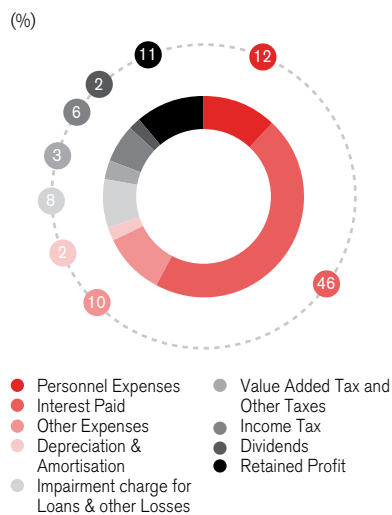
SOURCES OF INCOME - 2015



Utilisation of Income - 2016



Utilisation of Income - 2015



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 2016 were 2,111.

Distribution of Shareholding As At 31st March 2016

Shares	2016				2015			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
Up to 1000	1,494	70.77%	497,449	1.20%	1,671	69.45%	608,701	1.46%
1,001-10,000	488	23.12%	1,669,891	4.02%	593	24.65%	2,023,895	4.87%
10,001-100,000	110	5.21%	3,329,798	8.01%	124	5.15%	3,747,056	9.02%
100,001-1,000,000	16	0.76%	3,469,583	8.35%	17	0.71%	4,893,948	11.78%
Over 1,000,000	3	0.14%	32,583,879	78.42%	1	0.04%	30,277,000	72.87%
	2,111	100.00%	41,550,600	100.00%	2,406	100.00%	41,550,600	100.00%

Categories of Shareholders

Type of Investor	2016			2015		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	1,997	9,184,664	22.10%	2,288	8,024,713	19.31%
Local Institutions	106	32,076,966	77.20%	106	33,130,443	79.74%
Foreign Individuals	8	288,970	0.70%	12	395,444	0.95%
Foreign Institutions	-	-	-	-	-	-
	2,111	41,550,600	100.00%	2,406	41,550,600	100.00%

Information on Ordinary Shares

21 Major Shareholders of the Company

Categories of Shareholders

Shareholders	As at 31st March 2016		As at 31st March 2015	
	No of Shares	%	No of Shares	%
1. Vallibel Investments (Pvt) Limited	30,277,000	72.87%	30,277,000	72.87%
2. Mr K D A Perera	1,266,879	3.05%	836,713	2.01%
3. Mr R F T Perera	1,040,000	2.50%	-	-
4. Mr S B Rangamuwa	860,092	2.07%	620,000	1.49%
5. Mr Sithampalam Abishek	-	-	289,157	0.70%
Union Bank of Colombo PLC/Mr Sithampalam Abishek	289,157	0.70%	-	-
6. Mr C S J Perera	284,860	0.69%	17,500	0.04%
7. Mr V R Kathiragamattamby	205,000	0.49%	205,000	0.49%
8. Mr H Beruwalage	202,800	0.49%	202,800	0.49%
9. Mr B A R Dissanayake	200,500	0.48%	200,500	0.48%
10. Code-Gen International Pvt Ltd	200,000	0.48%	80,000	0.19%
11. Mrs K I A Hewage	200,000	0.48%	200,000	0.48%
12. Mr N P DE A Samaranyake	195,000	0.47%	-	-
13. Mr N Balasingam	134,900	0.32%	134,900	0.32%
14. Mr A Sithampalam	130,605	0.31%	130,605	0.31%
15. United Motors Lanka PLC	120,600	0.29%	-	-
16. Mr F J P Raj	115,100	0.28%	100,100	0.24%
17. Mr R Udalagama	114,500	0.28%	-	-
18. Mrs S P Gunasekera	113,514	0.27%	-	-
19. Mr W M A B Walisundara	102,955	0.25%	97,000	0.23%
20. Mr R Gautam	100,000	0.24%	100,000	0.24%
21. Mr J S A Perera & Mrs R N Perera	100,000	0.24%	-	-
	36,253,462	87.25%	33,491,275	80.60%
Others	5,297,138	12.75%	8,059,325	19.40%
Total	41,550,600	100.00%	41,550,600	100.00%

Public holding

The percentage of shares held by the public being 21.86% comprising of 2,106 shareholders as at 31st March 2016.

Market Prices		Quarter Ended				Year Ended	
		30.06.2015	30.09.2015	31.12.2015	31.03.2016	31.03.2016	31.03.2015
Highest	Rs.	64.50	73.00	71.00	67.00	73.00	49.50
Lowest	Rs.	45.00	58.50	63.00	47.10	45.00	29.00
Closing	Rs.	60.10	63.10	67.90	53.70	53.70	45.00

Information on Listed Debentures

Market Values of Listed Debentures

Market Prices	Highest		Lowest		Period End	
	2016	2015	2016	2015	2016	2015
Fixed - 14.75%	104.21	120	100.18	108.00	104.21	120.00
Fixed - 15.00%	N/T	N/T	N/T	N/T	N/T	N/T
Fixed - 15.50%	106	118.92	106.00	116.02	106.00	116.02

Debentures 2015/2020	Highest		Lowest		Period End	
	2016	2015	2016	2015	2016	2015
Fixed - 10.25%	95.73	N/T	95.73	N/T	95.73	N/T

Interest Rates

Debentures 2014/2019	2016		2015	
	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	2016		2015	
	Coupon Rate	Effective Rate	Coupon Rate	Effective Rate
Fixed - 10.25%	10.25%	10.51%	10.25%	10.51%

Interest Rates of Comparable Government Securities - Gross Rates

Debentures 2015/2020	2016	2015
5 Year Treasury Bond	11.42%	9.13%

Interest Yield and Yield to Maturity

Debentures 2014/2019	Fixed - 14.75%		Fixed - 15.00%		Fixed - 15.50%	
	2016	2015	2016	2015	2016	2015
Interest Yield	14.15%	12.29%	15.00%	15.00%	14.62%	13.36%
Yield to Maturity of last trade	13.00%	9.09%	N/T	N/T	12.91%	10.53%

Debentures 2015/2020	Fixed - 10.25%	
	2016	2015
Interest Yield	10.71%	10.25%
Yield to Maturity of last trade	11.50%	N/T

* N/A - Not Applicable and N/T - Not Traded

Ratios

	2016	2015
Debt to Equity Ratio (%)	216%	143%
Interest Cover (Times)	1.58	1.47
Liquid Asset Ratio (%) - Minimum Required 10%	19.11%	24.00%

Ten Year Summary

Based on Financial Statements prepared under SLFRS

For the Year Ended 31st March	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Income Statement					
Gross Income	3,468,276,901	2,896,187,378	2,570,624,353	1,879,396,483	1,210,633,975
Interest Income	3,241,795,226	2,799,745,875	2,451,800,812	1,791,914,232	1,111,638,186
Interest Expense	1,558,667,730	1,344,337,892	1,340,464,712	1,008,844,798	536,824,726
Net Interest Income	1,683,127,496	1,455,407,983	1,111,336,100	783,069,434	574,813,460
Net Fee and Commission Income	59,805,642	50,314,825	43,082,243	31,255,381	21,941,300
Other Operating Income	167,294,596	46,243,968	75,741,298	56,226,870	77,054,489
Operating Expenses and provisions	997,873,594	918,906,755	741,149,517	402,623,499	285,785,791
Profit Before Taxation	911,735,577	632,942,731	489,010,124	467,928,186	388,023,458
Provision for Taxation	398,471,056	260,156,129	185,099,891	173,395,744	156,847,326
Net Profit	513,264,521	372,786,602	303,910,233	294,532,442	231,176,132

As at 31st March	2016 Rs.	2015 Rs.	2014 Rs.	2013 Rs.	2012 Rs.
Assets					
Cash and Cash Equivalents	519,315,084	357,722,928	311,612,928	239,915,519	79,321,134
Placements with Bank's and Other Finance Companies	1,312,169,859	1,768,499,428	1,146,244,786	698,087,988	210,974,451
Reverse Repurchase Agreements	1,679,716,852	1,353,477,948	112,017,262	-	-
Financial Investments - Held for Trading	4,067,378	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	7,251,676,658	3,307,495,086	1,149,653,055	631,715,458	305,257,922
Lease Rental and Hire Purchase Receivables	11,228,228,344	9,261,379,875	8,788,528,303	7,152,325,616	5,518,414,888
Financial Investments - Available for Sale	104,658,351	120,529,779	113,965,232	203,800	203,800
Financial Investments - Held to Maturity	300,794,154	296,296,416	612,634,968	281,718,777	251,392,472
Other Financial Assets	15,968,593	11,806,411	7,912,643	6,343,169	17,656,274
Property, Plant and Equipment	194,787,387	181,172,558	127,325,987	116,748,120	105,792,958
Intangible Assets	4,129,612	4,188,589	4,355,878	5,997,534	-
Deffered Tax Assets	37,147,476	66,516,415	33,785,749	2,142,794	1,092,818
Other Assets	114,516,593	159,599,520	165,575,145	137,949,156	155,102,646
Total Assets	22,767,176,341	16,893,507,289	12,578,713,620	9,303,949,342	6,673,964,919

For the Year Ended 31st March	2016	2015	2014	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities					
Bank Overdrafts	1,224,665,038	463,536,788	233,878,618	360,101,982	82,765,639
Rental Received in Advance	208,870,398	170,421,167	136,928,230	164,624,026	76,741,268
Deposits due to Customers	14,804,037,141	12,162,096,690	9,299,977,850	6,268,210,181	4,024,406,195
Interest bearing Borrowings	2,243,116,105	299,522,795	542,516,837	951,201,653	1,399,833,703
Subordinated Term Debts	1,917,563,133	1,859,653,357	898,088,784	399,255,587	232,764,384
Current Tax Liabilities	38,687,596	93,290,845	88,294,895	41,938,998	52,416,626
Deferred Tax Liabilities	182,865,531	88,459,437	74,288,962	65,089,176	40,018,009
Other Liabilities	190,776,252	220,230,653	111,124,087	109,699,079	76,721,663
Retirement Benefit Obligations	27,669,222	22,125,917	12,872,166	7,652,838	3,902,921
Total Liabilities	20,838,250,416	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	287,153,000
Statutory Reserves	383,176,899	280,523,995	333,906,930	237,580,979	130,551,881
Available For Sale Reserve	(8,009,097)	9,257,510	4,054,987	-	-
General Reserve	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Retained Earnings	1,259,105,123	929,735,134	548,128,273	403,941,844	259,189,630
Total Shareholders' Funds & Total Liabilities	22,767,176,341	16,893,507,288	12,578,713,619	9,303,949,343	6,673,964,919

For the Year Ended 31st March	2016	2015	2014	2013	2012
Information on Ordinary Shares					
Earnings per Share (Rs.)	12.35	8.97	7.31	7.09	5.56
Net Assets per Share (Rs.)	46.42	36.44	28.42	22.53	16.47
Interest Cover (Times)	1.58	1.47	1.36	1.46	1.72
Dividend Per Share (Rs.)	2.00	1.00	1.50	1.00	0.50
Dividend Payout (%)	22.29	13.67	21.16	17.97	19.29
Market Value Per Share	53.70	45.00	29.70	28.30	38.80
PE Ratio (Times)	4.35	5.02	4.06	3.99	6.97
Return on Shareholders Funds (%)	26.61	24.62	25.74	31.46	33.78
Liquid Assets as a % of Deposits (%)	26.46	32.04	24.69	19.46	13.46
Growth in Income (%)	19.75	12.66	36.78	55.24	89.26
Growth in Interest Expenses (%)	15.94	0.29	32.87	87.93	99.15
Growth in Other Expenses (%)	8.59	23.98	84.08	40.88	106.06
Growth in Profit After Tax (%)	37.68	22.66	3.18	27.41	114.64
Growth in Advances (%)	47.03	26.47	27.67	33.27	78.82
Growth in Deposits (%)	21.72	30.78	48.37	55.75	50.06
Growth on Shareholders' Funds (%)	27.39	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.
Income Statement					
Gross Income	639,660,503	426,093,169	376,368,752	125,954,756	15,208,565
Interest Income	595,382,652	413,871,000	364,278,447	120,993,344	13,178,120
Interest Expenditure	269,555,960	233,952,166	236,607,948	70,323,132	3,321,171
Net Interest Income	325,826,692	179,918,834	127,670,499	50,670,212	9,856,949
Other Operating Income	44,277,851	12,222,169	12,090,305	4,961,412	2,030,445
Operating Expenditure	138,687,765	84,787,295	66,939,687	29,280,508	6,595,547
Profit Before Taxation	231,416,778	107,353,708	72,821,117	26,351,116	5,291,847
Provision For Taxation	123,710,483	65,468,118	40,628,587	14,884,736	1,360,299
Net Profit	107,706,295	41,885,590	32,192,530	11,466,380	3,931,548
As at 31st March					
	2011 Rs.	2010 Rs.	2009 Rs.	2008 Rs.	2007 Rs.
Assets					
Liquid Assets	356,060,756	172,712,628	284,252,629	116,588,050	96,997,214
Investments in Dealing Securities	4,668,076	445,727	314,117	2,076,794	2,076,794
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
Other Assets	177,478,281	44,531,957	42,515,016	21,175,310	4,551,971
Property, Plant & Equipment	78,882,526	12,765,533	9,701,836	10,149,862	1,280,524
Total Assets	3,889,581,108	1,797,891,703	1,456,519,022	921,522,354	138,511,984
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
Other Liabilities	326,229,359	135,349,881	80,530,880	50,553,303	2,919,325
Total Liabilities	3,421,445,323	1,531,086,913	1,223,830,467	806,026,329	34,482,339
Shareholders' Funds					
Stated Capital/Share Capital	287,153,000	172,753,000	172,753,000	87,753,000	87,753,000
Reserves	180,982,785	94,051,790	59,935,555	27,743,025	16,276,645
Total Shareholders' Funds & Total Liabilities	3,889,581,108	1,797,891,703	1,456,519,022	921,522,354	138,511,984

Based on Financial Statements prepared under SLAS (contd.)

For the Year Ended 31st March	2011	2010	2009	2008	2007
Information on Ordinary Shares					
Earnings per Share (Rs.)	2.63	1.34	2.32	1.31	0.45
Net Assets per Share (Rs.)	11.27	8.56	14.94	13.16	11.85
Interest Cover (Times)	1.86	1.46	1.31	1.37	2.59
Dividend per Share (Rs.)	1.00	0.50	-	-	-
Dividend Payout (%)	37.31	21.55	-	-	-
Market Value Per Share	49.50	-	-	-	-
PE Ratio (Times)	18.82	-	-	-	-
Ratios (%)					
Return on Shareholders Funds (%)	23.01	15.70	13.84	9.93	3.78
Liquid Assets as a % Of Deposits (%)	13.71	15.16	34.64	24.61	307.31
Growth in Income (%)	50.12	13.21	198.81	728.18	7.00
Growth in Interest Expenses (%)	15.22	(1.12)	236.46	2,017.42	0.71
Growth in Other Expenses (%)	63.57	26.66	128.62	343.94	14.92
Growth in Profit After Tax (%)	157.14	30.11	180.76	191.65	7.04
Growth in Advances (%)	109.86	39.91	43.77	2,195.85	33.94
Growth in Deposits (%)	127.84	38.87	73.23	1,400.75	5.89
Growth on Shareholders' Funds (%)	75.46	14.66	101.47	11.02	245.64

Branch Network

Branch /Collection Center	Address	Telephone	Fax	Contact Person
Maharagama	No.126, High Level Road, Maharagama	011-7487487	011-7487489	Mr. Rohan De Silva
Minuwangoda	No.28/5A, Kurunegala Road, Minuwangoda	011-7587587	011-7587589	Mr. Suren Abeywickrama
Kandy	No.161, D.S.Senanayaka Veediya, Kandy	081-7687687	081-7687689	Mr. Jagath Atapattu
Aluthgama	No.375, Galle Road, Aluthgama	034-7687687	034-7687689	Mr. Chithraka Hettiarachchi
Ratnapura	No.8A, Bodhirajarama Mawatha, Ratnapura	045-7687687	045-7687689	Mr. Ranjith Gunaratne
Kiribathgoda	No.121, 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. Rohan Fernando
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	0112-078671	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. Asela Vithanage
Kalutara	No. 426, Main Street, Galle Road, Kalutara South	0347-387387	0347-387389	Mr. Prasad Mendis
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
Kaduruwela	No. 292, Batticaloa Road, Kaduruwela	0277-687687	0277-687689	Mr. Sirimal Priyantha
Piliyanadala	No. 84, Colombo Road, Piliyanadala	0117-595595	0117-595599	Mr. Thushara Silva
Warakapola	No. 95, Colombo-Kandy Road, Warakapola	0357-689689	0357-689699	Mr. Prabath Dissanayake
Wattala	No. 520, Negombo Road, Wattala	0117-523523	0117-523525	Mr. Thangaraju Rajendran

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 and to cover losses which have been incurred but have not been identified at the Reporting date.

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 counterparty to a financial instrument fails to meet its contractual obligations.

Deferred Tax

Sum set aside in the financial statements for income 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 (EPS)

Profit attributable to ordinary shareholders 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.

Fair Value

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.

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 of an asset is less than its 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.

Intangible Asset

An identifiable non-monetary asset without physical substance.

Glossary of Financial Terms

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 (KMP)

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.

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, people and systems or from external events.

Price Earnings Ratio (P/E 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, directly or indirectly.

Related party Transactions (RPT)

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 28th June 2016 at 10.00 a.m at the Auditorium of 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 2016 with the Report of the Auditors thereon.
2. To re-elect Mr. T Murakami who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.
3. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration.
4. To authorise the Directors to determine donations for the year ending 31st March 2017 and upto the date of the next Annual General Meeting.

By Order of the Board
VALLIBEL FINANCE PLC



P W Corporate Secretarial (Pvt) Ltd
Secretaries

27th May 2016
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.

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*
(Alternate Director- Mr. H Ota)
Mr. K D A Perera or failing him*
Mr. A Dadigama

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 28th June 2016 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 re-elect Mr. T Murakami 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"/>
2. 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"/>
3. To authorise the Directors to determine donations for the year ending 31st March 2017 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hand(s) this day of Two Thousand and Sixteen.

.....
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

Instructions for completion

Form of Proxy

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. P W 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) 11-4393129

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- 5426426

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

Millennium Branch

90, Galle Road

Colombo 03.

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.

Commercial Bank

Kollupitiya Branch

No 285, Galle Road,

Colombo 03.

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