

GROWING **IN EXCELLENCE**

 **vallibel** Finance

Annual Report 2017/18

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.

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.



GROWING **IN EXCELLENCE**

Vallibel Finance PLC is a name that has become synonymous with integrity, excellence and trust – so it's no surprise that we are considered the most respected finance company in Sri Lanka.

With a portfolio of unmatched value-added financial products, your Company has been growing in excellence over the years, and we intend to continue on this path in the time to come. Once again, we recorded a stellar performance during the year under review, sustaining our pledge to create wealth for the multitude of stakeholders we partner. We are proud of all that we have achieved – and yet remain unceasing in our quest for perfection, seeking to surpass expectations and achieve new heights in everything we do.

Vallibel Finance PLC. We're Growing in Excellence.

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About Us

Vallibel Finance is an enterprise which leads the way in bringing to our customers innovative, value for money financial solutions. Having reached the milestone of successful business operations over a period of 11 years, the Company's growing excellence is testament to the hard work and dedication of our employees and the utmost trust placed in us by our customers.

Incorporated in the year 1974, as Rupee Finance, Vallibel Finance was born soon after being acquired by the prestigious Vallibel Group in 2005. This acquisition opened new opportunities for growth, propelling Vallibel Finance to travel a path leading to excelling in everything we undertake to do. The Company has been challenged and equalled; yet we continue growing in excellence every year, to ultimately emerge victorious and triumphant.

The Company's wide-ranging and innovative financial solutions cater to the diverse needs of different members of society across Sri Lanka. With 28 branches and 8 Service Centres located in the Western, Central, Sabaragamuwa, Southern, North Western, Uva and North Central provinces of Sri Lanka, the Company's dedicated and loyal team of 849 people are trained and developed to serve our customers at the highest service levels, while ensuring product quality and the ultimate in professionalism.

Over the years, we have served customers ranging from entrepreneurs to large corporates, and small businesses to enterprising households, while ensuring a successful and satisfactory service delivery. As we mature we are exploring ways to assist the financial needs of niche market segments by offering innovative products and new product categories.

Having received international recognition such as 'The Fastest Growing Auto Financing Company – 2017', and 'The 'Most Innovative Finance Product - 2017', says much about the current dynamism, past contributions and future potential of Vallibel Finance. To further this view, the Company also continuously receives local awards and accolades. Being named as the 'Most Respected Finance/Leasing Company' by the Lanka Monthly Digest (LMD)'s Most Respected Rankings of 2017 is a proud moment of achievement for the Company.

Vallibel Finance sees a future committed to further diversification of our innovative product portfolio and continued expansion of our branch network to effectively, efficiently and conveniently serve the Sri Lankan public. The strong assets base of Rs. 38.41 Bn together with the deposit base of Rs. 22.19 Bn, and the Company's focus on profitability growth is the ideal foundation on which to launch future growth strategies.

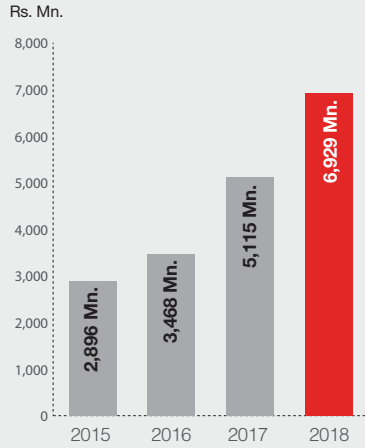
Vallibel Finance PLC is ready to make a bigger impression on the Financial Services Industry, while simultaneously ensuring the creation of value to our stakeholders across Sri Lanka.

Financial Highlights

For the Year Ended / As at 31st March	2018 (Rs. '000)	2017 (Rs. '000)	Change %
FINANCIAL PERFORMANCE			
Gross Income	6,929,201	5,114,694	35.5
Gross Interest Expense	3,500,250	2,604,049	34.4
Pre-Tax Profit	1,894,394	1,324,471	43.0
Income Taxation	519,207	368,622	40.9
Profit After Taxation	1,018,637	726,159	40.3
Revenue to The Government	875,756	598,312	46.4
FINANCIAL POSITION			
Shareholder's Funds	3,301,110	2,557,620	29.1
Total Deposit Base	22,186,879	17,863,861	24.2
Borrowings & Bank Overdrafts , Subordinated Term Debts	11,401,533	9,231,051	23.5
Loans & Advances, Lease and Hire Purchase	30,827,654	24,778,080	24.4
Total Assets	38,406,277	30,685,096	25.2
Market Capitalisation	2,783,890	2,430,710	14.5
KEY INDICATORS PER ORDINARY SHARE			
Earnings Per Share (Rs.)	24.52	17.48	40.3
Net Assets Per Share (Rs.)	79.45	61.55	29.1
Market Value Per Share (Rs.)	67.00	58.50	14.5
P/E Ratio (Times)	2.73	3.35	(18.5)
KEY RATIOS			
Return on Average Equity (%)	34.77%	32.37%	7.4
Return on Average Assets - After Tax (%)	2.95%	2.72%	8.5
Interest Cover (Times)	1.54	1.51	2.0
Equity / Assets	0.09	0.08	12.5
Debt plus Total Deposit to Equity (Times)	9.62	10.01	(3.9)
Non Performing Ratio (%) - Gross	2.72%	2.93%	(7.2)
Non Performing Ratio (%) - Net	0.41%	0.37%	10.8
STATUTORY RATIOS			
Liquid Assets - Minimum Required 10%	18.79%	20.85%	(9.9)
Core Capital Ratio (%) - Minimum Required 5%	10.60%	10.45%	1.4
Total Risk Weighted Capital Ratio (%) - Minimum Required 10%	12.21%	13.72%	(11.0)

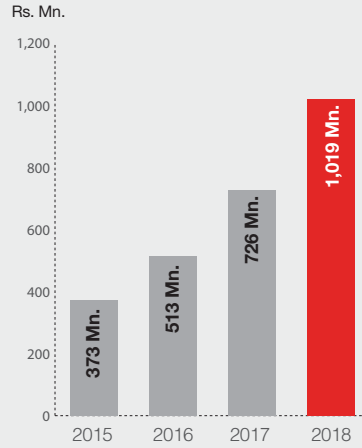
Gross Income

Rs. 6,929 Mn.



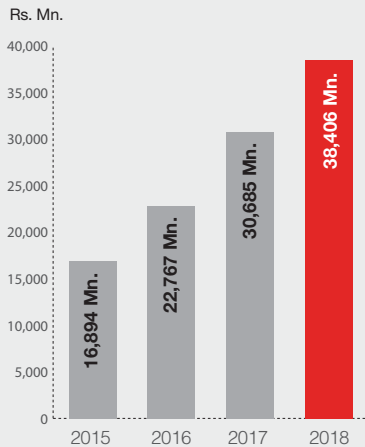
Net Profit

Rs. 1,019 Mn.



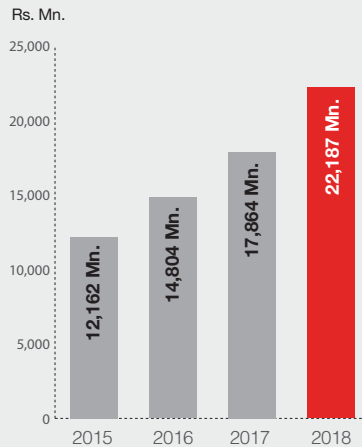
Total Assets

Rs. 38,406 Mn.



Total Deposits

Rs. 22,187 Mn.



Growth of Gross Income

35.5%

Total Gross Income recorded Rs. 6.93 Bn during the year under review, compared to Rs. 5.11 Bn in the previous financial year.

Growth of Net Profit

40.3%

After Tax Profit during the year was Rs. 1.02 Bn, a 40% increase compared to previous financial year.

Growth of Total Assets

25.2%

Total Assets increased by Rs. 7.72 Bn reaching Rs. 38.4 Bn as at the end of the financial year, a 25% growth compared to the previous financial year.

Growth of Total Deposits

24.2%

As at 31st March 2018, the Company had achieved a Rs. 22.18 Bn Fixed Deposit base.

Operational Highlights

Vallibel Finance peaks to new heights in Nuwara Eliya



Financial pace-setters Vallibel Finance set alight world renowned Nuwara Eliya, bringing its renowned brand of financial services to a city blessed with a breathtaking landscape and a multi-faceted economy.

Vallibel Finance opens branch in Hanwella



Vallibel Finance unveiled its latest branch in Hanwella, with a pledge to support the development forays of this historic locality.

Vallibel Finance the name trusted by Sri Lanka expanded to Wennappuwa



Bolstering its island wide footprint, Vallibel Finance further expanded its customer reach with the opening of a branch in Wennappuwa.

Vallibel Finance moves to new location in Negombo



Financial innovator Vallibel Finance consolidated an already strong presence in Negombo by relocating its branch to No. 178, Colombo Road, Negombo.

Operational Highlights

Vallibel Finance honours outstanding employees at glitzy awards night



Financial pace-setter Vallibel Finance recognised the pivotal role its employees played in the company's ascendancy with a glitzy awards night. 'Vallibel Finance Service Excellence Awards 2017' was held at Waters Edge.

Vallibel Finance opens iconic Metro Branch in Kurunegala



Financial protagonist Vallibel Finance gifted robust Kurunegala another customer point, a stately financial hub aptly called the Kurunegala Metro Branch, the high-tech, architecturally-endowed facility will serve customers looking to conduct their financial transactions on the cutting-edge in a modern setting.

Vallibel Finance honored with two golden accolades from LMD



Vallibel Finance was also ranked 22nd in the Main List of 'Top 100 Most Respected Companies' with four gold and four bronze medals.

Vallibel Finance is proud to be named both 'Sector Winner' of the Finance and Leasing Sector and 'Most Respected Finance/Leasing Company' in the Lanka Monthly Digest's – LMD's Most Respected Rankings 2017.

Moody's ICRA Lanka upgrades rating of Vallibel Finance PLC

ICRA Lanka, a rating agency belonging to the Moody's has upgraded the rating of Vallibel Finance PLC to [SL] BBB with a Stable rating from the previous [SL] BBB - Stable.

Right Issue of Shares to Raise Rs. 1.03 Bn

The Board of Directors resolved to issue new Ordinary shares to Raise Rs. 1.03 Bn by May 2018.

Chairman's Statement

While uncertainty may prevail in the external economic environment, the future of Vallibel Finance is set. We have trodden a successful path in the past 11 years, and we have plans to ensure that we remain on this path in the coming years.

Dear Shareholders,

It is my pleasure to provide you with an overview of another excellent financial year for Vallibel Finance PLC, despite the challenges that we continue to face in the external operating environment. The year under review was inundated with high interest rate levels, the impact of increasing duties on imported vehicles, the rising inflation rates and the changing weather patterns that have affected the agricultural sector of the economy. While these factors impacted on the operations of financial institutions in the country towards a slower growth, Vallibel Finance has been able to successfully combat these pressures by providing our customers with innovative product offerings and personalised customer service. Furthermore, the foresight and the dedication of our management team and employees has ensured that the Company is geared to grow and prosper within the confines and challenges that come our way.

From a financial perspective the Company has performed excellently, amidst the ever-changing operating environment, having increased the total gross income by 35.48% from Rs. 5.11 Bn in 2016/17 to Rs. 6.93 Bn in 2017/18. The Company also earned a pre-tax profit of Rs.1.89 Bn during the financial year under review which is a 43.03% increase compared to the Rs. 1.32 Bn earned in 2016/17. Growth was also realised in total assets which increased by Rs. 7.72 Bn to reach Rs. 38.41 Bn as at the end of the financial year, thus strengthening the position of the Company's Balance Sheet which is a reflection of the confidence placed in Vallibel Finance by our stakeholders. This asset base growth also ensured that the Company continued to retain its position as one of the 10 Licensed Finance Companies who have largest asset base in the country.



A handwritten signature in black ink, appearing to read 'KVP', with a horizontal line underneath it.

K V P Ranjith De Silva
Chairman

Chairman's Statement

The growing customer confidence in the Company was further reflected by the 24.42% growth in the Company's total loan portfolio compared to the previous financial year. Despite this increase in the total loan portfolio, the Company's Gross Non-Performing Loan (NPL) ratio remains below the industry average at 2.72% as at the end of the financial year compared to the general increase in the NPL

While the Company pursues our growth and expansion strategies, we are also very pleased to have been recognised for our efforts to retain the financial stability and strength of the Company as affirmed by the revised rating of (SL) BBB with a stable outlook which was obtained from ICRA Lanka for the Vallibel Finance long term issuer rating. Focusing on further strengthening the Company's Tier I Capital Base, Vallibel Finance proposed a rights issue which was put forth for shareholders' approval at the Extraordinary General Meeting held on 8th May 2018.

Continuing our journey of external affirmation of the Company's success, Vallibel Finance was adjudged as one of the 'Most Respected Finance/Leasing Company in 2017' and the 'Sector Winner' of the Finance and Leasing Sector by Lanka Monthly Digest (LMD), a leading Sri Lankan business magazine.

The Company earned a pre-tax profit of Rs. 1.89 Bn during the financial year under review which is a 43.03% increase compared to the Rs. 1.32 Bn earned in 2016/17.

Growth of Gross Income

35.5%

The total gross income increased by 35.48% from Rs. 5.11 Bn in 2016/17 to Rs. 6.93 Bn in 2017/18.

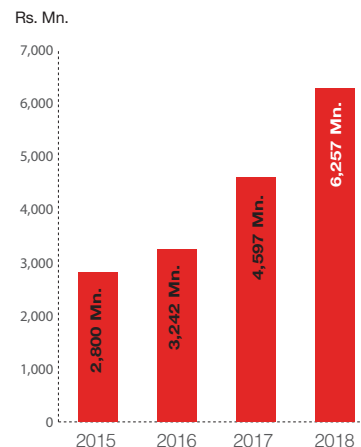
Growth of Deposits

24.2%

The Deposits base increased by 24.2% from Rs. 17.86 Bn in 2016/17 to Rs. 22.19 Bn in 2017/18.

ratio seen in the economic sector. The increase in the deposit base by 24.20% to reach Rs. 22.19 Bn during the year under review also continues to reinforce the position of Vallibel Finance among the top 10 Licensed Finance Companies who have largest deposit base. Our customers also benefited from the Company's growing footprint in the country through branch expansions with Vallibel Finance opening our first branches in the towns of Nuwara Eliya, Hanwella, and Wennappuwa, while a second branch at Kurunegala was opened in order to serve our growing customer base more efficiently and effectively. Additionally, the Company continued focus to serve our customers with affordable and useful new product innovations lead to the introduction of two new products - Vallibel Wheel Draft and Business Builder Loan, during the financial year under review.

Interest Income



I attribute the success of the Company together with its growth to the leadership of Mr. S.B. Rangamuwa the Managing Director, the dedicated management team and employees who all work tirelessly and with commitment to meet the goals and objectives that are set out for them. I take this opportunity to thank them all for their efforts. I also take this opportunity to thank my fellow Board of Directors for their support and contribution to making Vallibel Finance the successful company it is today. I will be failed in my duty, if I did not mention Mr. Dhammika Perera, the visionary who foresaw the prospects and prosperity that Vallibel Finance would provide within the financial sector and to customers in the country and continues to silently yet steadily guide us in the right path. I also thank our shareholders, customers, the government and regulatory institutions for the confidence and trust placed in the Company at all times.

While uncertainty may prevail in the external economic environment, the future of Vallibel Finance is set. We have trodden a successful path in the past 11 years, and we have plans to ensure that we remain on this path in the coming years. We hope to lead the Company to heights heretofore unseen, from a financial perspective, an operational growth perspective and most importantly from a stakeholder perspective. Vallibel Finance shall focus our efforts on improving shareholder returns, ensuring career growth for employees and providing our customers with innovative financial products to meet their every need.

Another key area that the Company's success and growth contributes to is adding value to, and enhancing the financial services sector of the country through expanding reach and availability to all people across the nation. Further, the Company also creates economic benefits that result in increased revenue to the government, expanding employment opportunities available in the market, and indirectly assisting in the development of remote and rural parts of the country by providing a means for people in these areas to obtain financial services.

We foresee success in the coming years, and look forward to our stakeholders continued support which gives us the added impetus to capitalise on the opportunities in the market.



K V P Ranjith De Silva
Chairman



A handwritten signature in black ink, appearing to read 'S B Rangamuwa'.

S B Rangamuwa
Managing Director

Managing Director's Message

It is my great pleasure to present the annual report 2017/18 of Vallibel Finance PLC which showcases another year of excellent growth for the Company. A year in which the Company increased the total assets base to Rs. 38.41 Bn, earned a total gross income of Rs. 6.93 Bn, a pre-tax profit of Rs. 1.89 Bn, and on average realised Rs. 1.8 Bn in monthly gross disbursements.

As the apex of this excellent growth the Company's net profit was Rs. 1.02 Bn for the year ended 31st March 2018, probably one of the fastest to reach this milestone.

Concurrently, the Company also allocated resources for the continued sustainable growth of operations by expanding our branch network and thus the market reach, widening the product portfolio to support customers' financial needs, enhancing customer services, and focusing on employee development requirements.

Net Profit

Rs. 1.02 Bn

After Tax Profit during the year was Rs. 1.02 Bn, a 40% increase compared to previous financial year.

Growth of EPS

40.3%

Earnings per Share (EPS) increased to phenomenal Rs. 24.52, a growth of 40% compared to the previous year.

Growth Amidst a Challenging Economic Landscape

The Financial Sector performance slowed down with low credit growth, declining profitability and increasing Non-Performing Loans (NPL) ratio, a legacy of the prevailing high interest rates, inflation and the regulatory directions on Loan-to-Value (LTV) Ratio and the adverse weather conditions which affected the agriculture / plantation sector of the economy. Despite the prevalent industry conditions, Vallibel Finance continued our growth path during the year under review demonstrating the strength and backing of our parent as well as the resilience of the Company's operations to fluidly adapt to changing external environmental impacts.

The Company's NPL ratio was well below the industry average and the best achieved by the Company in the last three years: 3.76% as at March 2016, 2.93% as at March 2017 and 2.72% as at March 2018. This is attributed to the focus by Vallibel Finance on customising loans to suit customer requirements while having a very loyal customer base. The Company also has strategies aimed at maintaining the year-on-year NPL at acceptable levels which will continue to be pursued even in the coming years.

The Company's total loan portfolio growth was 24.42% reaching a value of Rs. 30.83 Bn. Gross income increased by 35.48% to record Rs. 6.93 Bn as at the end of the year, while interest income reached Rs. 6.26 Bn during the year under review compared to Rs. 4.60 Bn in the previous year.

The Company's asset base grew by 25.16% during the year under review enabling the Company to further consolidate its position within the 10 Licensed Finance Companies with the largest asset base in the country, while the increase in deposit base to Rs. 22.19 Bn

As the apex of this excellent growth the Company's net profit was Rs. 1.02 Bn for the year ended 31st March 2018, probably one of the fastest to reach this milestone.

strengthened our position among the leading 10 Licensed Finance Companies with the largest deposit base in the country. The Company also focused on improving the gold loan portfolio and realised a growth of 68.30% to reach a value of Rs. 1.5 Bn as at the year end.

The Company also continued with its focused operational growth strategies. Pursuing market development strategies, the Company opened four new branches in Nuwara Eliya, Hanwella, Wennappuwa and Kurunegala during the year under review, while relocating the branch in Negombo to enhance customer services and convenience.

Further, pursuing product development strategies, the Company introduced two new products towards expanding our product portfolio for meeting customers' financial needs. During the year under review Vallibel Finance launched the Vallibel Wheel Draft as an innovative facility according to the overdraft method targeting registered three-wheel owners.

Managing Director's Message

The Company also introduced the Business Builders Loan facility as a revolving working capital provision targeting shop owners and small organisations in need of a flexible daily cash influx to manage working capital requirements. The Company has in its pipeline innovative products which will be launched in the coming years to bridge the existing gap in the market towards fulfilling people's financial needs.

67.00, compared to Rs. 58.50 as at 31st March 2017.

An important development during the year was the decision to undertake a rights issue to strengthen the Tier 1 capital base of the Company. The proposed rights issue which shall rank equal and pari passu with the existing ordinary shares will offer five new ordinary shares for every 12 ordinary shares held as at the relevant date at a consideration of Rs. 60 per share. The Colombo Stock Exchange has given its approval and the Company also received the approval from the shareholders at the Extraordinary General Meeting held on 8th May 2018.

Our Employees are the backbone of ensuring that the Company strategies and goals are achieved successfully and at optimal levels. Accordingly, we treat them with respect, ensure career growth, train them to upgrade their knowledge and skills and ensure they are able to achieve work-life balance and be engaged and motivated while at work. During the year under review the value created for employees was enhanced in terms of training and development, salary increases, bonuses and employee engagement activities.

The Company pays to the government an increasing revenue year-on-year, and this year was no exception. The Company paid revenue to government of Rs. 875.76 Mn being an increase by 46.37% compared to the previous year.

For the wider community, Vallibel Finance focuses on enhancing education and health. Many programmes were undertaken during the year under review creating value in terms of enhanced education facilities and health knowledge for wider stakeholders.

The Company's Return on Equity for the year 2017/18 was 34.77% compared to 32.37% in the preceding year and is well above the industry leading to higher returns and gains to our shareholders.

Return on Equity

34.8%

The Company's Return on Equity (ROE) for the year was by 34.77% compared to 32.37% in the previous year.

Growth of Assets

25.2%

Total Assets increased to Rs. 38.4 Bn resulting in a growth of 25% compared to the previous financial year.

Embedding Stakeholder Value Creation within Business Growth

While Vallibel Finance pursues excellence in growth, our primary concern remains creating value for all our stakeholders. For our shareholders we pursue business growth and development thus enhancing the reputation of the Company and resulting in growth in Earnings per Share (EPS) which increased to phenomenal Rs. 24.52, a growth of 40.28% compared to the previous year.

The Company's shareholders' funds increased by 29.07% to Rs. 3.30 Bn during the year under review. The Company's Return on Equity for the year 2017/18 was 34.77% compared to 32.37% in the preceding year and is well above the industry leading to higher returns and gains to our shareholders. The Vallibel Finance market share price as at 31st March 2018 stood at Rs.

A key project that Vallibel Finance initiated was helping to further the education of students from low-income families in the less affluent areas of Sevenagala, Ratnapura, Matara, Badulla, and Kurunegala towns. We provided 40 nursery schools with furniture and other equipment and worked to better the educational facilities for students. The Company's corporate social responsibility initiatives are detailed on pages 50 to 53 of this annual report.

Excellence in Corporate Reputation

Vallibel Finance is proud to be acknowledged by external parties for our growth and perseverance of excellence in business operations. We received two international awards in the previous financial year for 'The Fastest Growing Auto Financing Company – 2017' and also awarded the Vallibel Auto Draft product as the 'Most Innovative Finance Product - 2017' from the Global Banking and Finance Review.

Following this path of recognition, during the year under review we were very proud to be adjudged as the 'Most Respected Finance/ Leasing Company in 2017' by Lanka Monthly Digest (LMD), a leading Sri Lankan business magazine. LMD recognised Vallibel Finance as the 'Sector Winner' within the Finance and Leasing Sector of the country in its Most Respected Rankings 2017.

A recent highlight for the Company was the upward revision of our credit issuer rating by ICRA Lanka to [SL]BBB with a stable outlook from the previous [SL]BBB- with stable outlook.

The Company's excellent corporate reputation is also received due to our focus on ethical and transparent business practices by all our employees as well our adherence to the rules and regulations as set out by the Central Bank of Sri Lanka, the Colombo Stock Exchange, the Securities and Exchange Commission of Sri Lanka, the Institute of Chartered Accountants of Sri Lanka and the Inland Revenue Department - Sri Lanka.

Focusing on a Future of Excellence

The long term for the Company looks promising. We are geared to handle the highs and lows that occur in the external operating environment and are ready to take on challenges that will surface as technology and business practices evolve and change.

We look forward to building a strong corporate brand which shall empower the nation to fulfil its financial requirements. We shall further develop and enhance our business operations and continue with our geographic and product portfolio expansions, we shall focus on developing our people and furthering our efforts in becoming a sustainable business that thrives on being a driver for the nation's progress.

Towards meeting these expectations, as a first step, the Company has purchased a prime property in a strategic location for planned future development to enable our key stakeholders to benefit from state-of-the-art office and greater convenience and efficiency in doing business with the Company. The definitive plan is to relocate the Vallibel Finance Head Office to the Galle Road in Colombo 03, which will be easily accessible by our customers.

Appreciations and Acknowledgements

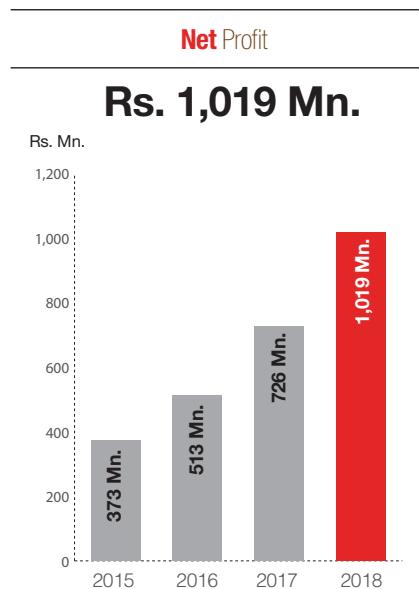
I take this opportunity to thank the Chairman, Mr. Ranjith De Silva, the Board of Directors and management team for their contribution towards the success of Vallibel Finance over our 11-year journey.

I also thank Mr. Dhammika Perera, the Founder Chairman of the Company and the Chairman of Vallibel Group, for his continued support and guidance.

Most importantly, I thank the efforts of all the people employed by the Company who have worked with dedication and enthusiasm to lead Vallibel Finance to become the success which we are today. Our shareholders, regulators, government institutions and customers too must be acknowledged for the unfailing support and confidence placed in the Company and on me to lead the Company to be sustainable and successful business entity.



S.B. Rangamuwa
Managing Director



Board of Directors





Board of Directors

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

Chairman

Mr. K. V. P. Ranjith De Silva holds a Bachelor of Arts Degree from Vidyodaya University and 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, Mattala Rajapaksa International Airport at Mattala were commenced and completed under his supervision as Chief Accounting Officer in those Ministries.

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

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

Mr. S. B. Rangamuwa

Managing Director

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

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

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

He started his career with Central Finance PLC after a stint at Ernst and Young. He 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.

He is the Deputy Chairman of Pan Asia Banking Corporation PLC. Also he serves as a Director of Hunnas Falls PLC and Finance House Consortium (Pvt) Ltd.

Mr. Dhammika Perera

Executive Director

Mr. Dammika Perera is the quintessential strategist and business specialist with interests in a variety of key industries including Manufacturing, Banking and Finance, Hospitality and Hydropower generation. He has nearly thirty years of experience in building formidable business through unmatched strategic foresight.

Mr. Perera is the Chairman of Vallibel One PLC, Royal Ceramics Lanka PLC, Lanka Ceramic PLC, Lanka Tiles PLC, Lanka Walltiles PLC, The Fortress Resorts PLC, Vallibel Power Erathna PLC, Delmege Limited, and LB Microfinance Myanmar Company Limited. He is the Co-Chairman of Hayleys PLC, The Kingsbury PLC, Singer (Sri Lanka) PLC, Executive Deputy Chairman of LB Finance PLC and Deputy Chairman of Horana Plantations PLC. He is also the Executive Director of Vallibel Finance PLC and serves on the Boards of Amaya Leisure PLC, Haycarb PLC, Hayleys Fabric PLC, Dipped Products PLC, and Hayleys Global Beverages (Pvt) Limited.

Mr. 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.

Mr. T. Murakami

Director

Mr. Toyohiko Murakami is Chief Executive of Bansei Group Japan. Mr. Murakami has over 33 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 to Executive Vice President in February 2006 and to President & CEO of the company in June 2009.

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

Formerly, Mr. Murakami was Advisor of Zenkoku Hosho Co., Ltd. from November 2005 to February 2006 and Director of H.S. Securities Co., Ltd. from June 2002 to August 2005.

He is the Chairman of Bansei Holdings LK (Pvt) Ltd. and Bansei Securities Capital (Pvt) Ltd., Deputy Chairman of Bansei Royal Resorts Hikkaduwa PLC, Director of Pan Asia Banking Corporation PLC, Bansei & NWS Consultancy (Pvt) Ltd. and Hikkaduwa Hotel Holdings (Pvt) Ltd.

Mr. K. D. A. Perera

Director

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

Mr. A. Dadigama

Director

Mr. Aravinda Dadigama is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and holds an MBA in Finance from 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 plan 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.

Mr. S. S. Weerabahu

Director

Mr. Sisira Sirimevan Weerabahu, possess 35 years' experience in the capacity of senior executive in both private and public sector. Studied at Royal College Colombo and entered the University of Moratuwa where he obtained a Bachelor of Science Degree in Civil Engineering. He is a Member of the Institute of Engineers of Sri Lanka and is a Fellow of the Chartered Institute of Management Accountants UK. He has followed the Master of Business Administration Degree programme at the Post Graduate Institute of Management of the University of Sri Jayawardenapura and has obtained international training in Financial Management.

He served as the Head of Finance at the National Water Supply and Drainage Board and Lanka Cellular Services for more than 14 years and worked as the Consultant attached to the country infrastructure division of World Bank resident mission for 2 years. Thereafter he joined the Millennium Group and was

the Director /Chief Executive Officer of Millennium Housing Developers PLC, MC Urban Developers Ltd, Millennium Housing Ltd, MC Universal Ltd and Millennium Villa Housing Ltd for 19 years until he retired.

He has wide experience in Project Development, Project Financing, General Management and Finance and Engineering.

Mr. 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. Mr. D.G.N. Perera | Deputy General Manager - Credit |
| 2. Mr. P.B.D.T.S. Nanayakkara | Deputy General Manager - Collections |
| 3. Mr. K. D. M. Sameera | Deputy General Manager - Finance & Administration |
| 4. Mr. T. U. Amaraweera | Assistant General Manager - Asset Management |
| 5. Mr. D. M. P. M. B. Dissanayaka | Assistant General Manager - Credit |
| 6. Mr. S. Sapukotana | Assistant General Manager - Business Development |

Senior Management Team



- | | |
|-----------------------------|--------------------------------------|
| 1. Mr. L. G. R. De Silva | Senior Manager - Metropolitan Branch |
| 2. Ms. A.S.K. Navaratne | Senior Manager - Legal |
| 3. Mr. P.H.R.K. Sugathadasa | Senior Manager - Process Development |
| 4. Mr. S.P. Abewickrama | Senior Manager - Branches |
| 5. Mr. K.N. Warnakula | Senior Manager - Micro Leasing |
| 6. Mr. G. D. D. Saminda | Area Manager |
| 7. Mr. D. L. Gabadage | Area Manager |

Management Discussion & Analysis



Negombo Branch Relocation

Continued Excellence in Growth

This report reviews the Company's excellence in growth as achieved by the performance of Vallibel Finance during the year, highlighting operational and financial excellence while detailing strategies that has lead us to become one of the leading financial institutions in the country.

We also remain focussed on our efforts to serve a diverse customer base - from farmers to entrepreneurs to visionaries, as well as small and micro business enterprises, through a wide ranging financial services product portfolio

The year 2017/18 was for Vallibel Finance a year that exuded continued excellence in growth because of the confidence placed in us by our customers and the brand value that we carry being a part of the renowned Vallibel Group.

The dedication of our employees to propelling the Company's growth strategies forward to encompass greater challenges and resultantly better rewards enables Vallibel Finance to successfully achieve our goals and objectives while fulfilling our stakeholders' requirements. We also remain focussed on our efforts to serve a diverse customer base - from farmers to entrepreneurs to visionaries, as well as small and micro business enterprises, through a wide ranging financial services product portfolio and a far-reaching branch network that enables the Company to serve every corner of the country, thus, ensuring prosperity for the nation.

As a result, the Company's strategic focus continues to be highly intensive on business expansion from both the market development and product development perspectives. We continue to derive satisfaction from serving a wider range of products to a diverse portfolio of customers while pursuing our vision.

Outstanding Record of Financial Performance

Vallibel Finance's success is quantifiable as seen in the 43.03% growth in pre-tax profits, a loan portfolio growth of 24.42%, and a total gross income growth of 35.48% compared to the previous financial year. In addition, the growth of 25.16% in total assets has succeeded in strengthening the position of Vallibel Finance among the leading 10 Licensed Finance Companies who have largest asset base, while the increase of the fixed deposit base to Rs. 22.19 Bn during the end of the financial year under review has further strengthened the position of the Company among the leading 10 Licensed Finance Companies who have largest deposit base.

Furthermore, the increased customer base together with the Gross Non-performing Loan (NPL) Ratio being maintained at below the industry average as well as the growth in fixed deposit base reinforces the strength and success of the Company and our commitment to serve our customers to the best of our abilities always.

Continued Excellence in Financial Performance

Pre-Tax Profit

Rs **1.89** Bn

Net Profit

Rs **1.02** Bn

Revenue to the Government

Rs **875.76** Mn

Earnings per Share

Rs **24.52**

Management Discussion & Analysis

These recognitions further re-iterate the Company’s path of excellence in what we do. Furthermore, these awards have not only put the Company on par with other leading corporates in the country, but also coincided with the Company’s 10-year anniversary

Growing Excellence in Reputation

The Company’s growing excellence in terms of reputation and stakeholder confidence is supported by the awards, accolades and enhancement of credit rating received over the years. Vallibel Finance was also honoured to receive international recognition during the previous financial year from the Global Banking and Finance Review - 2017, a well-respected magazine of the United Kingdom. The magazine recognised the Company in two spheres - ‘Fastest Growing Auto Financing Company – 2017’ and ‘Most Innovative Finance Product – 2017’ for the Vallibel Auto Draft product.

Credit Ratings

During the year under review, ICRA Lanka, a group company of Moody’s Investors revised Vallibel Finance’s long-term ratings to BBB with a stable outlook from the previously held BBB- with stable outlook. ICRA Lanka has also revised the issue rating of the LKR 500 million unsecured, subordinated, redeemable debenture programme to [SL]BBB- with stable outlook from [SL]BB+ with stable outlook. Further, ICRA Lanka also reaffirmed the issue rating of [SL] AA-(S0) with stable outlook for the LKR 1,000 million guaranteed, subordinated, redeemable debenture programme of the Company.



LMD Recognition

Vallibel Finance has for the last few years been honoured to be considered among the top 100 respected finance companies in the country. During the year under review, Lanka Monthly Digest (LMD), Sri Lanka recognised the Company as the ‘Most Respected Finance/Leasing Company in 2017’ in LMD’s Most Respected Rankings for 2017 thus naming Vallibel Finance as the ‘Sector Winner’ of the Finance and Leasing Sector. In addition, LMD also placed Vallibel Finance 22nd in its main list of ‘Top 100 Most Respected Companies’

enabled due to the four gold and four bronze medals received by the Company.

These recognitions further re-iterate the Company’s path of excellence in what we do. Furthermore, these awards have not only put the Company on par with other leading corporates in the country, but also coincided with the Company’s 10-year anniversary which was celebrated in 2017, making a joyous occasion even more so.

Economic Review

The global economy was seen to have picked up from the lows experienced in 2016. This cylindrical recovery was mainly attributed to a rebound in global investments, increased manufacturing activity, and improved world trade. The global GDP growth estimated for 2017 was 3% compared to the 2.4% recorded in 2016. This increasing growth is mainly attributed to the favourable financing costs, rising profits, and improved business sentiment across both advanced economies and Emerging Market and Developing Economies (EMDEs) which in turn fuelled increases in world imports and exports. However, the growth realised by advanced economies in 2017 was only 2.3% driven mainly by Euro region from capital spending, increased external demand and turnaround in inventories. EMDEs contributed 4.3% to the increased global economic growth mainly due to improvements from commodity exporters and further strengthening of commodity importers.

2018 is expected to further strengthen the cylindrical recovery of the global economy. Economic growth is expected to reach 3.1% although advanced economies are projected to slow down further. The global economic growth is expected to be achieved from the EMDEs accelerated growth projection in 2018, with commodity exporters expected to bring in 2.7% of this projected growth. Commodity importers growth is expected to remain stable, while China's contribution to growth is expected to be slowing down. However, growth from other large economies as well as growth in low-income countries is expected to contribute to this forecasted growth of the global economy.

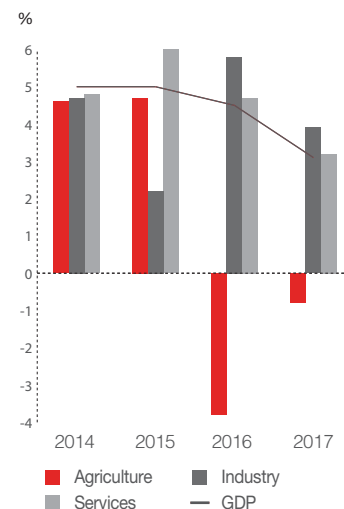
Source: World Bank

Sri Lankan Economy

The local economy while benefiting from the stabilisation policy measures taken by the Central Bank and the government in the last couple of years, resulted in improvements, although this was not realised in real economic growth which only recorded a 3.1% growth, indicating a continued slowdown and a growth below that experienced in 2016 and projected for 2017. The main reason for this slowdown was the prevailing high interest rates and the adverse weather conditions which were reflected in the continued negative impact on real economic activity. However, the depreciation of the Sri Lankan rupee again the dollar by 2% raised the competitiveness of the local currency which in turn was reflected in the increased export earnings during 2017.

In terms of industry growth, the agricultural sector recorded a contraction of 8%, while the industrial and services sectors too realised a slowdown in growth. The 3.9% growth of the industrial sector was supported by manufacturing, construction, and mining and quarrying. However, the slowdown was attributed to the contraction in the construction industry compared previous years. The main reason for the slowdown in growth in the services sector was due to reduced activities from public administration and defence, while the 3.2% growth realised is attributed to the growth in financial service activities, wholesale and retail trade, and other personal service activities.

Annual GDP Growth Rate



Source: CBSL Annual Report 2017

From an expenditure perspective economic growth realised was due to consumption investment expenditure during 2017. Consumption expenditure continues to remain the largest expenditure category of the economy having recorded a growth of 9% during the year compared to 3.1% in 2016. Investment expenditure however expanded by 16.6% although the growth recorded is below that of 2016 mainly due to the slowdown in construction sector activities.

Headline inflation was well above expected levels during 2017 was mainly a result of the increase in food inflation due to the disruptions caused by adverse weather conditions. Furthermore, revision to Value Added Tax (VAT) and Nation Building Tax (NBT), as well as higher commodity prices in the global market also contributed to high inflation levels experienced during 2017. Despite the

Management Discussion & Analysis

fluctuations experienced throughout year, year-on-year headline inflation based on the National Consumer Price Index (NCPI) moderated to 7.3% by the end of 2017, while the year-on-year headline inflation based on the Colombo Consumers Price Index (CCPI) was 7.1% by the end of 2017. Core inflation rates were relatively stable during the year, with the NCPI based core inflation declining to 2.7% by the end of 2017 compared to the 6.7% recorded at the end of 2016. Inflation rates further reduced in the first quarter of 2018, with year-on-year headline inflation based on the NCPI decelerating to 3.2% in February 2018, while headline inflation based on the CCPI receded to 4.2% in March 2018. Year-on-year core inflation based on the NCPI further improved in February 2018 to 2%.

Interest rates remained high throughout 2017, with the Central Bank increasing the interest rates by 25 basis points to counter increasing inflation in the country which still remained at levels than those desirable. Resultantly, market interest rates continued to increase further during 2017 although some stabilisation was seen during the latter part of 2017. The Average Weighted Call Money Rate (AWCMR) remained close to 9% during most of 2017, only stabilising to 8.15% in the latter part of the year, and further reducing to 8% in mid-April 2018.

Financial Sector of the Sri Lankan Economy

The financial sector of the economy continued to perform well during the year with the supportive prudential measures implemented to retain financial stability. Expansion was seen in the banking sector due to better operations and risk management practices as well as timely and appropriate implementation of regulatory

measures. The sector saw asset growth coupled with the growth in quality of assets as attested to by the declining Non-Performing Loans (NPL) ratio. The sector was also able to retain healthy liquidity and capital adequacy levels and improved profitability during the year. However, the Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector saw a slowdown in growth mainly because of the fiscal and macro prudential policy measures implemented during the year. Overall, the sector faced low credit growth, declining profitability and increase in non-performing loans. Resultantly, the majority of growth in the financial sector was contributed by the banking sector during 2017.

Non-Banking Sector Economic Performance

The Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) sector had 45 LFCs and 6 SLCs by the end of 2017, with branch network exceeding 1,362, of which 67% were located outside the Western Province, showcasing the increasing availability of financial services across the country. The overall performance of this sector moderated during 2017, with a low credit growth, declining profitability and increase in non-performing loans. However, growth was still achieved in assets at 11.8% although at lower levels than in 2016 (21.2%). The sector also maintained capital at healthy levels while liquidity buffers were well-above regulatory minimum levels. The most notable development was the change in funding mix with greater funds being obtained from deposits as opposed to the high levels of borrowings seen in 2016. The continued prudential measures taken by the Central Bank assisted in maintaining the stability of the sector.

The slowdown in credit growth compared to 2016 is mainly due to high interest rates that prevailed in the market during 2017, the curtailing of lending for motor vehicles due to restriction on imports as well as the adverse weather conditions which negatively affected the agricultural sector. The credit growth realised during 2017 was only 9.8% compared to 21% in 2016.

The deposits saw an accelerated upward growth and accounted for 50.7% of the total liabilities of the sector, with borrowing at 29.2% and capital at 12.5%. Resultantly deposits achieved a growth of 29.4% in 2017 compared to the 10.4% growth seen in 2016.

The gross non-performing loans increased by 24% mainly due the floods in the early part of 2017, with the gross NPL ratio increasing to 5.9% compared to 5.3% in 2016. Liquidity however, continued to remain at high levels for the sector with a surplus of Rs. 35 Bn, compared to the Rs. 15.4 Bn recorded in 2016. The sector's net interest income also continued to increase albeit at slower levels recording a growth of 11.5% in 2017 compared to 22.6% in 2016. Resultantly, the net interest margin of the sector declined marginally by 0.2% in 2017 compared to the 2.9% recorded in 2016.

While growth was slower than in the 2016, the sector performed relatively well during 2017. The Central Bank also contributed to this growth by strengthening the supervisory and regulatory framework of LFCs and SLCs with the aim of improving the stability and reliability of the sector to attract and retain customers. Policy decision were taken regarding revising the Loan to Value ratio for credit facilities,

increasing minimum core capital requirements to strengthen the capital position of the sector, and regulatory actions were implemented on LFCs and SLCs which did not meet minimum regulatory requirements.

Review of Business Segments

During the year under review the Company's two business segments – Deposit Products and Lending Products – continued to perform well amidst challenging market conditions. The continued focus on increasing market presence

together with the customisation of products to meet customer specific requirements has enabled the Company to benefit from growing demand for our products. The Company also introduced new products during the year under review to meet the existing market gaps in serving financial requirements of customers.

Snapshot of the LFCs/SLCs Sector

	2017	2016	2015
Assets			
Total Assets (Rs. Bn)	1355.0	1211.9	996.1
Loans and Advances (Net) (Rs.Bn)	1057.1	962.7	795.8
Gross Non Performing Advances to Total Advances (%)	5.9	5.3	5.7
Net Non Performing Advances to Total Advances (%)	1.5	1.2	1.6
Liquidity			
Total Deposits (Rs.Bn)	686.7	530.7	480.6
Total Borrowings (Rs.Bn)	396.0	438.7	314.3
Liquid Assets to Total Assets (%)	8.9	7.1	7.6
Liquid Assets to Deposits & Borrowings (%)	11.7	9.3	10.0
Capital			
Capital (Rs.Bn)	169.7	146.1	123.1
Core Capital (%)	12.4	11.3	10.5
Total Risk Weighted Capital (%)	13.1	11.7	11.2
Earnings			
Interest Income (Rs.Bn)	231.5	188.9	150.4
Net Interest Income (Rs.Bn)	102.7	92.1	82.2
Profit Before Tax (Rs.Bn)	43.2	47.2	28.5
Return on Assets (Annualized) (%)	3.2	4.0	3.0
Return on Equity (Annualized) (%)	16.1	23.1	12.4

Source: CBSL

Management Discussion & Analysis

Product Portfolio

Deposit Product Portfolio

For the public and Institutional investors Deposits

Lending Products Portfolio

For salaried employees, self-employed professionals, corporate, and SMEs	General Leasing Micro Leasing Mortgage Loans Personal Loans Property Mortgage Loans Group Personal Loans Business Loans Auto Draft Gold Loans Microfinance Loans against Fixed Deposits
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LENDING PRODUCTS

Vallibel Finance offers a wide range of lending products to our customers. The Company's key products are leasing, mortgage loans, personal loans and gold loans. However, we also offer other supplementary products such as property mortgage loans, group personal loans, business loans, auto draft, and microfinance facilities for the convenience of our customers.

During the year under review the total lending portfolio grew by 24.42% to reach Rs. 30.83 Bn compared to Rs. 24.78 Bn achieved in the previous financial year. Leasing products and mortgage loans remain the main products in the lending portfolio accounting for 85% of the total lending portfolio as at the end of the financial year. Like previous years, personal loans and mortgage loans continued to be the key drivers of gross portfolio growth achieving 64.61% and 46.25% growth respectively during the financial year. However, this year a significant contribution was also made to the growth in portfolio by gold loan products which grew by 68.45% during the year under review.

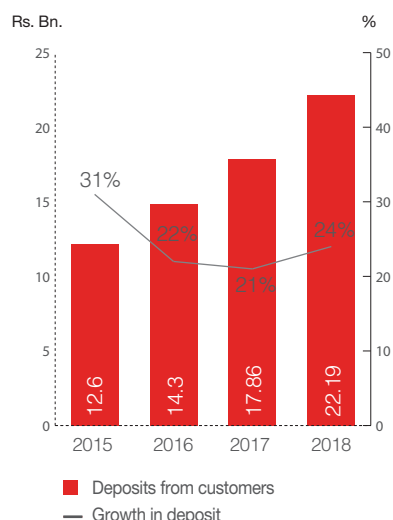
Lending portfolio growth is mainly attributed to Vallibel Finance's continued branch network expansions, highly skilled and experienced employees serving our customers, high-levels of customer service, customisations of products to meet customers' individual requirements, and the increased focus of the Company's marketing and promotional activities.

As reported during the previous financial year, vehicle leases which were in the past considered a core business is now slowly declining and being replaced by the mortgage loan products portfolio.

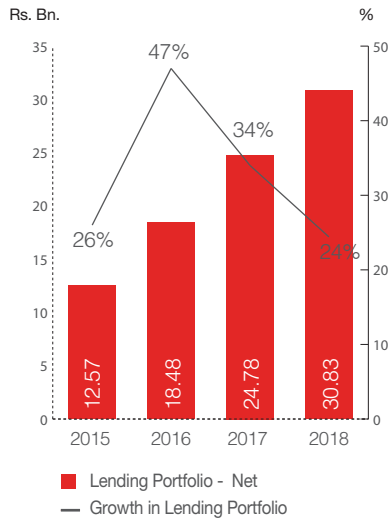
DEPOSIT PRODUCTS

Vallibel Finance offers several options fixed deposit product – from one-month deposits to 5-year deposits, and with an interest payable either monthly or at maturity. Deposit products are the main source of funds for the Company and during the year under review the deposits portfolio exceeded the Rs. 20 Bn milestone to reach Rs. 22.19 Bn by the end of the financial year, which is a growth of 24.20% compared to the amount of Rs 17.86 Bn recorded as at the end of the previous financial year. This growth is indicative of the confidence and trust placed on Vallibel Finance by the public as seen by the continuing increase in the number of customers over the years.

Growth in Deposit Base



Growth in Lending Portfolio



Leasing

Vallibel Finance offers two categories of leasing— micro leasing and general leasing products. Micro leasing is offered for the financing of low investment vehicles such as three wheelers and motor bikes, with tailor-made payment plans and competitive interest rates. General leasing is offered to medium to high income earners requiring the purchase of high-value products. The Company's leasing portfolio accounts for 41% of the total lending portfolio.

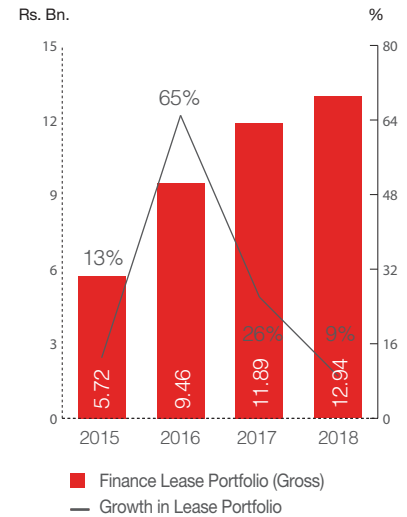
During the year under review the gross leasing portfolio reached to Rs. 12.94 Bn as at 31st March 2018. This is only a moderate growth compared to the previous financial year reflective of slowdown in leasing in the country mainly attributed to the rise in importation

prices of motor vehicles, the continued effects of the loan-to-value ratio requirements, the rising interest rates in the country, as well as the moderate economic growth experienced during 2017 together with the natural disasters such as floods and drought conditions which adversely affected the agricultural industry of the country. Despite this, the Company granted 10,769 new leasing facilities to customers and disbursed Rs. 7.73 Bn. Of the total leasing facilities granted, micro leasing facilities amounted to 64%.

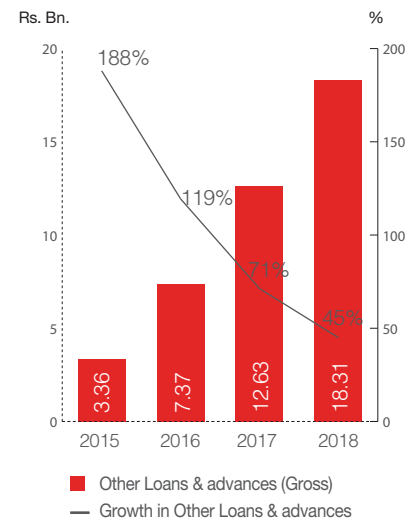
As a result, the Company concentrated on promoting and selling other lending products such as the Vallibel auto draft and mortgage loans to mitigate the impact of the reduced demand for leasing products and to satisfy the financing needs of our customers.

During the year under review interest income from finance leases amounted to Rs 2.64 Bn compared to Rs. 2.15 Bn received in the previous financial year, achieving a year-on-year growth of 23.02%.

Growth in Lease Portfolio



Growth in Other Loans & Advances



Management Discussion & Analysis

Mortgage Loans

Vallibel Finance mortgage loans which facilitate obtaining funding by mortgaging assets are segregated in to two main categories - vehicles mortgage loans and property mortgage loans. The Company also provides the option for customers to tailor mortgage loan facilities to suit their needs. Furthermore, we also offer competitive interest rates which are on par with prevailing market rates.

As one of the key drivers of growth of the lending portfolio, the mortgage loan product accounted for 44% of the total lending portfolio during the year under review. The gross mortgage loan portfolio increased by 46.25% to Rs.13.84 Bn from Rs.9.46 Bn recorded in the previous financial year. During the year under review 3,790 new mortgage loan facilities were granted and amounted to a total disbursement of Rs. 6.24 Bn. The interest income earned from the mortgage loans amounted to Rs. 2.07 Bn compared to Rs. 1.21 Bn earned during the previous financial year.

Property Mortgage Loans

Vallibel Finance offers the property mortgage loan facility mainly to government and private sector employees, self-employed professionals and businessmen. Having only been marketed since 2014, the product now accounts for Rs. 810.57 Mn of the gross mortgage loans portfolio, a growth of 33.85% compared to the previous financial year.

Gold Loans

Vallibel Finance offers the gold loan facility to individuals to obtain loans secured against their gold jewellery. The value of the loan is dependent on the value of gold at the date of obtaining the funds. Having been a part of the Company's product portfolio for only four years, the gold loan portfolio has become an integral part of the total lending portfolio in a very short span of time. During the year under review, the gross gold loan portfolio exceeded the Rs. 1.5 Bn mark to reach Rs. 1.51 Bn as at the financial year end and has become one of the key drivers of the total lending portfolio. This growth is aligned to the overall growth achieved in the industry with an increase of 15.2% in 2017 compared to the deceleration that was realised in 2016.

Due to the popularity and greater demand for this product, the Company continues to expand the gold loan base concurrently to branch expansions. Thus, during the year under review, four new locations were added to the existing branches offering gold loan facilities to our customers resulting in the Company now offering this product from a total of 28 locations around the country.

Vallibel Auto Draft

Vallibel Finance's uniquely branded "Vallibel Auto Draft" which is a speed draft product considered to be more economical than a bank overdraft facility has continued to grow and be accepted in the market place since its launch in 2014. The product offers highly competitive interest rates and unmatched repayment terms designed to be payable in 12 parts - the interest amount in the first eleven months and the capital in the 12th month together with

the interest amount for that month. However, security is required to be provided for this facility.

This product continues to be the market leader in its niche market space and has amounted to a total portfolio of Rs. 6.71 Bn as at the end of the year under review. The popularity of the product is showcased through the 5,920 auto draft facilities offered to customers during the financial year under review.

During the year under review the Company introduced a sub-category within this product portfolio called 'Vallibel Wheel Draft'. This new product is aimed at owners of registered three-wheelers. This product will enable Vallibel Finance to further increase our market share within this market segment.

Microfinance

Vallibel Finance launched the microfinance facility in our Negombo and Kurunegala branches only during the previous financial year. The product was introduced as an avenue to enable the Company to benefit from the growth in the microfinance sector of the country, while simultaneously assisting in the development and expansion of microenterprises and helping low income individuals to prosper. However, the progress of this product has not been as expected due to the associated risk factors of lending to the microfinance industry, the learning curve associated with such lending products, as well as an internal strategic decision to slowdown the progress of the microfinance business of the Company. Despite these factors, the gross microfinance loan portfolio was Rs. 20.44 Mn as at the end of the financial year under review.

Hire Purchase

As per Company policy and the direction of the market place, the hire purchase portfolio of the Company is being decelerated. As at the end of the financial year under review, the Company had a gross Hire Purchase portfolio of Rs. 369.50 Mn compared to Rs. 954.61 Mn in the previous financial year.

Personal Loans

The Company provides financial assistance for any personal requirement of individuals through this loan facility by offering competitively low interest rates and an easy and convenient application and settlement process. During the year under review the gross personal loan portfolio increased by Rs.2.27 Bn to reach Rs. 1.38 Bn, a 64.61% increase compared to the Rs. 1.38 Bn recorded in the previous financial year.

Business Loans

Vallibel Finance's business loan is a revolving facility that offers flexible financing to small and medium sized businesses which require short term loans for the purchase fast moving stocks. The popularity and demand for this product results in the Company extending this facility to all island wide branches during the last financial year.

During the financial year under review the Company introduced a new sub-category within this product portfolio called 'Business Builder Loan' aimed at owners of shops, outlets, and other small-scale businesses which receives daily or frequent cash/cheques. This facility will initially be available only to the Company's existing customers who required a short-term loan for managing their day-to-day working

capital requirements and shall be offered to other customers on a staggered planned basis. This product will allow these small and medium sized businesses to push for business growth and expansion while still being able to fulfil their financial obligations without undue stress.

As at the end of the financial year, the total gross business loan portfolio amounted to Rs. 107.86 Mn.

Group Personal Loans

This product is aimed at salaried employees who require financial assistance to improve their lifestyle and living standards and working in reputed and established companies in Sri Lanka. This loan facility allows customers to purchase of home furniture; appliances and equipment, payment of education fees and related expenses, purchase of gold jewellery and other similar consumer expenditure. The repayment of the loan instalment is linked to the salary of employees and directly remitted to Vallibel Finance from their employer. As at the end of the financial year, the gross group personal portfolio amounted to Rs. 94.85 Mn.

Loans against Fixed Deposits

This product is specifically aimed at a niche customer segment consisting of the Company's most valuable fixed deposit customers. Loans against fixed deposits is offered as a short-term solution to meet urgent financial requirements of these clients and provided to them at a low cost. The Company's loans against fixed deposits portfolio was Rs. 388.45 Mn as at the end of the financial year compared to Rs. 377.66 Mn in the previous financial year.

Expanding Market Presence

During the year under review, the Company continued its focussed efforts to increasing our presence in all parts of the country. Accordingly, we opened new branches in Nuwara Eliya and Hanwella in April 2017, a branch in Wennappuwa during December 2017, and a second branch in Kurunegala in March 2018. Furthermore, to benefit our customers and offer them modern facilities we relocated the Negombo branch in March 2018 to a larger and central location in the city's main road. We expect our new branches to serve diverse customer requirements as well as benefit the



Nuwara Eliya Branch Opening

Management Discussion & Analysis

growth and development these towns aspire to achieve in the future. As at the financial year end, the Company operated its business from 36 branches and eight service centres located island wide.

Vallibel Finance chooses and continues to choose branch locations based on customer convenience, expanding localised business opportunities and the dearth of the availability

of appropriate financial services in the town or region. Thus, Nuwara Eliya was chosen mainly due to the available opportunities in terms of the town being a well-loved tourist destination as well as a hub for revitalising the agriculture and garment and manufacture businesses in the area by offering innovative and customised financial solution to prospective customers. The towns of Hanwella and Wennappuwa were chosen as a promised business prospects for

branches of the Company due to the expected future growth in these towns and the growing opportunities with the increased business enterprises being set-up in the vicinity.



Hanwella Branch Opening



Negombo Branch Relocation

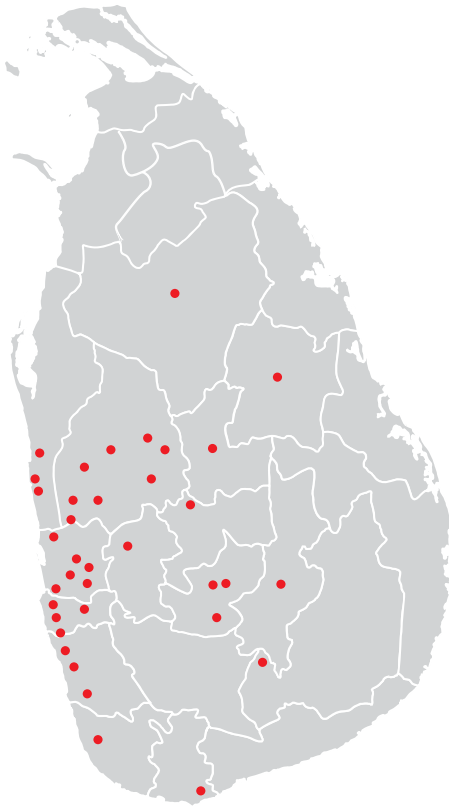


Wennappuwa Branch Opening



Kurunegala - Metro Branch Opening

Geographical Presence



Overview of Marketing Endeavours

The marketing endeavours of Vallibel Finance continued to with similar emphasis as the previous financial year, a result of both the competitive market place in which the Company operates as well as the challenging economic conditions that we continue to face. The Company focused on marketing short term flexible lending products that are more suited to the prevailing economic conditions. We used both traditional and innovative marketing techniques and media, as we focussed on a dual strategy of increasing awareness of our

products in the market place combined with targeted campaigns to select customer/market segments for identified products. Our marketing activities also encompassed promoting the newly launched products of 'Business Builders Loan' and Vallibel Wheel Draft'.



The Company's market penetration strategies focused on cross-selling of our products to our existing customers, thereby creating a greater customer value for the Company while impressing on our customers the value addition that the Company can bring to them. Accordingly, we employed more marketing and sales personnel to further our efforts in serving our customers better to enable us to increase the level of personal selling capabilities and to meet the increased demand for door-step services that the Company is associated with. We also identified property mortgage loans as a

product which could be customised further and competitively marketed to our customers.

Vallibel Finance's distribution and market development plans are achieved through the continued expansion of our branch network and the flexibility offered in tailor-making payment plans for our lending products which enable both the Company and our customers to manage cash flows and uncertainty in interest rate fluctuations that are prevalent in the country.

Marketing Communications

The Company focused on promoting and increasing awareness of identified products during the year under review using different marketing and promotional themes. We continued to use television and press advertising during prime time and during special programmes such as live telecast of cricket matches, as well as outdoor advertising such as hoardings in strategic location around the country, street name boards and bill boards at dealer/vendor locations.



Management Discussion & Analysis

Special emphasis was placed on promoting the newly launched products while we also continued to expand marketing partnerships which allow the Company to gain access to new market and customer segments. Accordingly, Vallibel Finance undertook special sales promotional campaigns with brands such as TATA, Mahindra, Suzuki, Datsun, Renault, Perodua, and Micro Cars for our product

'Vallibel Auto Draft'. In addition, to reach the luxury vehicle market we signed an MoU with Diesel & Motor Engineering PLC (DIMO) whereby customers can purchase the world-renowned brands Mercedes Benz and Jeep utilising the Vallibel auto draft product.

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**THE MERCEDES-BENZ AND JEEP.
TRADE-IN DAYS.**

Don't own a Mercedes-Benz? Don't own a Jeep?
Now with DIMO and Vallibel Finance, you can.

Whatever model your vehicle is, we'll trade it in for a brand new Mercedes-Benz or Jeep... So drive today to DIMO 800 to get on the spot appraisals and drive away with the upgrade you've always wanted for your garage. The Mercedes-Benz and Jeep, Trade-in Days come to you powered up by the all new, exclusive partnership between DIMO and Vallibel Finance, with offers that aim at getting you the powerhouses you deserve at attractive rates.

Dates: 24th, 25th and 26th August 2017 | Time: 8 am to 5 pm

DIESEL & MOTOR ENGINEERING PLC
DIMO 800, Simons Road, Marikina City, Metro Manila, Philippines 1600
Showrooms open Monday to Friday (8 am to 5 pm) and on Saturday (8 am to 5 pm)
Tel: 011 2 44 97 97 | Web: www.mercedes-benz.com.ph | www.facebook.com/MercedesBenzPHIL
vallibel Finance

Vallibel Finance also undertook corporate brand level promotions in the form of sponsorships of special events such as the joint sponsorship of the Nalanda College Old Boys' Association Annual Get-together held at Waters Edge with Auto Land Pvt Limited.

A noteworthy development for Vallibel Finance in the IT sphere was obtaining membership in FINCSIRT (Financial Sector Computer Security Incident Response Team) which is a joint initiative by the Central Bank of Sri Lanka, the Sri Lanka Banks' Association and the Sri Lanka

ideas to pursue corporate goals and objectives has enabled Vallibel Finance to achieve much in a short time span. It is this combination of people that make our journey interesting and fulfilling for all.

The Company leadership understands the importance of respecting every individual's right while ensuring the fulfilling of their career expectations and aspirations. We recognise the importance of work-life balance, and empowering employees to carry out their work responsibilities to the best of their abilities. Therefore, training and development plays a significant role within the Company's human resource management policies. As an equal opportunity employer, we work towards offering our employees a comfortable work place that does not discriminate. During the year under review the Company's employee base stood at 849, with 70% being males and the rest females. The increasing branches together with the new marketing and sales personnel employed by the Company resulted in 353 new recruitments during the financial year under review.



Vallibel Finance with Auto Land at Waters Edge, Colombo

Continuing Excellence in Information Technology Implementation

Vallibel Finance sustained our focused efforts to upgrade and update the Company's Information Technology (IT) infrastructure. Therefore, during the financial year under review, we further enhanced the security infrastructure upgrades and successfully completed the implementation of the core finance system upgrades. The Company's continued emphasis on excelling in the use of advanced and current technology also resulted in the relocation of the IT department to a more spacious and state-of-the-art location within our Maharagama Branch which will enable the Company's IT team to provide a superior service, while benefiting from the amenities that were specifically designed to support an IT team bent on being innovative and highly technologically driven.

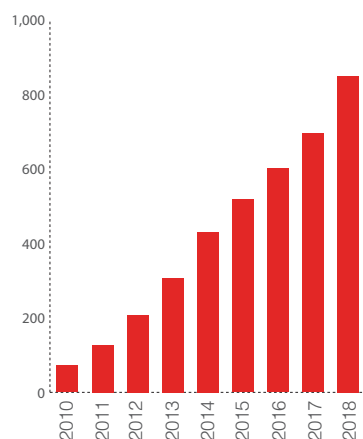
CERT ICC. This initiative is designed to provide consistent information security services support to the financial sector which is vulnerable to cyber threats and other forms of computer crime. We believe this membership strengthens the Company's efforts to excel in its integration of information technology to create an efficient and effective technologically adept organisation.

Review of Human Capital

Vallibel Finance attributes the Company's continued growth in excellence during our short journey of 11 years to our employees, who have worked tirelessly and with dedication toward achieving the Company's strategies and goals. The experienced and skilled professionals in service together with the younger generation who are adept at bringing a fresh perspective as well as utilising latest technology and innovative

Management Discussion & Analysis

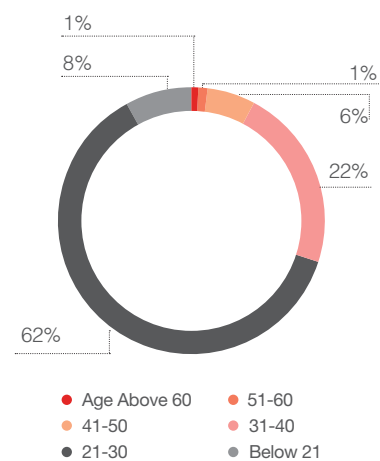
Employment Growth over the Years



Employee Categories as at 31st March 2018

Category	Number of Employees
Senior Management	14
Middle Management	108
Senior Executive	50
Executive/Junior Executive	251
Operational Staff	405
Clerical Staff	19
Minor Staff	2
Total	849

Age Analysis as at 31st March 2018



Service Analysis of Employees by Category as at 31st March 2018

Service In Years	Senior Management	Middle Management	Senior Executive	Executive/Junior Executive	Operational Staff	Clerical Staff	Minor Staff
10 - 15	6	4	2	4	3	-	-
05 - 10	4	42	13	79	10	4	2
01 - 05	4	44	26	144	189	13	-
Below 01 Year	-	18	9	24	203	2	-
Total	14	108	50	251	405	19	2

Training and Development

During the year under review Vallibel Finance undertook 23 external training programmes for the majority of the Company's employees. Many of these training programmes were undertaken to develop technical skills of employees. These programmes ranged from MS Excel training to marketing and communications skills development for identified employees.

There were also some soft skills development programmes such as Work Life Balance and Performance Development, as well as a Practical Guidance to Build Resilience and Drive a Result. All employees benefited greatly from these training programmes which enabled them to learn new skills and understand factors that would allow them to grow in their chosen career path.

Vallibel Finance attributes the Company's continued growth in excellence during our short journey of 11 years to our employees...



Training Session for FD Department held at Caritas Sri Lanka - SEDEC, Colombo 08

Employee Engagement Events

During the financial year under review, the Company organised several entertainment and get-together events for employees to enable them to build relationships outside of the workplace. Some events were also held to commemorate the achievements by our employees and to commemorate their service to the Company.

Vallibel Finance Awards Night

This event was a combined celebration by the Company for its 10-year anniversary as well as the annual staff gathering event held by the Company. During the event service appreciation awards were given to selected employees who

had performed beyond expectations of their responsibilities to further the Company's goals and objectives. The event was held on 20th May 2017 at the Waters Edge Hotel and was attended by all Vallibel Finance employees.



Vallibel Finance Awards Night (Best Performing Branch - 2017)

Management Discussion & Analysis

Half Year Business Review 2017/18

On 2nd October 2017, as part of the 6-month completion of a record growth year for the Company, the Half Year Business Review session of Managers was held at the Kingsbury Hotel in Colombo.



Annual Business Review Session

Vallibel Finance traditionally organises an Annual Business Review. This year was no exception with the Company organising a day-long event for Managers at the Kingsbury Hotel in Colombo on 06th April 2018 followed by a Gala Dinner. This event was attended by all manager level employees from the head offices and the branch network of the Company. Top performing branches were also awarded for their achievements for the financial year under review.

Pirith Ceremony – March 2018

To mark the start of the eleventh-year anniversary of the Company, a pirith ceremony was organised at the head office premises with the participation of employees in March 2018.



Annual Business Review Session held at Kingsbury Hotel, Colombo

Branch Level Gatherings

The Kiribathgoda service centre and the Rajagiriya branch organised events for their customers, senior managers and all branch level employees to celebrate their 6th year anniversary celebration and 3rd year anniversary respectively.

Annual Divisional Gatherings

A unique activity organised by the Company is individual departmental gatherings which is aimed at relationship building within departments while creating an atmosphere of camaraderie among employees. This annual trip is also combined as a team building activity.

Projections for the Future

While Vallibel Finance continues our journey of growth and excellence, we focus on a future that we foresee as being even more challenging and competitive. Therefore, plans are already underway to re-design our existing product range to suit the changing market conditions and customer needs. We are working towards understanding the growing complexities of financial requirements by our customers and are working towards easing their burden by adding innovative products to our product portfolio while strengthening and transforming our existing products to suit evolving market conditions and requirements.

In the short-term the Company plans to increase our footprint in the country through physical branches. New branch openings in Bambalapitiya, Katugastota, Dambulla, and Avissawella are well underway with the first new branch for the coming financial year planned to be operational by June 2018.



Get-together organized by Kiribathgoda Service Centre



Finance Department - Annual Staff Gathering

The future of Vallibel Finance has much promise. We are geared to take on challenges that are prevalent in the operating environment and are well-placed to continue the growth momentum of the last 11 years in the foreseeable future. The year 2018/19 will be a year that will enable the Company to conclude our ongoing strategic directional changes and bring to our stakeholders a stronger and more focused brand serving the financial needs of the nation.

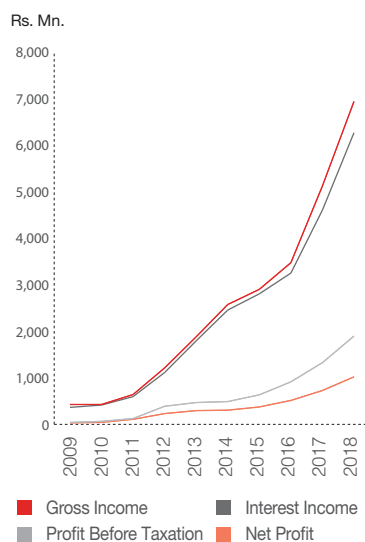
Financial Review

Continued Excellence in Financial Performance

During the financial year under review, Vallibel Finance concentrated on continuing the growth momentum achieved in the previous years, while focusing on maintaining costs and expenses to budgeted and acceptable levels. While the operating environment may have been challenging and slowed the Company's growth momentum, the Company's 11-years of achievement have surpassed every expectation by the stakeholders and management alike. Vallibel Finance is proud to have accomplished much in this short span of time.

Year-on-year growth in profitability, income and total assets, together with other non-financial indicators have yielded the Company a strength and brand presence which has catapulted Vallibel Finance among leading corporates in the country. The Company's key financial performance indicators have shown this growth as will be seen throughout this review.

Growth Trajectory at a Glance



Profitability

Profit before government taxes grew impressively by 43.03% in 2017/18 compared to the previous financial year. The Rs. 1.89 Bn pre-tax profit earned by the Company is attributed to increased business volumes and the focussed efforts to improve the other income earned by the Company. Furthermore, the efforts to improve operational efficiency were achieved and realised in terms of reduced

expenses and costs and in turn contributed to the increased profit earned by Vallibel Finance in the financial year under review.

Total Government taxes amounted to Rs. 875.76 Mn comprising of Rs. 519.21 Mn as corporate income tax and Rs. 356.55 Mn as VAT on Financial Services and NBT. Overall the Company's net profit for the year under review increased by 40.28% to earn Rs. 1.02 Bn compared to the Rs. 0.73 Bn earned in the previous financial year.

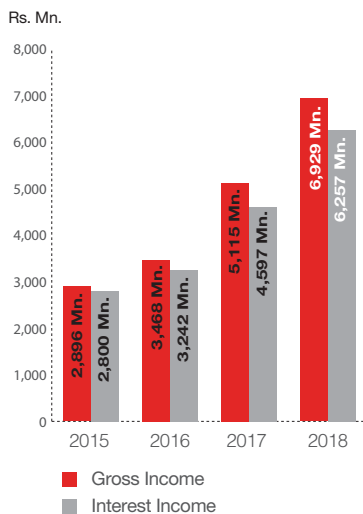
The Company's profitability indicators such as Return on Average Assets - After Tax (ROA) and Return on Average Equity (ROE) increased to 2.95% and 34.77% respectively during the year being reviewed compared to 2.72% and 32.37% recorded in the previous financial year. It should be noted that the Company's ROE is well above the industry average, thus putting Vallibel Finance in a strong position to capitalise on growth opportunities in the coming years.

Profitability (Rs. Mn)	2014	2015	2016	2017	2018
Profit Before Income Tax & VAT on Financial Services & NBT	489	633	912	1,324	1,894
Profit Before Income Tax	443	559	784	1,095	1,538
Profit After Tax	304	373	513	726	1,019

Income

The Company's total income for the 2017/18 was Rs. 6.93 Bn, which was an increase of 35.48% over the income of Rs. 5.11 Bn earned in the previous year. Our primary source of earnings was from the loans and advances portfolio which recorded a growth of 24.42% and generated an interest income of Rs. 6.26 Bn for the financial year 2017/18. This is a 36.10% increase compared to the previous year and amounted to Rs. 4.60 Bn. In addition, the interest income on investments earned Rs. 421.44 Mn during the financial year under review and the contribution from other non-interest income was Rs. 672.22 Mn to the total income generated by the Company.

Composition of Revenue



Interest Income

The interest income of the Company grew by 36.10% to reach Rs. 6.26 Bn during the financial year under review compared to Rs.

4.60 Bn earned in the previous financial year. Of the total interest income, the leasing portfolio derived an income of Rs. 2.71 Bn an increase of 25.98% compared to the Rs. 2.15 Bn earned in the previous financial year. As the highest contributor to interest income over the last few years, in the year 2017/18 too, the leasing portfolio contributed 43% to total income although showcasing a slight decrease compared to the 47% contributed to total income in the previous financial year. The primary reason for this decrease is attributed to the Company moving away from the core business of leasing towards other loans and advances. At the end of the financial year under review the Hire Purchase portfolio decreased to Rs. 219.93 Mn from Rs. 793.69 Bn recorded in the previous financial year. The interest received from the hire purchase portfolio was Rs 94.33 Mn during this same period.

Interest income from other loans and advances showed a significant growth of 68.56% in 2017/18 and earned Rs. 3.03 Bn compared to Rs. 1.80 Bn earned in the previous financial year. This rapid expansion in business volumes is attributed to the extension of business lines under this category which have succeeded in the making the other loans and advances portfolio of Vallibel Finance a strong contender on the market place through its myriad of product offerings. Resultantly, the other loans and advances portfolio increased to Rs. 18.7 Bn in the financial year under review compared to Rs. 12.47 Bn recorded in the previous financial year which is a growth of 44.97%.

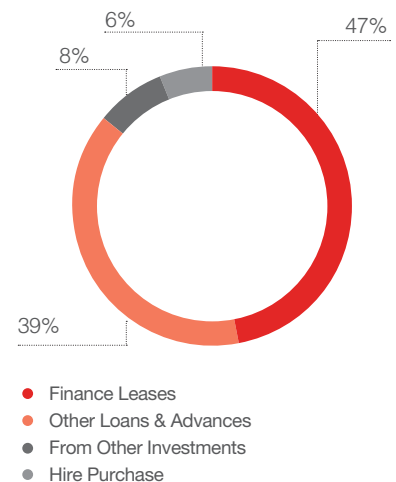
The Company also made a strategic policy decision to slow down the microfinance business line starting in the year under review. This is mainly due to the risk factors associated with this business. Resultantly, interest

income earned from the microfinance portfolio amounted to only Rs. 22.55 Mn for 2017/18.

The other loans and advances portfolio which comprises of mortgage loans, personal loans, gold loans, fixed deposit loans, group personal loans and business loans is an area where the Company is going to focus on in the coming years to achieve accelerated growth and profitability. This strategic decision is aligned to the overall industry position which is slowly but steadily moving away from the core business of lease to other types of loan products.

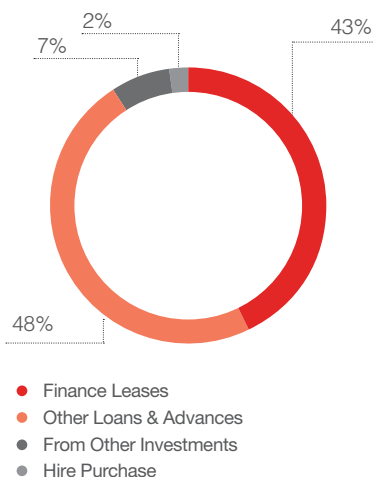
Other interest income comprises of interest earned on fixed deposits with banks and other finance companies, and interest income from investments in government securities including Treasury Bills and Treasury Bonds. The other interest income earned during the year financial under review was Rs. 421.44 Mn compared to Rs. 365.77 Mn earned in the previous financial year.

Composition of Interest Income - 2017



Financial Review

Composition of Interest Income - 2018



Interest Expenses

The Company's interest expenses comprise mainly of interest due to customers and banks, debt issued and other borrowed funds. During the financial year under review interest expenses increased only by 34.42% to Rs. 3.50 Bn compared to 67.07% increase realised in 2016/17. This decelerated increase is attributed to the declining trend of the deposit interest rate prevalent in the country in 2017. The deposit interest expenses increased by 36.96% to Rs. 2.55 Bn compared to 48.92% increase experienced in the previous financial year. The deposit interest expenses of the Company amounted to 73% of the total interest expenses during this same period.

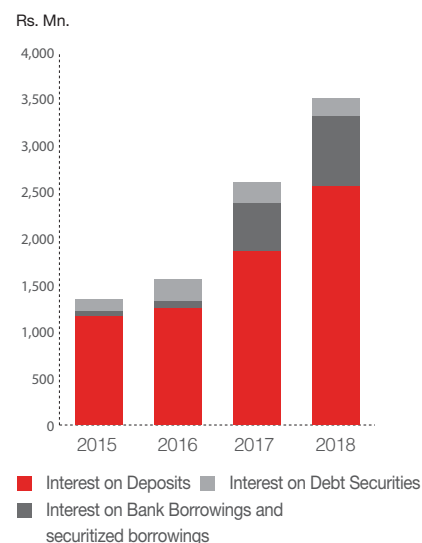
Interest expense due to borrowings comprise of interest expense on bank overdrafts, bank term loan facilities and securitised borrowings

and debentures. Accordingly, the year under review realised an increase in interest on bank borrowings and securitised borrowings by 47.06% from Rs. 516.75 Mn in 2016/17 to Rs. 759.92 Mn in 2017/18. The total bank borrowings and securitised borrowings indicated a low growth of 30.81% to Rs. 9.85 Bn in the financial year under review compared to the high growth rate realised of 117.16% (Rs. 7.53 Bn) in the previous financial year mainly due to the Company's increasing reliance on funding business activities from customer deposits as opposed to using funds obtained from bank borrowings and securitised borrowings. Total debentures generated Rs. 186.10 Mn interest expenses to the total interest expenses.

Net Interest Income

The Net Interest Income (NII) increased by 38.31% to Rs. 2.76 Bn in the financial year under review compared to 18.21% growth achieved in the previous financial year recording Rs. 1.99 Bn as at the end of 2016/17. The predominant reason for the growth realised in NII was due to the decreased funding costs of the Company from external sources. The proactive measures regarding re-pricing

Composition of Interest Expense



decisions and adjustments undertaken on the funding structure positively impacted the net interest margin of Vallibel Finance, while the sector experienced an overall decline in net interest margin.

Net Interest Income (Rs. Mn)	2014	2015	2016	2017	2018
Total Interest Income	2,452	2,800	3,242	4,597	6,110
Total Interest Expense	1,340	1,344	1,559	2,604	3,500
Net Interest Income	1,111	1,455	1,683	1,993	2,757

Other Operating Income

Interest income is supplemented by other operating income which is effectively non-interest income. Other income amounted to Rs. 672.22 Mn during the year under review. Non-interest income which comprises mainly of fee and commission income; early termination income; gain on disposals of property, plant and equipment; and gain from financial investments held for trading and other income. During the year under review fee and commission income and early termination income accounted for 89% of total other operating income of the Company.

Total Operating Income

The total operating income comprised of net interest income and other income increased by 36.58% to Rs. 3.43 Bn during the financial year under review compared to Rs. 2.51 Bn earned in the previous financial year. Of this the net interest income contributed 80% to the total operating income of the Company.

Operating Expenses

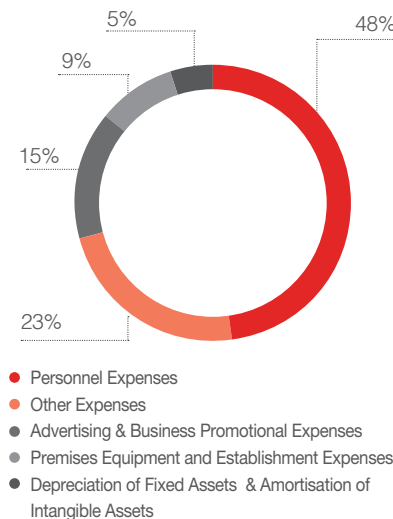
The total operating expenses in 2017/18 was Rs. 1.43 Bn, an increase of 23.98% compared to the operating expenses of Rs. 1.15 Bn realised in the previous financial year. This increase is mainly attributed to the rising personnel expenses of the Company.

Personnel expenses continued account for the largest share of overhead expenses during the financial year under review at 51% of the total operating expenses. Personnel expenses increased by 33.39% to Rs.732.72 Mn due to the increased number of staff as a result of the new branch openings and expansion of divisions

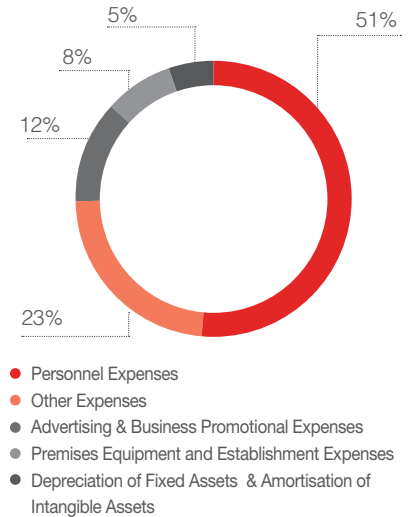
and also due to the enhanced employment benefits offered to employees of the Company.

Furthermore, the premises, equipment and establishment expenses amounted to Rs. 120.54 Mn an increase of 16.76% compared to the previous financial year, while the Company's advertising and business promotional expenses remained steady at Rs. 172.45 Mn.

Composition of Operating Expenses - 2017



Composition of Operating Expenses - 2018



Cost to Income Ratio

The Company attempts to continuously improve efficiency of business operations, and monitors and control costs. As a result, cost to income ratio was recorded at 41.69% over the previous year's 45.93%. Vallibel Finance will continue to focus on reducing costs by further increasing our efforts to improve efficiency in all areas of operations.

Financial Review

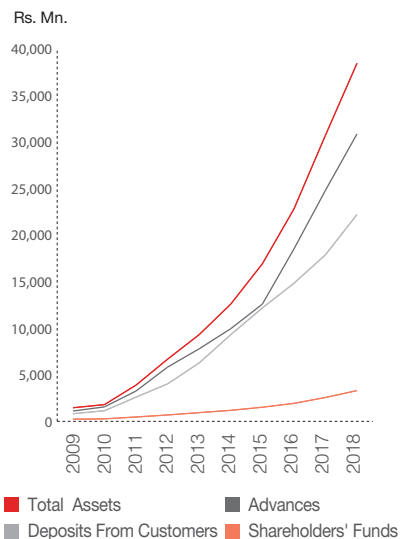
Loan Loss Provision and Credit Quality

During the financial year under review, impairment charges on loans and advances increased by 217.36% to Rs. 104.86 Mn from Rs. 33.04 Mn recorded in the previous financial year. Non-performing loans increased during the year, which was inevitable across the sector due to the adverse weather conditions and the slowdown seen in the local economy. Therefore, the credit risk management and recovery processes of the Company were further strengthened during the year under review thus, ensuring the Company's non-performing loan ratio remained at a manageable level. The Company's Gross Non-Performing Loan ratio was 2.72% in the year under review and is far below the industry average. After loan loss provisioning, Net Performing Loans and Advances ratio stood at 0.41% as at the end of the financial year. Combining both prudent lending policies and aggressive recovery strategies, the Credit and Recovery Divisions of Vallibel Finance remain highly focussed on reducing the NPA ratio year-on-year.

Raising the bar of our Financial Position

During the financial year under review, Vallibel Finance was able to consolidate its strong growth position in the industry by further increasing the assets base of the Company, while simultaneously focusing on sustaining the Company's credit quality, maintaining high levels of deposits and increasing shareholder funds.

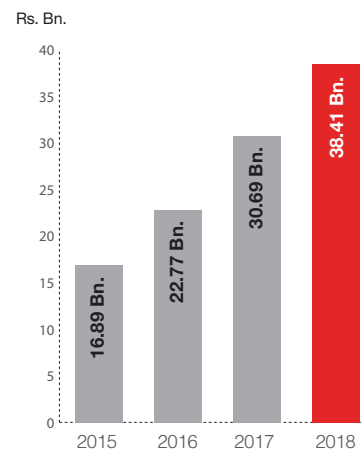
Financial Position for Last 10 Years



Total Assets

The Company recorded a noteworthy performance in terms of assets growth which increased to a total asset base worth Rs. 38.41 Bn resulting in a growth of 25.16% as at 31st March 2018 compared to Rs. 30.69 Bn as at 31st March 2017. This robust growth witnessed by the Company in terms of total assets is primarily due to business volume expansion that Vallibel Finance achieved in the year under review through focused marketing and promotional efforts and the introduction of new products into the market place. The Company's efforts to manage its asset mix efficiently resulted in the optimised asset growth and stability while maintaining the quality of the Company's portfolio.

Total Assets



Liquidity Position

The value of liquid assets as at 31st March 2018 was Rs. 4.62 Bn compared to Rs. 3.93 Bn as at the previous financial year end. Total liquid assets consisted of cash and short-term funds as well as investment in government securities, treasury bills, and placements with commercial banks. Reflecting a healthy liquidity position, the Company's liquid assets to total deposits ratio stood at 20.84% as at 31st March 2018.

Lending Assets

During the financial year under review, the Company's lending portfolio increased by 24.42% and stood at Rs. 30.83 Bn as at 31st March 2018 compared to Rs. 24.78 Bn as at 31st March 2017. The total finance lease portfolio as at the financial year end reflected only a marginal growth of 8.83% from Rs. 11.52 Bn as at 31st March 2017 to Rs. 12.53 Bn as at 31st March 2018. The hire

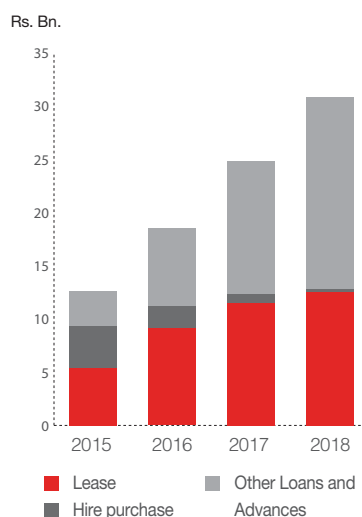
purchase receivable stood at Rs. 219.93 Mn as at 31st March 2018.

The lease rental and hire purchase receivables represent 41% of the total lending portfolio of the Company, while the other loans and advances have been the largest contributor to the portfolio in recent years, accounting for 59% of the total lending portfolio as at the end of the year under review.

The other loans and advances comprise of mortgage loans, personal loans, gold loans, fixed deposit loans, group personal loans, business loans, and microfinance. The other loans and advances amounted to Rs. 18.0 Bn as at 31st March 2018, a 44.97% growth compared to Rs. 12.47 Bn achieved in the previous financial year. This increase is mainly attributed to the expansion realised in the mortgage loans, personal loans, and gold loan portfolios of the Company. The increase in demand for these products of the Company are a result of the increased branch network, highly skilled and experienced staff, increased

emphasis on marketing and promotional activities for these products, enhanced customer service and support facilities, and focus by the Company to customise generic products to suit customer-specific requirements.

Portfolio Distribution for Last Four Years



Total Liabilities

The total liabilities of the Company are comprised of the deposit base, bank overdraft facilities, term loan facilities obtained from banks, securitised borrowings, debentures, and other liabilities. The total liabilities of the Company stood at Rs. 35.10 Bn as at 31st March 2018, a 24.81% increase compared to Rs. 28.13 Bn as at 31st March 2017.

The major portion of the funding requirement of Vallibel Finance was obtained from customer deposits which accounted for 63% of the total liabilities of the Company. This increase in reliance on deposits by the Company was a result of the declining trend in the deposit interest rate and the planned reduction of other forms of borrowings on consideration of increasing costs of borrowings and the tightening flexibility of such instruments in the market.

The bank borrowings amounted to Rs. 9.85 Bn as at the financial year end, which is a 30.81% increase compared to Rs. 7.53 Bn realised as at 31st March 2017. The total bank borrowings and securitised borrowings indicated low growth of 30.81% during the financial year under review, compared to the high growth rate of 117.16% experienced in the previous financial year. The Company obtained loan facilities amounting to Rs. 5.47 Bn while Rs. 3.54 Bn loans were repaid during the period under review.

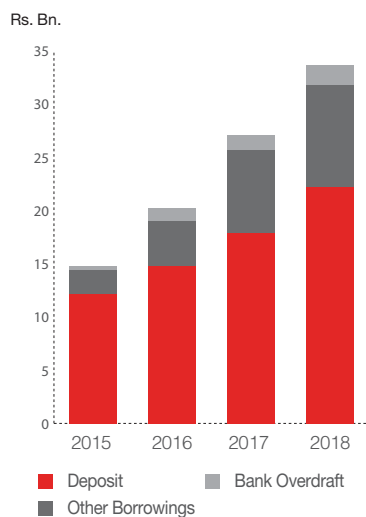
The Company's Subordinated Term Debts (Debentures) stood at Rs. 1.55 Bn as at 31st March 2018, compared to Rs. 1.70 Bn as at 31st March 2017. This reduction is due to Rs. 150 Mn Unsecured Subordinate Redeemable Debentures issued in 2012 coming

Composition of Other Loan and Advances (Rs. Mn)	2014	2015	2016	2017	2018
Gold Loans	63	149	522	897	1,510
Loans Against Fixed Deposits	73	145	277	378	388
Micro Finance Loans	-	-	-	108	20
Other Loans & Advances	1,014	3,013	6,452	11,084	16,155
Total Other Net Loans & Receivables	1,150	3,307	7,252	12,467	18,074

Financial Review

into maturity during 2017 and being redeemed in August 2017.

Deposit Base, Overdraft & Other Borrowings

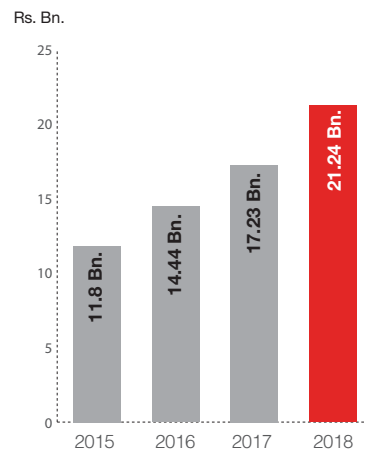


Deposit Base

Public Deposits of Vallibel Finance exceeded the Rs. 20 Bn landmark to reach Rs. 22.19 Bn as at 31st March 2018, a 24.20% growth compared to Rs. 17.86 Bn achieved as at the previous financial year end. This growth achieved amidst a highly competitive market environment is testament to trust and value placed on the Vallibel Finance brand. Of the total deposit base, fixed deposits accounted for 96% of total deposits portfolio while certificate of deposits contributed only a modest 4% to the total portfolio. The Company's saving base derived from the microfinance product accounts only for 0.03% of the total deposit base as at 31st March 2018.

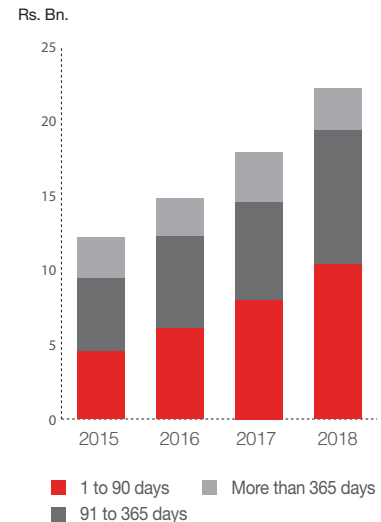
The Company's fixed deposits base was Rs. 21.24 Bn as at 31st March 2018, compared to Rs. 17.23 Bn as at the previous financial year end resulting in a year-on-year growth of 23.24%. The value of certificate of deposits as at 31st March 2018 was Rs. 942.42 Mn.

Fixed Deposits



Of the total deposit base, 87% of deposits have a maturity which is less than one year while the balance 13% has longer maturities that vary. The Company focuses on obtaining medium and long-term funding in order to minimise mismatches in interest bearing assets and liabilities through the provision of competitive rates, improvements in customer service and overall process and system efficiencies.

Analysis of Deposits by Maturity Date



Shareholders' Fund

The Company's main source of capital continues to be retained earnings which stood at Rs. 2.27 Bn as at 31st March 2018. This is an increase of 30.60% compared to Rs. 1.74 Bn achieved in the previous financial year end. The total shareholders' fund was Rs. 3.30 Bn as at 31st March 2018, a 29.07% growth compared to Rs. 2.56 Bn as at the end of the previous financial year.

Return on average shareholders' funds for as at 31st March 2018 was 34.77%, compared to 32.37% realised in the previous financial year end. Net assets per share increased to Rs. 79.45 as at 31st March 2018 which showed a 29.07% growth compared to Rs. 61.55 as at the end of the previous financial year.

Key Indicators per Ordinary Share as at 31st March	2017	2018	Change (%)
Number of Shares (Mn)	41.55	41.55	-
Basic Earnings Per Share (Rs.)	24.52	17.48	40.28
Market Price per Share (Rs.)	67.00	58.50	14.53
P/E ratio (times)	2.73	3.35	(18.35)
Net Assets Per Share (Rs.)	79.45	61.55	29.07
Price to Book Value (times)	0.84	0.95	(11.26)

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.

Vallibel Finance's Tier I capital ratio stood at 10.60% as at 31st March 2018, while the total risk weighted capital ratio was 12.21% as at the same date. Both these ratios exceed the minimum regulatory limits of 5% and 10% respectively. The Company's core capital ratio and total risk weighted capital ratio as at 31st March 2017 were 10.45% and 13.72% respectively. The reduction of total risk weighted capital ratio compared to the previous financial year was mainly due to the reduction in the eligibility amount of unsecured subordinated debts.

The Company's present core capital and total capital amount to Rs. 3.29 Bn and Rs. 3.79 Bn respectively which comfortably exceeds the regulatory requirements set by Central Bank of Sri Lanka. Detailed breakdown of capital adequacy ratio computation is given in the Notes 53 of the Financial Statements.

Setting the Base for Future Excellence

The Company's dynamism and strong financial base puts us in a competitive position in the market, allowing for growth to be achieved even in challenging operating and economic conditions. Vallibel Finance's strategic direction in the coming year considers the volatility of the economic environment specifically factors that will affect the financial sector of Sri Lanka. However, measures taken by regulators to curb negative impacts on the finance sector of the economies bode well for the Company's growing excellence in the near term.

Corporate Social Responsibility Report



Pubudu Preschool, Kandy

Nurturing the Wider Community

As Vallibel Finance continues growing in excellence, we have also furthered our efforts to bring progress to our work with the wider community. Remaining focussed on building the Company's Corporate Social Responsibility (CSR) efforts, we are endeavouring to bring in an organised framework to our CSR activities within the wider business model context.

Vallibel Finance persists in our CSR efforts in the areas that we believe are important for the wider community within which we operate our business. Having identified “education” and “health” as areas that are important to them, we continue to allocate resources by contributing towards the progress of education and the improvement of healthcare facilities. It is our belief that an educated and healthy nation is a nation that will thrive on growth and progress. During the year under review the Company undertook several CSR projects together with employee participation. These projects are summarised below.

EDUCATION RELATED CSR ACTIVITIES

Lending a Helping Hand to 40 Nursery Schools

The Company established a project in the year under review to assist in the education of low-income students with the objective of providing furniture and upgrading infrastructure facilities of nursery and pre-schools. Towards improving facilities in nursery schools located in less affluent areas in the towns of Sevenagala, Ratnapura, Matara, Badulla, and Kurunegala,

Vallibel Finance provided 40 nursery schools with chairs, writing tables and other requisite school equipment to improve facilities provided to students.

The project was undertaken by employees of Vallibel Finance who surveyed many nursery schools to search out those that deserved being a part of this worthy project. The selection criteria of the Nursery schools assisted by the

project, were based on children admitted being less than 5 years of age, the total children in each nursery being less than 25 and the nursery requiring assistance due to inadequate infrastructure as a result of serving low income communities.

Credit for the successful execution and completion of this CSR project is attributed to the employees of the Company who worked tirelessly and as one team with one vision.



Donations to Shine Tots Preschool, Sevangala



Donations to Pubudu Preschool, Kandy

Corporate Social Responsibility Report

Upliftment of Rural Educational Facilities

Continuing the theme of improving the educational experience for those less fortunate, employees of the Company's Finance Department came together to donate school bags, shoes, stationery and other educational material to students of Kandegama Kanishta Vidyalaya in Dimbulagala, Polonnaruwa. The programme took place on 25th November 2017 and assisted 250 students.



We continue to focus on encouraging the participation of our employees in our CSR efforts as a means for them to engage with the wider society and understand the people that ultimately are our customers.



Donations to Kandegama Kanishta Vidyalaya in Dimbulagala, Polonnaruwa.

Supporting Theatre for Educational Purposes

Vallibel Finance believes that education is not only what we study in school and universities. Even theatre, drama, arts are all forms of educating the public. Accordingly, the Company sponsored a theatre production originally written by renowned playwright William Shakespeare - 'Taming of the Shrew'. The production was undertaken by the Combined Theatre Company, a non-profit amateur theatre company based in Colombo, Sri Lanka at the Lionel Wendt Theatre on 21st, 22nd and 23rd July 2017.



HEALTHCARE RELATED CSR ACTIVITIES

Assistance provided for Mentally and Physically Disabled Children

Aligned to the Company's objective of bettering the lives of people who are less fortunate or suffer from lifelong illnesses, Vallibel Finance made a monetary donation to the Meth Sewa

Foundation in Wellaway, Hadapanagala in the Moneragala district. This Foundation provides a home for severely mentally and physically disabled children who are also orphans. The aim is to provide these children with their basic needs to lead as comfortable a life as possible.



Meth Sewa Foundation, Wellaway, Hadapanagala

Annual Blood Donation Campaign

During the year under review, the Company continued with its annual blood donation campaign for the fifth consecutive year in collaboration with our employees and the National Blood Transfusion Service, Colombo. The campaign was conducted under the

theme 'Donate Blood, Save Life'. This year, the participants included not only Company employees but also family and friends who all came together to ensure the campaign was a resounding success. The programme was held at the Vallibel Finance head office in Colombo on 12th August 2017.



COMMUNITY SPONSORSHIPS

As part of the ongoing sponsorships that Vallibel Finance annually makes towards community events and activities, the Company sponsored the 54th Esala Maha Perahera of 2017 organised by the Walukaramaya Raja Maha Viharaya in Kollupitiya. The Perahera which is a grand procession is an annual event held to commemorate the Sacred Tooth Relic of Lord Buddha.

NURTURING THE FUTURE OF CSR

Vallibel Finance believes that we have made much progress in streamlining our CSR activities and hope to further align our projects and programmes to enable the Company to achieve maximum in terms of contributing to the upliftment and progress of the community within which we operate our business. The Company will continue efforts towards making corporate social responsibility an integral part of our business operations in the coming years. As we continue our excellence in growth in terms of business avenues, we shall also develop and raise the bar of our CSR programmes driving to have a social responsibility agenda which will be acknowledged as strong and beneficial to nurturing the wider community.

Corporate Governance

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.

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

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

Board of Directors

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

Composition and Independence

The Board comprises eight (08) members, six (06) 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 page 106.

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 four (04) Non-Executive Directors, namely Mr. K V P R De Silva, Mr. R M Karunaratne, Mr. A Dadigama and Mr. S S Weerabahu are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange and 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 / CEO.

Tenure, Retirement and Re-election of Directors

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

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

Board Meetings

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

During the year ended 31st March 2018, twelve (12) meetings of the Board were held. The attendance at the meetings was:

Name of Director	Executive/Non-Executive/ Independent Non-Executive	Attendance
Mr. K V P R De Silva	Independent Non- Executive	10/12
Mr. Dhammika Perera	Executive	08/12
Mr. S B Rangamuwa	Executive	12/12
Mr. R M Karunaratne	Independent Non-Executive	12/12
Mr. T Murakami	Non-Executive	02/12
Mr. K D A Perera	Non-Executive	12/12
Mr. A Dadigama	Independent Non-Executive	12/12
Mr. H Ota (Alternate Director – Mr. T Murakami)	Non-Executive	08/12

Audit Committee

An Audit Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committee are given on page 109.

The Report of the Audit Committee is given on page 112.

Remuneration Committee

A Remuneration Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committee are given on page 109.

Related Party Transactions Review Committee

A Related Party Transactions Review Committee functions as a Sub-Committee of the Board. The names of the Directors who serve on the said Committee are given on page 109.

The Report of the Related Party Transactions Review Committee is given on page 114.

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

The financial statements of the Company are prepared in accordance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), 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, act 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.

Corporate Governance

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 carryout 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



P W Corporate Secretarial (Pvt) Ltd
Secretaries

30th May 2018

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;	Complied with. Strategic objectives and values are incorporated in the Board approved strategic plan and these have been communicated to the staff. The Board of Directors approves and oversees the implementation of strategies mainly through the monthly Board meetings and the Board's views relating to such strategies are communicated to the staff through management meetings.

Corporate Governance

Directions		Extent of Compliance
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>
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 Management on a quarterly basis. The decisions and actions taken are submitted for Board's information where necessary.</p> <p>Please refer Risk Management report on page 98 to 105 and Integrated Risk Management Committee report on page 110 for further details.</p>
d)	approving a policy of communication with all stakeholders, including depositors, creditors, share- holders and borrowers;	<p>Complied with.</p> <p>Board approved Communication Policy covering all stakeholders is in place.</p>

Directions		Extent of Compliance
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.</p> <p>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: <ul style="list-style-type: none"> (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management; 	<p>Complied with.</p> <p>The Board has identified and designated the Key Management Personnel, as defined in the Sri Lanka Accounting Standard (LKAS) 24 "Related Party Disclosures", who significantly influence policies, direct activities and exercise control over business activities of the Company.</p>
g)	defining the areas of authority and key responsibilities for the Board and for the key management personnel;	<p>Complied with.</p> <p>The key responsibilities of the corporate management personnel are defined in their job responsibilities, whilst the Directors derive their responsibilities from the regulations and directions, mainly, the Directions issued under the Finance Business Act No. 42 of 2011.</p>
h)	ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	<p>Complied with.</p> <p>The Board of Directors formulates policies and exercises oversight of the affairs of the Company through the MD / CEO. Affairs of the Company by corporate management personnel are discussed at the monthly Board meetings and reviewed by the Board. Further, Board sub committees and other committees separately review and monitor the designated areas of business operations and report to the Board as it deems necessary.</p>

Corporate Governance

Directions		Extent of Compliance
	<p>i) periodically assessing the effectiveness of its governance practices, including:</p> <p>i) the selection, nomination and election of directors and appointment of key management personnel;</p> <p>(ii) the management of conflicts of interests; and</p> <p>(iii) the determination of weaknesses and implementation of changes where necessary;</p>	<p>Complied with.</p> <p>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.</p>
	<p>j) ensuring that the finance company has an appropriate succession plan for key management personnel;</p>	<p>Complied with.</p> <p>A succession plan for key management personnel is in place.</p>
	<p>k) meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;</p>	<p>Complied with.</p> <p>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.</p>
	<p>l) understanding the regulatory environment;</p>	<p>Complied with.</p> <p>The Board is updated of the changes in the regulatory environment and new directions, circulars etc. issued are made available to the Directors.</p>
	<p>m) exercising due diligence in the hiring and oversight of external auditors.</p>	<p>Complied with.</p> <p>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.</p>
2 (2)	<p>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.</p>	<p>Complied with.</p> <p>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.</p> <p>Functions and responsibilities of the chairman and the MD/CEO have been defined and approved by the Board.</p>

Directions		Extent of Compliance
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.
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.

Corporate Governance

Directions		Extent of Compliance
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.	<p>Complied with.</p> <p>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 2017/2018.</p> <p>Circulation of resolutions/papers to obtain Board's consent is minimized and resorted only when absolutely necessary.</p>
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.	<p>Complied with.</p> <p>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.</p> <p>Agenda, draft minutes and Board papers are sent in advance, enabling Directors to submit their views, proposals and observations at the respective Board Meeting.</p>
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.	<p>Complied with.</p> <p>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.</p>
3 (4)	<p>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.</p> <p>Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.</p>	Such situation has not arisen during the year 2017/2018.
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.	<p>Complied with.</p> <p>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.</p> <p>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.</p>

Directions		Extent of Compliance
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)	<p>Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties.</p> <p>The minutes of a Board meeting shall clearly contain or refer to the following:</p> <ol style="list-style-type: none"> a) a summary of data and information used by the Board in its deliberations; b) the matters considered by the Board; c) fact-finding discussions and the issues of contention or dissent which may illustrate whether the Board was carrying out its duties with due care and prudence; d) the explanations and confirmations of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; f) Decisions and Board resolutions. 	Complied with. Detailed minutes are maintained by the Company Secretary covering these given criteria.

Corporate Governance

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 2018. Mr. S S Weerabahu was appointed as a Director to the Board of the Company with effect from 20th April 2018. Accordingly the Board currently consists of eight Directors.
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 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 eight 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 four 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 declarations submitted by the Non-Executive Directors, the Board has determined that four Non-Executive Directors, namely Mr. K V P R De Silva, Mr. R M Karunaratne, Mr. A Dadigama and Mr. S S Weerabahu are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange 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.
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 18 and 21.

Directions		Extent of Compliance
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 2017/2018, more than one half of the numbers of directors that constitute the quorum were Non Executive Directors.
4 (8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied with. Please refer page 54 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.	There were no resignations or removals of Directors during the year 2017/2018.

Corporate Governance

Directions		Extent of Compliance	
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 2018.
5 (2)		A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company.	Complied with. No Director holds directorships of more than 20 companies/ societies/bodies/institutions.
6. Delegation of Functions			
6 (1)		The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with. The Board is empowered by the Articles of Association to delegate any of their powers other than those exercisable exclusively by the Directors. The Board has delegated matters pertaining to the affairs of the Company to the Board Sub-committees within the scope of the respective terms of reference as approved by the Board and also to the CEO and other key management personnel. All delegations are made in a manner that would not hinder the Board's ability to discharge it's functions.
6 (2)		The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied with. The delegation process to the Board Sub-committees and to the CEO and Key Management Personnel is reviewed by the Board based on business requirements.

Directions		Extent of Compliance
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.
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.

Corporate Governance

Directions		Extent of Compliance
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, Integrated Risk Management Committee and Related Party Transactions Review Committee are given on pages 112, 110 and 114 of this Annual Report.</p>	
8 (2)	Audit Committee		
	a)	<p>The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.</p>	<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)	<p>The Board members appointed to the committee shall be non-executive directors.</p>	<p>Complied with.</p> <p>All the members of the audit committee are Non-Executive Directors.</p>

Corporate Governance

Directions		Extent of Compliance
c)	<p>The committee shall make recommendations on matters in connection with:</p> <ul 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>
d)	<p>The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.</p>	<p>Complied with.</p> <p>The Committee reviews and monitors the External Auditors' independence, objectivity and the effectiveness of the audit processes.</p> <p>The Audit Committee also reviews the nature and scope of the external audit taking in to account of the regulations & guidelines.</p>
e)	<p>The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity.</p>	<p>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>

Directions		Extent of Compliance
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>
g)	<p>The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein.</p> <p>In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <ul style="list-style-type: none"> (i) major judgemental 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.</p> <p>The Annual and Quarterly Financial Statements are reviewed by the Audit Committee in order to ascertain the quality and integrity of the financial information prepared by the Finance Department and their reviews/comments and recommendations submitted to the Board for the final review and approval.</p>
h)	<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 met the External Auditors to discuss issues, problems and reservations relating to audit.</p>

Corporate Governance

Directions		Extent of Compliance
i)	The committee shall review the external auditor's management letter and the management's response thereto.	Complied with. The Committee has reviewed the external auditor's Management Letter and the management response thereto. Follow up actions were taken accordingly.
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 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)	The committee shall consider the major findings of internal investigations and management's response thereto;	Complied with. 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.

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 meetings if necessary. The Committee also has full access to information in order to investigate into matters relating to any affair 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 provide with due notice of issues to be discussed. Minutes of the meetings are 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 112.
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 meeting.

Corporate Governance

Directions		Extent of Compliance
q)	The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	<p>Complied with.</p> <p>A Whistle Blower Policy is in place which covers these aspects and significant findings are reported to the Audit Committee for appropriate follow-up action.</p> <p>The Audit Committee is the key representative body for overseeing the Company's relations with the External Auditor and meets the Auditor on periodic basis to discharge this function.</p>
8 (3)	Integrated Risk Management Committee	
	The following shall apply in relation to the Integrated Risk Management Committee (IRMC):	
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.	<p>Complied with.</p> <p>Committee consists of two Independent Non - Executive Directors, Chief Executive Officer, Deputy General Manager - Credit, Deputy General Manager – Finance & Administration and Assistant General Manager - Asset Management who supervises broad risk categories as detailed in this Direction.</p> <p>Any other key management personnel and staff are invited as and when the Committee needs their presence.</p>
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.	<p>Complied with.</p> <p>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.</p> <p>Please refer Risk Management Report on pages 98 to 105 for further details.</p>
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.	<p>Complied with.</p> <p>Minutes of management level committees are submitted to the Committee to review the adequacy and effectiveness of the Committee.</p>

Directions		Extent of Compliance
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.
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.

Corporate Governance

Directions		Extent of Compliance
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 Transaction 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 114.</p>
9 (3)	<p>The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	<p>Complied with.</p> <p>Information in this regard, is disclosed in Note 49 on “Related Party Disclosures” in the Financial Statements.</p>

Directions		Extent of Compliance
9 (4)	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 favorable treatment" than that is accorded to other similar constituents of the finance company.	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.
10. Disclosure		
10 (1)	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	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 are 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 website of CSE.
10 (2)	The Board shall ensure that at least the following disclosures are made in the Annual Report:	
	a) 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.	Complied with. Relevant disclosures are included in page 116 of the annual report under "Statement of Directors Responsibilities".
	b) 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.	Complied with. "Directors' Statement on Internal Control System Over Financial Reporting" is given on page 111.
	c) The external auditor's certification on the effectiveness of the internal control mechanism referred to in sub paragraph (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. Profiles of Directors are given on pages 18 to 21. Aggregate fees and expenses paid to the Board of Directors during the year amounted to Rs. 5.54 Mn and deposits held as at 31st March 2018 amounted to Rs. 225.18 Mn.

Corporate Governance

Directions		Extent of Compliance						
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 49.2.1.1 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. The net accommodations granted to related parties as a percentage of the Company's capital funds are given below: <table border="1" data-bbox="842 689 1423 910"> <thead> <tr> <th>Category of related party</th> <th>Amount (Rs. Mn)</th> <th>Percentage of the Company's capital funds</th> </tr> </thead> <tbody> <tr> <td>Entities controlled by KMPs and their family members</td> <td>1.06</td> <td>0.03%</td> </tr> </tbody> </table>	Category of related party	Amount (Rs. Mn)	Percentage of the Company's capital funds	Entities controlled by KMPs and their family members	1.06	0.03%
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Entities controlled by KMPs and their family members	1.06	0.03%						
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. The aggregate amount of remuneration paid during the year to Key Management Personnel (Board and selected members of Corporate Management) and the transactions with Key Management Personnel are given below. <table border="1" data-bbox="842 1184 1423 1302"> <thead> <tr> <th></th> <th>Rs. Mn</th> </tr> </thead> <tbody> <tr> <td>Compensation to KMP</td> <td>70.90</td> </tr> <tr> <td>Deposits Held</td> <td>226.27</td> </tr> </tbody> </table>		Rs. Mn	Compensation to KMP	70.90	Deposits Held	226.27
	Rs. Mn							
Compensation to KMP	70.90							
Deposits Held	226.27							
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".						

Directions		Extent of Compliance
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 pages 54 and 55.</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 pages 57 and 58 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 60 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', 'Audit Committee Report' and 'Integrated Risk Management Committee Report' on pages 110 and 113 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 pages 71 and 77 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 63 for details on advice and services of Company Secretary.</p> <p>The removal of the Company Secretary is a matter to be considered by the Board as a whole.</p>
A.1.5	Independent judgment of Directors	<p>Complied with.</p> <p>Directors exercise independent judgment in decisions made by the Board on issues of strategy, performance, resource allocation and the conduct of business.</p>
A.1.6	Dedication of adequate time and effort by the Board	<p>Complied with.</p> <p>Directors devote adequate time for Board meetings as well as Board Sub-committee meetings to ensure that the duties and responsibilities are satisfactorily discharged. Agenda, draft minutes and Board papers are sent in advance to the Board to dedicate sufficient time before a meeting to review Board papers and call for additional information and clarification.</p>
A.1.7	Training for Directors	<p>Complied with.</p> <p>A newly appointed Director is given appropriate induction with regard to the affairs of the Company and laws and regulations applicable to the Company.</p>
A.2 Chairman & Chief Executive Officer (CEO)		
A.2	Separation of the roles and responsibilities of the Chairman and CEO to ensure a balance power and authority, such that no one individual has unfettered powers of decision.	<p>Complied with.</p> <p>The positions of the Chairman and the CEO have been separated. The Chairman is responsible for leading the Board and for its effectiveness. The Managing Director (MD) is the Chief Executive Officer who is responsible for managing the Company's business.</p>
A.2.1	Justification to combine the posts of Chairman and Chief Executive Officer	Not applicable.

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 67 and 68 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 18 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. The Board consists of two Executive Directors and six Non-Executive Directors of whom four are independent as well. 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>Four Independent 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>
A.5.7 & A.5.8	Appointment of Senior Independent Non-Executive Director and make himself available for confidential discussion with other Directors.	<p>Appointment of Senior Independent Non-Executive Director is not required as the Chairman is an Independent Non-Executive Director.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
A.5.9	Meetings only with Non-Executive Directors	Complied with. Chairman meets with the Non-Executive Directors without the presence of Executive Directors, whenever necessary.
A.5.10	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 62 for details.
A.7 Appointments to the Board		
A.7.1 & A.7.2	Formal and transparent procedure for appointment of new Directors to the Board and Assessment of Board composition	Complied with. Refer comments under Section 4 (9) of the Finance Companies Corporate Governance Direction.
A.7.3	Disclosure of information to shareholders upon appointment of new Directors. This shall include brief profile of the Director; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with. Details of new Directors are disclosed to the shareholders through a Colombo Stock Exchange (CSE) announcement at the time of their appointment. Prior approval for appointment of new Directors is obtained from the CBSL in accordance with the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.03 of 2011 .
A.8 Re-election		
A.8.1 & A.8.2	All Directors should be subject to re-election by shareholders at first opportunity after appointment and should be submitted for re-election regularly or at least once in every three years.	Complied with. Re-election of Directors is carried out in accordance with the provisions of the Articles of Association. All Directors appointed to the Board are subject to re-election by shareholders at the first Annual General Meeting after their appointment. One Director is required to retire by rotation at each AGM. Article 88 provides that the Directors to retire by rotation at an AGM shall be those who, (being subject to retirement by rotation), have been longest in office, since their last election or appointment.

Code Ref.	Principle	Extent of Compliance
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 61 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	Complied with. Information pertaining to Directors is disclosed in the following sections of this Annual Report. 1.) Name, qualifications, expertise, material business interests and brief profiles on pages 18 to 21. 2.) Related party transactions are given in Note No 49 to the Financial Statements on pages 180 to 182. 3.) Membership of Sub Committees and attendance at Board Meetings on pages 109 & 55.
A.11 Appraisal of Chief Executive Officer		
A.11.1 & A.11.2	Requirement for Board to at least annually assess the performance of the CEO	Complied with. Managing Director/CEO's performance targets are aligned with the short, medium and long term objectives of the Company. Targets are set at the beginning of every financial year by the Board and at the end of each financial year the Board evaluates the set targets and the actual performance.

Corporate Governance

Code Ref.	Principle	Extent of Compliance
B Directors' Remuneration		
B.1 Remuneration Procedure		
The Company should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.		
B.1.1	Establishment of a Remuneration Committee	Complied with. The Board has established a Remuneration Committee to make recommendations to the Board in determining remuneration of the Managing Director. 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 109 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.

Code Ref.	Principle	Extent of Compliance
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	<p>Level and make up of remuneration of Executive Directors including performance element in pay structure</p> <p>Remuneration packages in line with industry practices</p> <p>Executive share option</p> <p>Non Executive Directors remuneration</p>	<p>Complied with.</p> <p>The Remuneration Committee recommends the remuneration payable to the Managing Director. The Board makes the final determination after considering such recommendations.</p> <p>The remuneration packages offered by the Company are linked to the corporate and individual performances and are aligned with the market/industry rates.</p> <p>No share options schemes have been offered to the Executive Directors.</p> <p>Non-Executive Directors of the Company are paid a fee in line with the market practices.</p>
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	<p>Complied with.</p> <p>Refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 109 for disclosures on the names of the Remuneration Committee members and the Remuneration Policy of the Company.</p> <p>The remuneration paid to the Board of Directors is disclosed in aggregate in note No 49 to the Financial Statements on page 180.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
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.
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.

Code Ref.	Principle	Extent of Compliance
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	<p>Complied with.</p> <p>The Company's position and prospects have been discussed in detail in the following sections of this Annual Report.</p> <ol style="list-style-type: none"> 1.) Chairman's Statement on pages 10 to 13 2.) Managing Director's Message on pages 14 to 17 3.) Management Discussion and Analysis on pages 24 to 41 4.) Financial Performance Review on pages 42 to 49
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 111 and 116.</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 page 106.</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 116 and 'Directors' Statement on internal control system over financial reporting' is given on page 111.</p> <p>See 'Independent Auditor's Report' on pages 117 to 121 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 41 and 'Financial performance Review' on pages 42 to 49.</p>

Corporate Governance

Code Ref.	Principle	Extent of Compliance
D.1.5	Board should report that the business is a going concern with all the supporting assumptions and qualifications as necessary.	Complied with. 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.
D.1.6	Remedial action at an Extra ordinary General Meeting if net assets fall below 50% of value of shareholders' funds	This situation has not arisen.
D.1.7	Disclosure of Related Party Transactions adequately and accurately	Complied with. Related Party Transactions as defined in Sri Lanka Accounting Standard - LKAS 24 on 'Related Party Disclosures' is disclosed in note No 49 to the Financial Statements on pages 180 to 182. Please refer responses to requirements of section 9 of the Finance Companies Corporate Governance Direction on pages 76 and 77 for further details.
D.2 Internal Control		
D.2	Maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets	Complied with. 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. The overall risk management has been assigned to the Integrated Risk Management Committee of the Board.
D.2.1	Annual evaluation of the risks facing the Company and the effectiveness of the system of internal controls	Complied with. 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. The minutes of the Board Committee meetings are tabled at the meetings of the Board of Directors for their information and action. 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. The Company obtained the External Auditors' Certification on the effectiveness of the internal control mechanism over financial reporting.

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 documents 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 69 to 74 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 112 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.
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.

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 Shareholder Voting		
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 pages 50 to 53 and it describes community –based development initiatives carried out by the Company to support and build the Community.

Section Three

Requirements on the Content of the Annual Report in Rule 7.6 and Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange:

The disclosures below reflect the Company's compliance with the Requirements on the Content of the Annual Report in Rule 7.6 of the Listing Rules of the Colombo Stock Exchange.

Rule Reference	Requirement	Extent of Compliance
7.6 (i)	Names of persons who held the positions of Directors during the financial year	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 106.
7.6 (ii)	Principal activities of the Entity during the year and any changes therein	Complied with. Please refer 'Annual Report of the Board of Directors on the Affairs of the Company' on page 106 and Section 1.2 of the Notes to the Financial Statements on page 128.
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting shares and the percentage of such shares held	Complied with. Please refer 'Information on Ordinary Shares' on page 202 and 203. The Company has not issued any non-voting shares.
7.6 (iv)	The Public Holding percentage	Complied with. Please refer 'Information on Ordinary Shares' on page 203.
7.6 (v)	The statement of each Directors' holding and Chief Executive Officer's holding in shares of the Entity at the end of the financial year	Complied with. Please refer page 107 of 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Complied with. Please refer 'Risk Management' report on page 98 to 105.
7.6 (vii)	Details of material issues relating to employees and industrial relations of the Company	During the year under review, there were no material issues pertaining to employees and industrial relations of the Company.
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties	Complied with. Information in this regard, is disclosed in Note 34 on 'Property, Plant and Equipment' in the Financial Statements and page 108 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (ix)	Number of shares representing the Entity's stated capital	Complied with. Please refer Note 44 on 'Stated Capital' in the Financial Statements on page 178.
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings	Complied with. Please refer 'Information on Ordinary Shares' on page 202.

Corporate Governance

Rule Reference	Requirement	Extent of Compliance
7.6 (xi)	Ratios and market price information on Equity and Debt	Complied with. Please refer 'Financial Highlights' on page 4, 'Information on Ordinary Shares' on page 203 and 'Information on Listed Debentures' on page 205.
7.6 (xii)	Significant changes in the Entity's fixed assets and the market value of land, if the value differs sustainability from the book value	Complied with. Please refer Note 34 on 'Property, Plant and Equipment' in the Financial Statements and pages 167 and 108 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.6 (xiii)	Details of funds raised through Public issues, Rights issues and Private Placements during the year	There were no any share issues, rights issues or private placement during the year under review.
7.6 (xiv)	Information in respect of Employee Share Option /Purchase Schemes	No share options schemes have been offered by the Company.
7.6 (xv)	Disclosures pertaining to Corporate Governance practices in terms of Rules 7.10.3, 7.10.5 c. and 7.10.6 c. of section 7 of the Rules	Complied with. Please refer 'Corporate Governance' report on page 54 to 97.
7.6 (xvi)	Disclosure on 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	Complied with. Please refer Note 49.3 on 'Related Party Disclosures' in the Financial Statements.

The disclosures below reflect the Company's compliance with the Requirements on Corporate Governance in Rule 7.10 of the Listing Rules of the Colombo Stock Exchange which comprises of five subsections, namely:

1. Non – Executive Directors
2. Independent Directors
3. Disclosures Relating To Directors
4. Remuneration Committee
5. Audit Committee

Rule Reference	Requirement	Extent of Compliance
Non-Executive Directors		
7.10.1 (a)	The board of directors of a Listed Entity shall include at least, two non-executive directors or such number of non-executive directors equivalent to one third of the total number of directors, whichever is higher.	Complied with. The Board consists of eight members of whom Six are Non-Executive Directors. Accordingly, the number of Non-Executive Directors exceeds one-third of the total number of Directors on the Board.
7.10.1 (b)	The total number of Directors is to be calculated based on the number as at the conclusion of the immediately preceding Annual General Meeting	Complied with. Of the Seven Directors as at 31st March 2018, Five were Non-Executive Directors.
7.10.1 (c)	Changes to this ratio shall be rectified within ninety days from the date of change.	No such situation has arisen.
7.10.2 Independent Directors		
7.10.2 (a)	Two or one third of Non-Executive Directors appointed to the Board, whichever is higher, should be independent.	Complied with. Based on declarations submitted by the Non-Executive Directors, the Board has determined that four Non-Executive Directors are independent.
7.10.2 (b)	Each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria in Rule 7.10.4.	Complied with. All Non-executive Directors have submitted their independence declaration as per the requirements for the Financial Year under review.

Corporate Governance

Rule Reference	Requirement	Extent of Compliance
7.10.3 Disclosure Relating to Directors		
7.10.3 (a)	Names of Independent Directors should be disclosed in the Annual Report.	Complied with. Disclosed in the page 106 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
7.10.3 (b)	In the event a director does not qualify as independent as per the rules on corporate governance but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless independent, the board shall specify the criteria not met and the basis for its determination in the annual report.	No such circumstance has occurred during the financial year 2017/2018.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report which includes information on the nature of his/her expertise in relevant functional areas.	Complied with. Please refer pages 18 to 21 for the Profiles of the Directors.
7.10.3 (d)	Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public.	Complied with. All new appointments to the Board are announced to the CSE together with the profiles of the Directors, when appointments are made to the Board.
7.10.5 Remuneration Committee A listed Entity shall have a Remuneration Committee.		
7.10.5 (a)	The Remuneration Committee shall comprise of a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors, whichever is higher. One Non-Executive Director shall be appointed as Chairman of the Committee by the Board of Directors.	Complied with. The Remuneration Committee comprises of three Non-Executive Directors two of whom are independent as well. The Chairman of the Committee is an Independent Non-Executive Director.
7.10.5 (b)	The Remuneration Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer, to the Board.	Complied with. The Remuneration Committee recommends the remuneration payable to the Managing Director / Chief Executive Officer and other management personnel. The Board makes the final determination after considering such recommendations.

Rule Reference	Requirement	Extent of Compliance
7.10.5 (c)	<p>The Annual Report shall set out:</p> <ol style="list-style-type: none"> 1. The names of the Directors that comprise the Remuneration Committee 2. A Statement of remuneration policy 3. Aggregate remuneration paid to Executive and Non-Executive Directors 	<p>Complied with.</p> <p>The names of the Directors that comprise the Remuneration Committee and the Statement of Remuneration Policy are given on page 109 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.</p> <p>Aggregate fees and expenses paid to the Board of Directors have been disclosed in Note 18 to the Financial Statements.</p>
<p>7.10.6. Audit Committee A listed Company shall have an Audit Committee.</p>		
7.10.6(a)	<p>The Audit Committee shall comprise of a minimum of two Independent Non-Executive Directors, or a majority of Independent Non-Executive Directors, whichever is higher.</p> <p>One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board. The Chairman or one member of the Committee should be a member of a recognized professional accounting body.</p> <p>The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.</p>	<p>Complied with.</p> <p>The Audit Committee comprises of three Non-Executive Directors two of whom are independent as well.</p> <p>The Chairman of the Audit Committee is an Independent Non Executive Director and possesses required qualifications and this is disclosed in page 21 of the Annual Report.</p> <p>The Chief Executive Officer and Chief Financial Officer attend the Audit Committee meetings by invitation.</p>
7.10.6 (b)	<p>The functions of the Audit Committee shall be as set out in Section 7.10.6 of the Listing Rules.</p>	<p>Complied with.</p> <p>Please refer 'Audit Committee Report' on page 112 and responses to requirements of section 8 (2) of the Finance Companies Corporate Governance Direction on page 69 to 74 for further details.</p>
7.10.6 (c)	<p>The Annual Report shall set out:</p> <ol style="list-style-type: none"> 1. The names of the Directors comprising the Audit Committee 2. The Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination 3. A report by the Audit Committee setting-out the manner of compliance of the functions set out in 7.10 of the Listing Rules, during the period to which the annual report relates 	<p>Complied with.</p> <p>Please refer 'Audit Committee Report' on Page 112.</p>

Risk Management

Being a leading player in the Financial Services Sector, Vallibel Finance faces diverse risk profiles related to business operations. The Company understands that these risks if not monitored and managed at optimal levels can affect business performance and growth potential. Thus, we have in place a robust and integrated risk governance framework incorporating both financial and non-financial risks that are regularly measured, monitored and reviewed to ensure that the Company can remain sustainable while creating value to our stakeholders.

From the beginning of our thus far 11-year journey, the Company has successfully employed effective risk management principles through commitment by top management. The different committees in charge of different aspects of risks faced by the Company is the first step in ensuring focused attention to monitoring and mitigating the diverse risks faced by the Company in our day-to-day business operations. The economic, financial, operational, legal, compliance, market and reputational risks are continually monitored to ensure remaining at acceptable levels as per Company guidelines.

We remain focused on proactively navigating the dynamic macroeconomic environment, enhancing and incorporating new and updated approaches to good risk governance and management practices to enable us to build a viable and sustainable business over time.

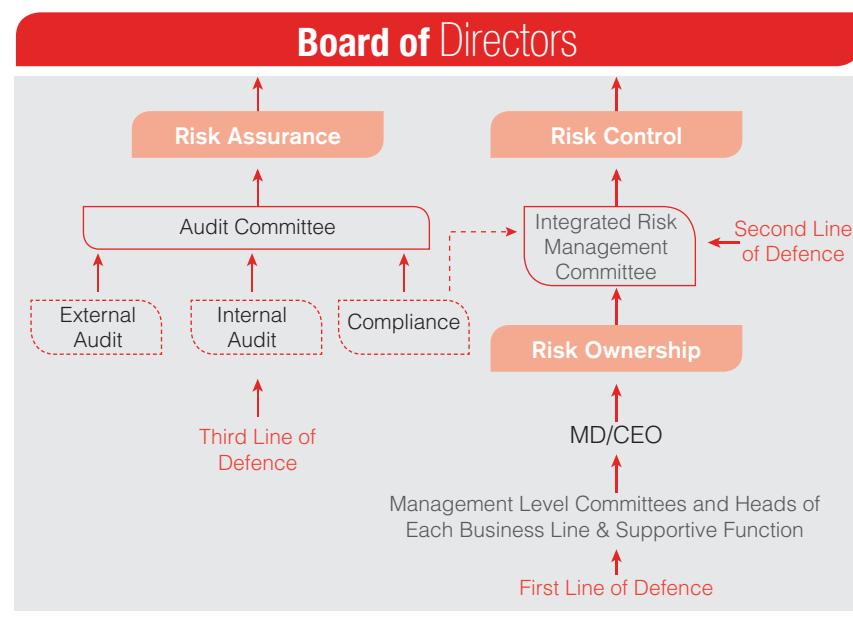
This report presents risk governance structure and risk management framework of the Company, key risks associated with each of our strategic priorities, how they could impact our performance and also explains how these risks are managed across the Company.

Risk Governance Framework

A robust governance framework is the cornerstone for the delivery of effective risk management and remains as a priority for the Company.

Governance is 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.

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



Board and Management Committees

Board Committees	
Board	The Board of Directors has the ultimate responsibility for the establishment and overseeing the risk management framework of the Company. Accordingly the Board has established main sub committees namely, the Audit Committee and Integrated Risk Management Committee to assist the Board in discharging its responsibility for risk management.
Audit Committee	<p>The Audit Committee assists the Board in fulfilling its oversight responsibilities for the integrity of financial statements, the Company's compliance with legal and regulatory requirements, the external auditor's independence, the performance of the Company's internal audit function and soundness of the internal controls and practices.</p> <p>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.</p>
Integrated Risk Management Committee (IRMC)	<p>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.</p> <p>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.</p>
The Related Party Transactions Review Committee	Related Party Transactions Review Committee is responsible for developing and recommending policies and procedures to review related party transactions, reviewing proposed related party transactions in compliance with the provisions of the Code of Best Practice on Related Party Transactions issued by the Securities & Exchange Commission of Sri Lanka and other related rules and regulations, updating the Board of Directors on the related party transactions of the Company and advising the Board on making immediate market disclosures in compliance with the provisions of the Code and the related rules and regulations.
Management Committees	
Assets & Liability Management Committee (ALCO)	<p>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 IRMC.</p> <p>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.</p>
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

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.

Principle Risks and Mitigation Strategies

The company is primarily exposed to credit risk, liquidity risk, interest rate risk, operational risk, legal risk, reputational risk, compliance risk and capital risk and approaches of managing them are detailed below.

Credit Risk

Credit risk is defined as the risk of financial loss if a borrower/ counter party fails to meet their contractual obligations. Credit risk arises principally from the Company's lease and hire purchase facilities, gold loan advances and other loans and advances to customers.

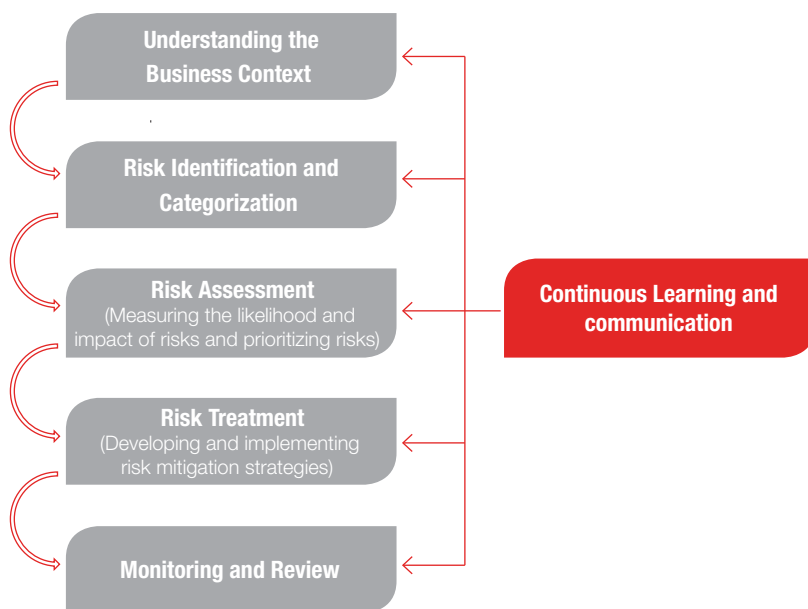
For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as

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.

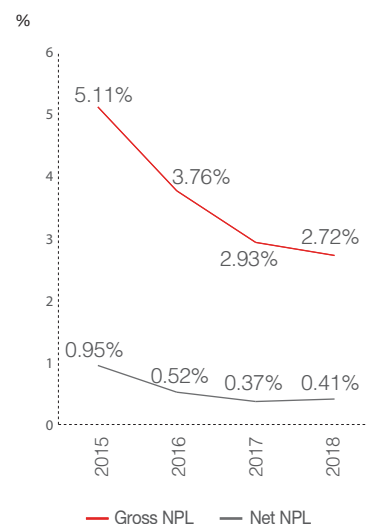
Key Risk Indicators

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.

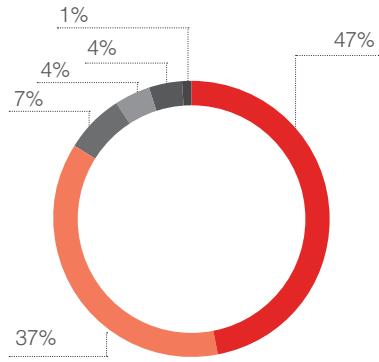
The following are some of the indicators in exposure to credit risk.



Movement of Gross & Net NPL Ratio

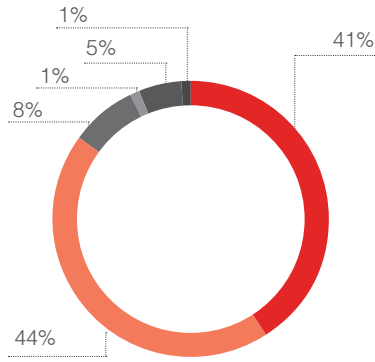


Product Concentration - 2017



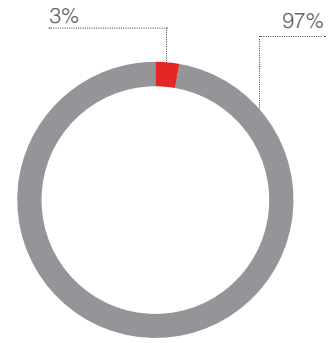
- Lease
- Mortgage Loans
- Other Loans & Advances
- Hire Purchase
- Gold Loan
- Loans against Fixed Deposits

Product Concentration - 2018



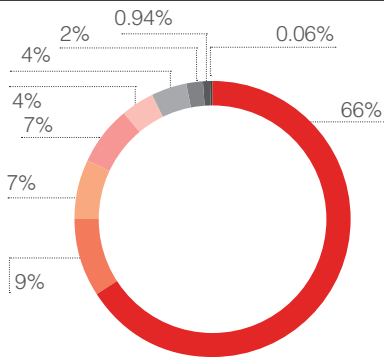
- Lease
- Mortgage Loans
- Other Loans & Advances
- Hire Purchase
- Gold Loan
- Loans against Fixed Deposits

Exposure to Top 20 Customers - 2018



- Exposure of Top 20 Customers
- Exposure of Other Customers

Geographical Concentration - 2018



- Western
- North Western
- Southern
- Sabaragamuwa
- North Central
- Central
- Uva
- Eastern
- Northern

Maturity Analysis of Lending Portfolio as at 31st March 2018 (Rs. Mn)

	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)	5,252	10,575	11,715	3,284	2	30,828

Mitigating Actions

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 summarized below.

- 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.

Risk Management

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

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

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

Adequacy of these risk management strategies are assessed regularly by the Credit Committee and quarterly by the IRMC.

Liquidity Risk

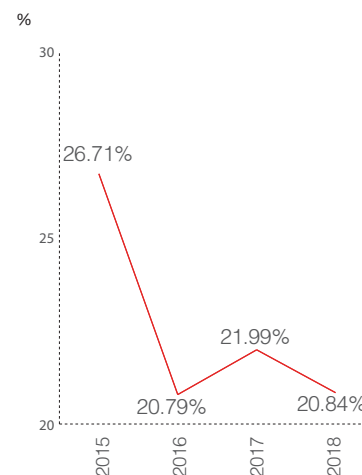
Liquidity risk is the risk of loss as a result of insufficient liquidity to cover current payment obligations. The Company may not be able to meet its obligations due to a lack of funds or having to meet these obligations at an excessive cost. This results from maturity mismatches between assets and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

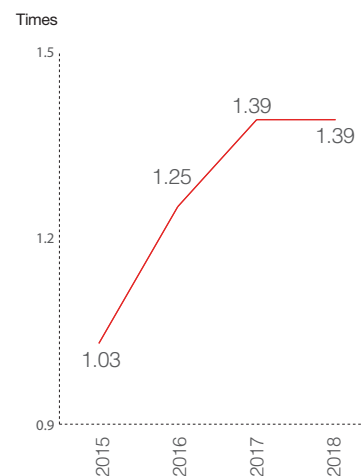
Key Risk Indicators

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

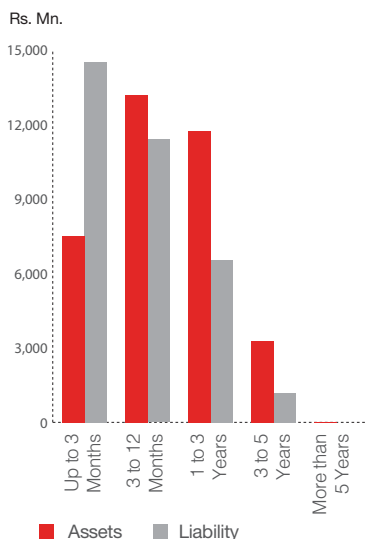
Liquid Assets to Deposit Ratio



Movement in Advances to Deposits Ratio



Maturity Analysis of Interest Bearing Assets and Liabilities



Mitigating Actions

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, thus increasing the deposit renewal ratio.
- The statutory liquidity ratio is maintained well above the regulatory limit.
- Daily liquidity is monitored and stress scenarios covering various market conditions are also considered.
- 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.

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.

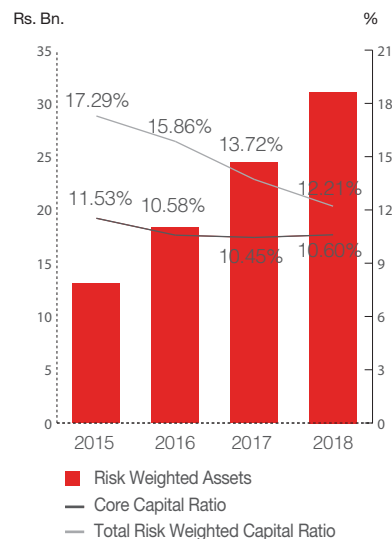
Key Risk Indicators

Capital Adequacy Ratio (CAR) is the Key indicator which measures 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.

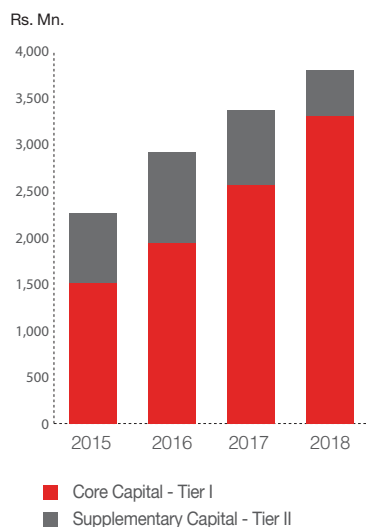
The Company's Capital adequacy ratios as at 31st March 2018 were 10.60% for Tier I and 12.21% for Tier I and II and are well above the minimum requirements of the Central Bank of a minimum 5% and a minimum 10% respectively. Please refer pages 196 and 197 in the notes to the Financial Statements for detailed breakdown of capital adequacy ratio computation.

Risk Management

Capital Adequacy



Capital Base



Mitigating Actions

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.

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.

Mitigating Actions

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing 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. The Company is largely exposed to the interest rate risk mainly on the interest income and interest cost. Continuous volatility in market interest rate affects the Company's net interest income and net interest margin.

Mitigating Actions

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.

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.

Mitigating Actions

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 acts 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.

Mitigating Actions

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.

Mitigating Actions

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.

Mitigating Actions

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 and 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.

As we continue our journey, the Company will focus on excelling in our risk management principles and framework. We have plans to enhance risk management efforts to ensure that the future growth of Vallibel Finance is not negatively affected inherent risks of operating a business in the dynamic environment of today's business world.

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 2018.

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 as "Vallibel Finance PLC" under the Companies Act, No.7 of 2007 (Companies Act) on 20th August 2008 under Registration No. PB526.

The Ordinary Shares of the Company, 10,000,000 Rated, Guaranteed (Capital and Two Interest Instalments), Subordinated Redeemable Debentures and 5,000,000 Unsecured Subordinated Redeemable Debentures issued by the Company are listed 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 accepting deposits, granting finance leases,

hire purchase, granting of mortgage loans, gold loans, personal loans, microfinance 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 are 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 are in compliance with the requirements of the Companies Act, 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 30th May 2018.

The Financial Statements of the Company duly signed by the Deputy General Manager – Finance & Administration, and two Directors on behalf of the Board are given on pages 122 to 198, 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 appears on pages 117 to 121.

Accounting Policies

The accounting policies adopted in the preparation of the Financial Statements are given on pages 128 to 146. 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

Mr. S S Weerabahu was appointed as a Director of the Company with effect from 20th April 2018 and shall retire in terms of Article 94 of the Articles of Association of the Company and being eligible is recommended by the Directors for election.

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, A Dadigama and S S Weerabahu, 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. A Dadigama retires by rotation in terms of Articles 87 and 88 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Interest Register

The Company maintains an interests register in terms of the Companies Act, 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 2018 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 provisions of the Companies Act, LKAS 24, Listing Rules and Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Transactions of related parties (as defined in LKAS 24 - Related Parties Disclosure) with the Company are set out in Note 49 to the financial statements.

The Directors declare that the Company is in compliance with Section 9 of the Listing Rules of the Colombo Stock Exchange pertaining to

Related Party Transactions during the financial year ended 31st March 2018.

Directors' Remuneration

The Directors' remuneration is disclosed under Note 49.2.1.1 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 as at 31st March 2018 was Rs 287,153,000/- represented by 41,550,600 Ordinary Shares.

Rights Issue

A Rights Issue of Shares in the proportion of five (05) new ordinary shares for every twelve (12) shares held as at the relevant date at an issue price of Rs. 60/- per share to raise a sum of Rs. 1,038,765,000/- was approved by

the shareholders at the Extraordinary General Meeting held on 08th May 2018. The last date for acceptance and payment for Rights is 30th May 2018.

Resulting from the said Rights Issue (on the basis that it is fully subscribed) the Stated Capital would increase by Rs. 1,038,765,000/- and the number of shares by 17,312,750 Ordinary Shares.

The objective of the Rights Issue is to strengthen the Tier 1 capital base of the Company in keeping with the Company's expansions, and maintaining the capital adequacy requirements as stipulated by the Central Bank of Sri Lanka (CBSL).

Directors' shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2018 are as follows:

Name of Director	Shareholding	Shareholding
	as at 31/03/2018	as at 31/03/2017
Mr. K V P R De Silva	Nil	Nil
Mr. Dhammika Perera*	600	600
Mr. S B Rangamuwa	900,000	880,092
Mr. R M Karunaratne	Nil	Nil
Mr. T Murakami	Nil	Nil
Mr. K D A Perera**	1,359,809	1,359,809
Mr. A Dadigama	Nil	Nil

*Mr. Dhammika Perera is the Chairman and major shareholder of Vallibel Investments (Pvt) Ltd which holds 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.

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

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 202 and 203. Earnings, Dividends, Net Assets per Share, appear on page 4.

Auditors

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

A total amount of Rs. 2,700,000 is payable by the Company to the Auditors for the year under review which comprise of Rs. 1,650,000 as Audit fees and Rs. 1,050,000 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

The Company paid an interim dividend of Rs. 3.50 per share for the year under review on 29th March 2018.

Donations

The total amount of donations made during the year under review is Rs. 363,120/-.

Property, Plant and Equipment

Details of Property, Plant and Equipment and changes during the year are given in Note 34 of the Financial Statements.

Material Foreseeable Risk Factors

The section on Risk Management on pages 98 to 105 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 34.8 of the Financial Statements represent a land of an extent of 15.2 perches with a building situated at No.126-5, Highlevel Road, Maharagama which is carried at its book value of Rs. 30,000,000 (the current market value being Rs. 30 million) , a land of an extent of 10 perches with a building situated at 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 million) and a land of an extent of 5.70 perches with a building situated at No.128, Main Street, Galle which is carried at its book value of Rs. 66,306,000 (the current market value being Rs. 66.30 million) a land of an extent of 10 perches with a building situated at No.84, Kurunegala Road, Chilaw which is carried at its book value of Rs.17,467,000 (the current market value being 17.46 million) and a land of an extent 42.12 perches situated at Galle Road, Colombo 03 which is carried at its book value of Rs. 1,095,869,000 (the current market value being Rs.1.096 billion).

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 confirm 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 of the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No.3 of 2011, save and except in respect of the matters referred to in the Annual Corporate Governance Report on pages 54 to 97.

The Corporate Governance Statement on page 54 to 97 explains the practices within the Company in this respect.

An Audit Committee, Remuneration Committee and Related Party Transactions Review Committee function as Board Sub Committees, with Directors who possess the requisite qualifications and experience.

Additionally the Board has formed an Integrated Risk Management Committee in terms of the Finance Companies (Corporate Governance) Direction No.3 of 2008.

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 112.

Remuneration Committee

Mr. K V P R De Silva
- Independent Non-Executive Director
(Chairman)

Mr. R M Karunaratne
- Independent Non-Executive Director

Mr. K D A Perera
- 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 Transactions 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 Transactions Review Committee appears on page 114.

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.Niroshan Perera
Deputy General Manager - Credit

Mr K D Menaka Sameera
Deputy 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 2018 at 10.00 a.m at the Members Lounge of the Institute of Chartered Accountants of Sri Lanka 30A, Malalasekera Mawatha, Colombo 07.

The notice of the Annual General Meeting appears on page 216.

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

30th May 2018
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. Niroshan Perera
Deputy General Manager - Credit

Mr. K D Menaka Sameera
Deputy 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:

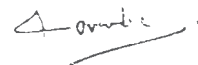
- To ensure that the Company has a comprehensive risk management framework relative to its business activities and risk profile
- To assess the effectiveness of the Company's risk management system
- To ensure that a compliance function is in place to assess the Company's compliance with laws, regulations, 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.



R M Karunaratne
Chairman
Integrated Risk Management Committee

30th May 2018

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

30th May 2018

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, Compliances and Risk Management.

Role of the Committee

The Audit Committee charter 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 Soundness of internal control and practices.

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 seven times during the year. The attendance at the meetings was as follows:

Name of Director	Executive/Non-Executive Independent/Non-Independent	Attendance
Mr. A Dadigama	Independent Non-Executive	7/7
Mr. R. M. Karunaratne	Independent Non-Executive	7/7
Mr. T Murakami	Non-Executive	0/7

The Company Secretaries function as the Secretaries to the Committee. The Managing Director and the Deputy 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 2019, 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

30th May 2018

Related Party Transaction Review Committee Report

Composition of the Related Party Transaction 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 18 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 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 four meetings during the year, in quarterly intervals, to review the Related Party Transactions of the Company.

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 & criteria as stipulated by Listing Rules of the Colombo Stock Exchange.

Details of other Related Party Transactions are given in Note No. 49 to the Financial Statements on pages 180 to 182.



A Dadigama

Chairman

**Related Party Transaction Review
Committee**

30th May 2018

GROWING IN EXCELLENCE

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Statement of Directors' Responsibilities

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

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

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and in compliance with the revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS), 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 2018/19, 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

30th May 2018

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
Internet : www.kpmg.com/lk

To the Shareholders of Vallibel Finance PLC Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vallibel Finance PLC ("the Company"), which comprise the statement of financial position as at March 31, 2018, and the income statement, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information as set out on pages 128 to 198.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at March 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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. Abeyaratne 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), LL.B., Attorney-at-Law, H.S. Goonewardene ACA
Ms. C.T.K.N. Perera ACA

Independent Auditors' Report



1. Revenue recognition

The Company generates revenue from its lending activities by charging fees (Interest) from the customers. Management maintains Effective Interest Rate (EIR) models to determine revenue recognition in accordance with the requirements of relevant accounting standards.

As described in note 6.1 (accounting policy) and note 11.1 (interest income), Company's interest income amount to Rs. 6,256,980,109 as at March 31, 2018 (2017: Rs. 4,597,260,244)

Nature and Area of Focus

The EIR models are complex and heavily reliant on the quality of the underlying data flowing into the models. We have identified revenue recognition as a key audit matter as there is a risk of revenue being inaccurately recognized due to errors in integrity of the underlying data. The amount of revenue recognized in a financial year is dependent on the occurrence of the underlying loan transactions, accuracy of the loan portfolio and the appropriateness of the significant assumptions applied to the EIR models in relation to the expected maturity of each loan and the timing of expected future cash flows.

Our Response: Our audit Procedures included;

- Testing design, implementation and operating effectiveness of key controls relating to the flow of data from source systems into the EIR models. This procedure included an assessment of the automated controls by our IT specialists, to determine whether the input data within the EIR models was complete and accurate.
- Testing the arithmetical accuracy of the EIR models to assess whether they were working as intended and in compliance with the requirements of relevant accounting standards.
- Performing analytical review procedures to assess whether the recognized revenue was in line with the expected level.
- Assessing the adequacy of the disclosure in the financial statements.



2. Provision for Impairment of Loan and Receivable

As described in note 5.1.9.1 (accounting policy) and note 29.1.5, 30.1.4, 30.2.5 (Impairment provision for Lease Rental and Hire purchase receivable, impairment provision for Loan and Receivable to other customers), Company's impairment provision for Loan and Receivable amount to Rs. 794,832,339 as at March 31, 2018 (2017: Rs. 690,405,813)

Nature and Area of Focus

Impairment allowance represents the management's best estimate of the losses incurred within Loans and Receivables as at the reporting date and are assessed on an individual and collective basis. We have considered the key assumptions and risks for each in turn.

The individual provision model utilizes arrears as the primary impairment trigger. There is a risk that other impairment triggers are not identified on a timely basis. The other key assumptions used in the calculation of the individual provision include the quantum and timing of future cash flows on impaired loans. In the estimation of future cash flows, the Company considers past payment behavior, the expected collections approach, including net rental income from the receiver and the value of the collateral held by the Company.

For the purposes of the collective provision assessment, the Company calculates an emergence provision based on the previous loss experience for loans that have become individually impaired overlaid with management judgment. There is a risk that the overall provision is not reflective of the incurred losses at the end of the period, due to the assumed period of time taken for the incurred losses to emerge, changes in customer credit quality or other market factors which are not sufficiently incorporated into the model such as the tax position of borrowers and changes in rental income.

We have identified the assessment of the impairment of loans and advances to customers as a key audit matter since there is a high degree of complexity and judgment involved on the Company's part in estimating individual and collective credit impairment provisions against these loans. These features have resulted in significant audit effort to address the risks around loan recoverability and the determination of related provisions. Changes to these assumptions may considerably impact the required level of impairment provision.

Our Response: Our audit Procedures included;

Testing of design, implementation and operating effectiveness of key controls over acceptance, monitoring and reporting of credit risk.

- Testing of application controls, over completeness and accuracy of data extraction into the models.
- Validating of the accuracy of the collective and individual impairment models by re-performing the calculations.
- Assessing the methodologies used against our interpretation of the requirements of the relevant accounting standards and our wider industry experience. This included the consideration of alternative provisioning methodologies, to assess whether the current modeled provision is sufficient.
- Challenging the appropriateness of key assumptions, including collateral valuations and forecast cash flows, based on our knowledge of the business and industry practice and the actual past experience of the Company's loan portfolios.
- A consideration of the alternative impairment triggers and assessing whether these were sufficiently captured by the Company's valuation models.
- Assessing the adequacy of the disclosures in the financial statements, including the description and appropriateness of the inherent degree of subjectivity and key assumptions in the estimates.

Independent Auditors' Report



Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

CHARTERED ACCOUNTANTS

Colombo, Sri Lanka

30th May 2018

Income Statement

For the Year Ended 31st March	Page No.	Note	2018 Rs.	2017 Rs.	Change %
Gross Income	147	10	6,929,201,053	5,114,694,482	35.5
Interest Income	147	11.1	6,256,980,109	4,597,260,244	36.1
Interest Expense	149	11.2	(3,500,249,672)	(2,604,049,257)	34.4
Net Interest Income	147	11	2,756,730,437	1,993,210,987	38.3
Fee and Commission Income	149	12	248,286,443	189,052,650	31.3
Net Fee and Commission Income			248,286,443	189,052,650	31.3
Net Gain / (Loss) from Trading	149	13	42,217	1,010,838	(95.8)
Net Gain / (Loss) from Financial Investments	149	14	1,943,400	22,230	8,642.2
Other Operating Income	149	15	421,948,884	327,348,520	28.9
Total Operating Income			3,428,951,381	2,510,645,225	36.6
Impairment (Charges) / Reversals for Loans and other losses	150	16	(104,858,877)	(33,041,325)	217.4
Net Operating Income			3,324,092,504	2,477,603,900	34.2
Expenses					
Personnel Expenses	150	17	(732,719,605)	(549,309,630)	33.4
Premises Equipment and Establishment Expenses			(120,543,856)	(103,242,118)	16.8
Other Operating Expenses			(576,435,289)	(500,580,963)	15.2
Operating Profit Before Value Added Tax (VAT) & Nation Building Tax (NBT)					
Building Tax (NBT)	150	18	1,894,393,754	1,324,471,189	43.0
Value Added Tax (VAT) on Financial Services & Nation Building Tax (NBT)	151	19	(356,549,591)	(229,689,842)	55.2
Profit Before Income Tax			1,537,844,163	1,094,781,347	40.5
Income Tax Expense	151	20	(519,206,769)	(368,622,373)	40.9
Profit for the Year			1,018,637,394	726,158,974	40.3
Earnings Per Share	152	21			
Basic Earnings Per Share			24.52	17.48	40.3
Diluted Earnings Per Share			24.52	17.48	40.3

The notes appearing on pages 128 to 198 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	2018 Rs.	2017 Rs.	Change %
Profit for the Year			1,018,637,394	726,158,974	40.3
Other Comprehensive Income, Net of Tax					
Items that will never be reclassified to Profit or Loss					
Gains / (Losses) on remeasurement of Defined Benefit Liability	176	43.3	(16,837,783)	7,274,213	(331.5)
Deferred Tax (Charge) / Reversal on Actuarial Gains / (Losses)	174	41.2	4,714,579	(2,036,780)	331.5
Net Actuarial Gains / (Losses) on Defined Benefit Liability			(12,123,204)	5,237,433	(331.5)
Items that are or may be reclassified to Profit or Loss					
Fair Value Gains / (Losses) that arose during the Year, Net of Tax			8,709,947	1,174,150	641.8
Fair Value Gain Realised to the Income Statement on disposal, Net of Tax			(1,875,000)	-	(100.0)
Net Fair Value Gains / (Losses) on remeasuring Available For Sale Financial Assets	178	46	6,834,947	1,174,150	482.1
Other Comprehensive Income for the Year, Net of Tax			(5,288,257)	6,411,583	(182.5)
Total Comprehensive Income for the Year			1,013,349,137	732,570,557	38.3

The notes on pages 128 to 198 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

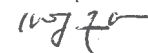
Statement of Financial Position

As at 31st March	Page No.	Note	2018 Rs.	2017 Rs.	Change %
Assets	154	23			
Cash and Cash Equivalents	158	25.1	1,021,651,531	806,206,582	26.7
Placements with Banks and Other Finance Companies	159	26	2,076,192,145	2,243,112,840	(7.4)
Reverse Repurchase Agreements			630,286,027	810,190,562	(22.2)
Financial Investments - Held for Trading	159	27	1,938,675	1,761,300	10.1
Assets Held for Sale	160	28	23,919,000	-	100
Loans and Receivables to Other Customers	161	29	18,073,714,310	12,466,944,145	45.0
Lease Rental and Hire Purchase Receivables	163	30	12,753,940,053	12,311,135,772	3.6
Financial Investments - Available for Sale	165	31	208,703,800	510,085,388	(59.1)
Financial Investments - Held to Maturity	166	32	1,920,722,472	1,019,286,080	88.4
Other Financial Assets	166	33	16,971,763	20,827,738	(18.5)
Property, Plant and Equipment	167	34	1,445,289,701	315,103,615	358.7
Intangible Assets	168	35	14,568,813	10,297,779	41.5
Deferred Tax Assets	174	41.4	16,019,726	8,525,324	87.9
Other Assets	169	36	202,358,542	161,618,964	25.2
Total Assets			38,406,276,558	30,685,096,089	25.2
Liabilities	154	23			
Bank Overdrafts	158	25.2	1,839,144,681	1,487,193,561	23.7
Rental Received in Advance			308,688,009	243,881,527	26.6
Deposits due to Customers	169	37	22,186,879,453	17,863,861,472	24.2
Interest bearing Borrowings	170	38	8,011,421,404	6,043,391,985	32.6
Subordinated Term Debts	171	39	1,550,967,094	1,700,465,782	(8.8)
Current Tax Liabilities	173	40	364,888,378	209,076,751	74.5
Deferred Tax Liabilities	174	41.3	385,537,287	270,783,875	42.4
Other Liabilities	175	42	400,427,054	279,104,569	43.5
Retirement Benefit Obligations	176	43	57,213,310	29,716,585	92.5
Total Liabilities			35,105,166,670	28,127,476,107	24.8
Equity					
Stated Capital	178	44	287,153,000	287,153,000	-
Statutory Reserve Fund	178	45	732,136,173	528,408,694	38.6
Available For Sale Reserve	178	46	-	(6,834,947)	100.0
General Reserve	179	47	7,500,000	7,500,000	-
Retained Earnings	179	48	2,274,320,715	1,741,393,235	30.6
Total Equity			3,301,109,888	2,557,619,982	29.1
Total Liabilities and Equity			38,406,276,558	30,685,096,089	25.2
Net Assets Value Per Share (Rs.)			79.45	61.55	29.1

The notes appearing on pages 128 to 198 are an integral part of these Financial Statements.

Certification

These Financial Statements have been prepared in compliance with the requirements of the Companies Act, No.07 of 2007.

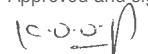


K.D. Menaka Sameera

DGM - 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

30th May 2018,

Colombo.



S.B. Rangamuwa

Managing Director

Statement of Changes in Equity

	Stated Capital	Statutory Reserve Fund	Available For Sale Reserve	General Reserve	Retained Earnings	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 01st April 2016	287,153,000	383,176,899	(8,009,097)	7,500,000	1,259,105,123	1,928,925,925
Total Comprehensive Income for the Year						
Profit for the Year	-	-	-	-	726,158,974	726,158,974
Other Comprehensive Income, net of Tax						
Net Fair Value Gains / (Losses) on remeasuring Available For Sale Financial Assets	-	-	1,174,150	-	-	1,174,150
Net Actuarial Gains / (Losses) on Retirement Benefit Obligation	-	-	-	-	5,237,433	5,237,433
Total Comprehensive Income for the Year	-	-	1,174,150	-	731,396,407	732,570,557
Transactions with owners, recognised directly in equity, contributions and distributions to owners						
Dividends to equity holders						
First and Final Dividend for 2015/16	-	-	-	-	(103,876,500)	(103,876,500)
Statutory Reserve Transfer	-	145,231,795	-	-	(145,231,795)	-
Total Transactions with Equity Holders	-	145,231,795	-	-	(249,108,295)	(103,876,500)
Balance as at 01st April 2017	287,153,000	528,408,694	(6,834,947)	7,500,000	1,741,393,235	2,557,619,982
Total Comprehensive Income for the Year						
Profit for the Year	-	-	-	-	1,018,637,394	1,018,637,394
Other Comprehensive Income, net of Tax						
Net Fair Value Gains / (Losses) on remeasuring Available For Sale Financial Assets	-	-	6,834,947	-	-	6,834,947
Net Actuarial Gains / (Losses) on Retirement Benefit Obligation	-	-	-	-	(12,123,204)	(12,123,204)
Total Comprehensive Income for the Year	-	-	6,834,947	-	1,006,514,190	1,013,349,137
Transactions with owners, recognised directly in equity, contributions and distributions to owners						
Dividends to equity holders						
First and Final Dividend for 2016/17	-	-	-	-	(124,651,800)	(124,651,800)
Interim Dividend for 2017/18	-	-	-	-	(145,427,100)	(145,427,100)
Unclaimed Dividend Adjustments	-	-	-	-	219,669	219,669
Statutory Reserve Transfer	-	203,727,479	-	-	(203,727,479)	-
Total Transactions with Equity Holders	-	203,727,479	-	-	(473,586,710)	(269,859,231)
Balance as at 31st March 2018	287,153,000	732,136,173	-	7,500,000	2,274,320,715	3,301,109,888

The notes appearing on pages 128 to 198 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Cash Flow Statement

For the Year Ended 31st March	2018 Rs.	2017 Rs.
Cash Flow from Operating Activities		
Interest and Commission Receipts	6,516,301,106	4,653,149,908
Interest Payments	(3,187,481,744)	(2,459,131,516)
Cash Receipts from Customers	516,790,349	388,968,294
Cash Payments to Employees and Suppliers	(1,652,867,812)	(1,274,848,263)
Operating Profit Before Changes in Operating Assets and Liabilities (Note A)	2,192,741,899	1,308,138,423
(Increase) / Decrease in Operating Assets		
Short Term Funds	27,218,767	16,112,202
Deposits held for Regulatory or Monetary Control Purposes	(491,526,466)	49,214,402
Funds Advanced to Customers	(6,083,909,064)	(6,296,073,697)
Other Short Term Negotiable Securities	116,358,735	(1,175,956,492)
Increase / (Decrease) in Operating Liabilities		
Deposits from Customers	3,714,910,336	2,696,142,789
Certificate of Deposits	326,409,931	256,659,525
Net Cash (Used in) / Generated from Operating Activities before Income Tax	(197,795,862)	(3,145,762,848)
Current Taxes Paid	(251,421,553)	(83,729,501)
Gratuity Paid	(930,975)	(547,440)
Net Cash (Used in) / Generated from Operating Activities	(450,148,390)	(3,230,039,789)
Cash Flows from Investing Activities		
Dividends Received	276,562	253,075
Proceed from Sale of Financial Investments - Held for Trading	-	3,086,071
Purchase of Financial Investments - Held for Trading	(343,320)	-
Proceed from Sale of Property , Plant and Equipment	6,441,373	2,132,014
Purchase of Property, Plant and Equipment	(1,202,415,357)	(182,566,611)
Purchase of Intangible Assets	(7,918,331)	(8,916,000)
Net Cash (Used in) / Generated from Investing Activities	(1,203,959,073)	(186,011,451)
Cash Flows from Financing Activities		
Net Increase / (decrease) in Borrowings	1,787,460,522	3,544,290,715
Dividend Paid	(270,078,900)	(103,876,500)
Unclaimed Dividend Adjustments	219,669	-
Net Cash (Used in) / Generated from Financing Activities	1,517,601,291	3,440,414,215
Net Increase / (Decrease) in Cash & Cash Equivalents	(136,506,172)	24,362,975
Cash & Cash Equivalents at the Beginning of the Year	(680,986,979)	(705,349,954)
Cash & Cash Equivalents at end of the Year (Note B)	(817,493,150)	(680,986,979)

For the Year Ended 31st March**2018**
Rs.**2017**
Rs.**Note A****Reconciliation of Operating Profit Before Changes in Operating Assets and Liabilities**

Profit Before Income Tax	1,537,844,163	1,094,781,347
Amortisation of Intangible Assets	3,647,297	2,747,833
Accrual for Interest Payable	312,767,929	144,917,741
Accrual for Interest Receivable	128,773,102	(57,419,417)
Accrual for Other Payable	56,264,888	44,292,318
Depreciation of Property, Plant and Equipment	71,140,707	58,179,730
Impairment Charges for Loans and other losses	104,858,877	33,041,325
Dividend Income	(276,562)	(253,075)
Net marked to Market Loss	165,945	103,000
Capital Gain from Sale of Financial Investments - Held for Trading	-	(882,993)
Gain / (Loss) on Disposal of Property, Plant & Equipment	(5,352,809)	1,938,640
Notional Tax Credit	(17,091,638)	(13,308,026)
	2,192,741,899	1,308,138,423

Note B**Cash & Cash Equivalents at the end of the Year**

Cash in Hand and at Banks	1,021,651,531	806,206,582
Bank Overdrafts	(1,839,144,681)	(1,487,193,561)
	(817,493,150)	(680,986,979)

The notes on pages 128 to 198 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 (the '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 under the Company Registration No. PB 526/PQ.

The registered office of the Company is situated at No. 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 2018 was 849 (694 as at 31st March 2017).

Corporate information is presented in the inner back cover of this Annual Report.

1.2 Principal Business Activities and Nature of Operations

The principal business activities of the Company are accepting deposits, granting finance leases, hire purchase, granting of mortgage loans, granting of personal loans, gold loans, micro finance 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 (CA 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 the Financial Statements as per the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

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.
- 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 utilisation of those cash flows.
- Notes to the Financial Statements comprising Significant 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 2018 (including comparatives for 2017) were approved and authorised for issue by the Board of Directors in accordance with Resolution of the Directors on 30th May 2018.

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.
- Assets held for sale measured at lower of its carrying amount and fair value less costs to sell.
- Defined Benefit Obligation is recognised as the present value of the defined benefit obligation.

2.5 Functional and Presentation Currency

Items included in these 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 Statement 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" and amendments to the LKAS 01 on "Disclosure initiative", which was effective from 01st January 2016.

Notes to the financial statements are presented in a systematic manner which ensures the understandability and comparability of financial statements of the Company.

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 Significant 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 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.

Significant areas of estimation uncertainty, assumptions and critical judgments in applying Accounting Policies that have most significant effects on amounts recognised in the Financial Statements of the Company are as follows:

A. Judgment

Information about judgments made in applying Accounting Policies for that have the most significant effects on the amounts recognised in these Financial Statements is included in the following notes.

2.12.1 Classification of Financial Assets and Liabilities

The Significant Accounting Policies of the Company provide scope for assets to be classified at inception into different accounting categories under certain circumstances.

Notes to the Financial Statements

- In classifying financial assets or liabilities at 'Fair value through profit or loss' (FVTPL), the Company has determined that it has met the criteria for this designation set out in Note 5.1.3.1.
- In classifying financial assets as 'Held to maturity' (HTM), the Company has determined that it has both the positive intention and ability to hold the assets until their maturity date.
- In classifying financial assets as 'Available for sale' (AFS), the Company has determined that all non-derivative financial assets that are designated as available for sale or those financial assets not classified as loans and receivables, FVTPL or HTM be classified as AFS.

B. Assumptions and Estimation Uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting material adjustments for the year ended 31st March 2018 are included in the following notes.

2.12.2 Fair Value of Financial Instruments

The fair values of financial assets and financial liabilities recognized on the Statement of Financial Position, for which there is no observable market price are determined using a variety of valuation techniques that include the use of mathematical models. The Company measures fair value using the fair value hierarchy that reflects the significance of input used in making measurements.

2.12.3 Impairment Losses on Loans and Receivables

The Company reviews its individually significant loans and receivables at each Reporting date to

assess whether an impairment loss should be 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 realisable 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.

2.12.4 Impairment of Financial Investments - Available for Sale

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 along with the historical price movements and duration and extent to which the fair value of an investment is less than its cost.

2.12.5 Impairment of 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 doing 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 rate, and hence, they are subject to uncertainty.

2.12.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making 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.

2.12.7 Deferred Tax Assets

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

2.12.8 Useful Life time of the 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.

2.12.9 Provisions for Liabilities, Commitments and Contingencies

The Company receives legal claims in the normal course of business. Management has made judgments as to the likelihood of any

claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due processes in respective legal jurisdictions.

2.13 Events after the Reporting period

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

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

3 FAIR VALUE MEASUREMENT

“Fair value” is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in the absence, in the most advantageous market to which the Company has the access at that date. The fair value of a liability reflects its non-performance risk.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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 the quoted price in an active market for that instrument.

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.

Notes to the Financial Statements

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.

4 CHANGES IN ACCOUNTING POLICIES

The Company has consistently applied the Accounting Policies as set out in notes to all the periods in these Financial Statements.

5 SIGNIFICANT ACCOUNTING POLICIES – RECOGNITION OF ASSETS AND LIABILITIES

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

5.1 Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

5.1.1 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.

5.1.2. 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".

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

5.1.2.1 "Day 1" Profit or Loss on Employee below Market Loans

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.

5.1.3. 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 :
 - o held for trading ; or
 - o designated at fair value through profit or loss
- Loans and receivables;
- Held to maturity and
- Available for Sale

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

5.1.3.1. 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 is discussed below.

5.1.3.1.1. 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.

5.1.3.1.2. 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 on a fair value basis; 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 is 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.

5.1.3.2. Loans and Receivables

'Loans and receivables' comprises 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 that the Company, upon initial recognition, designates as held to maturity

- 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 Rental 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.

When the Company is the lessor in a lease agreement that transfers substantially all the risks and rewards associated with ownership other than legal title, are classified as finance leases. Amounts receivable under finance leases, net of initial rentals received, unearned lease income and provision for impairment are classified as "Lease Rental Receivable" in the Statement of Financial Position.

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.

Notes to the Financial Statements

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 the Income Statement.

‘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’.

5.1.3.3 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 and which are not designated at Fair value through profit or loss or Available for Sale. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment provision. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are

an integral part of the EIR. The amortisation is included in ‘Interest Income’ in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement in ‘Impairment charges for loans and other losses’.

A sale or reclassification of a more than insignificant amount of held to maturity investments would result in the reclassification of all held to maturity investments as available for sale, and would prevent the Company from classifying investment securities as held-to maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset’s fair value;
- sales or reclassifications after the Company has collected substantially all of the asset’s original principal; and
- Sales or reclassifications those are attributable to non-recurring isolated events beyond the Company’s control that could not have been reasonably anticipated.

5.1.3.4 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 these financial investments are disposed of, the cumulative gain or loss previously recognised in Equity is recycled to Income Statement in ‘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 ‘Net Gain / (Loss) from financial investments’ 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 charges for loans and other losses’ and removed from the ‘Available for Sale reserve’.

5.1.3.5 Cash and Cash Equivalents

Cash and cash equivalents include of cash in hand and balance at banks and other highly liquid financial assets which are held for the purpose of meeting short-term commitments with original maturities of less than three months which are subject to an insignificant risk of changes in their fair value. There were no cash and cash equivalents held by the Company that were not available for use by the Company.

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.

5.1.4 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 :
 - o Held for trading; or
 - o Designated at fair value through profit or loss.
- Financial Liabilities at amortised cost

The subsequent measurement of financial liabilities depends on their classification.

5.1.4.1 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 repurchasing in the near term or held 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.

5.1.4.2 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.

The Company classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

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.

5.1.5 Reclassification of Financial Assets and Liabilities

Financial assets are not re classified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets. The Company

reclassifies financial assets and liabilities into and out of the different categories of financial instruments as permitted by the Sri Lanka Accounting Standard – LKAS 39 on ‘Financial Instruments: Recognition and Measurement’.

5.1.5.1 Reclassification of Financial Instruments - Fair value through profit or loss

The Company does not reclassify financial instruments out of the fair value through profit or loss category while it is held or issued. Non-derivative financial assets and liabilities designated at fair value through profit or loss upon initial recognition are not reclassified subsequently out of fair value through profit or loss category.

The Company may in rare circumstances, reclassify financial instruments out fair value through profit or loss category, if such instruments are no longer held for the purpose of selling or repurchasing in the near term notwithstanding that such financial instruments may have been acquired for the purpose of selling or repurchasing in the near term.

Financial assets classified as fair value through profit or loss at the initial recognition which would have also met the definition of ‘loans and receivable’ as at that date is reclassified out of the fair value through profit or loss category only if the Company has the intention or ability to hold such asset for the foreseeable future or until maturity.

Fair value of financial instrument at the date of reclassification becomes the new cost or new amortised cost of the financial instrument. Any gain or loss already recognised in respect of the reclassified financial instrument until the date of reclassification is not reversed to the Income Statement.

Notes to the Financial Statements

If financial asset is reclassified and if the Company subsequently increases its estimate of future cash receipts as a result of increased recoverability of those cash receipts, the effect of such increase is recognised as an adjustments to the EIR from the date of the change in estimate rather than an adjustment to the carrying amount of the asset at the date of change in estimates.

The Company does not reclassify any financial instrument into the 'Fair value through profit or loss' category after initial recognition.

5.1.5.2 Reclassification of Financial investments – Available for Sale

The Company may reclassify financial investments out of available-for-sale category as a result of change in intention or ability or in rare circumstances that a reliable measure of fair value is no longer available.

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 that does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to profit or loss. 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.

5.1.5.3 Reclassification of Financial Investments – Held to Maturity

As a result of a change in intention or ability, if it is no longer appropriate to classify an investment as held to maturity, Company may reclassify such financial asset as available-for-sale and remeasured at fair value. Any difference between the carrying value of the financial asset before reclassification and fair value is recognised in equity through other comprehensive income (OCI).

However, if the Company were to sell or reclassify more than an insignificant amount of held-to-maturity financial 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.

The above reclassifications at the election of the Management and is determined on an instrument-by-instrument basis.

5.1.6. De recognition of Financial Assets and Financial Liabilities

5.1.6.1 Financial Assets

The Company derecognises a financial asset (or where applicable a part of thereof) when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

The Company enters into transactions whereby it transfers assets recognised on its Statement of Financial Position, but retains either all or substantially all risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Examples of such transactions are securities lending and sale and repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale and repurchase transactions because the Company retains all or substantially all risks and rewards of ownership of such assets.

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

In certain transactions, the Company retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised, if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract, if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

5.1.6.2 Financial Liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

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

5.1.7 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

5.1.8 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.

5.1.9 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,
- rescheduling 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.

5.1.9.1. 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. Assets that are individually assessed for impairment and for which an impairment loss is recognised are included in a collective assessment of impairment together with the not financial assets that are not individually significant.

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.

Notes to the Financial Statements

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.

5.1.9.2. 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/impairment 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 an impaired available for sale debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through the Income Statement; otherwise any increase in fair value is recognised through Other Comprehensive Income. In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its cost.

Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from equity and recognised in the Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in Other Comprehensive Income.

5.1.9.3 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.

5.1.9.4 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.

5.2. Property, Plant & Equipment

The Company applies the requirements of the Sri Lanka Accounting Standard – LKAS 16 on 'Property, Plant & Equipment' in accounting for its owned assets (including buildings under operating leases where the Company is the lessor) which are held for and 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.

5.2.1. Basis of Recognition

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.

5.2.2 Basis of Measurement

- Cost Model

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.

5.2.3 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.

5.2.4 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
Buildings on Leasehold Land	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 and commence to depreciate 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.

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

5.2.5 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'.

5.2.6 Capital Work-in-Progress

These are expenses of a capital nature directly incurred in the construction of buildings, major plant and machinery and system development, awaiting capitalisation. These are stated in the Statement of Financial Position at cost less any accumulated impairment losses. Capital work-in-progress is transferred to the relevant asset when it is in the location and condition necessary for it to be capable of operating in the manner intended by management (i.e. available for use).

5.3. Intangible Assets

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

5.3.1 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.

5.3.2 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.

5.3.3 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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5.3.4 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

Notes to the Financial Statements

disposal proceeds and the carrying amount of the asset and are recognised in profit or loss.

5.4. 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.

5.4.1 Finance Leases

5.4.1.1 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 classified as finance leases and 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.

5.4.1.2 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.

5.4.2 Operating Leases

5.4.2.1 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.

5.4.2.2 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.

5.5 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.

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.

For assets other than goodwill 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.

5.6. Assets Held for Sale

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they

will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for-distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

5.7 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. Interim dividends are deducted from Equity when they are declared by the Board of Directors.

5.8 Deposits due to Customers

These include term deposits, savings 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.

5.9 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.

5.10 Other Liabilities

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

5.11 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.

5.11.1 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.

5.12 Employee Benefits

5.12.1 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".

Actuarial 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.

Notes to the Financial Statements

5.12.2 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.

5.12.2.1 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.

5.12.2.2 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.

5.13 Earnings per Share (EPS)

The Company computes basic and diluted EPS for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. 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.

5.14 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.

5.15 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 as defined in the Sri Lanka Accounting Standard – LKAS 37 on “Provisions, Contingent Liabilities and Contingent Assets”.

Contingent liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

Operating lease commitments of the Company form part of commitments and pending legal claims against the Company form part of contingencies.

6 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.

6.1 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.

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.

When calculating the EIR, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expense presented in the Income Statement Include:

- Interest on Held for trading financial instruments calculated using EIR method;
- Interest on Loans and receivables calculated using EIR method;
- Interest on Available for sale investments calculated using EIR method;
- Interest on Held to maturity investments calculated using EIR method;
- Interest on financial liabilities measured at amortised cost calculated using EIR method.

6.2 Fee and Commission Income and Expense

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

6.3 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.

6.4 Net Gain / (Loss) from Financial Investments

'Net gain / (loss) from financial investments' comprise gains less losses related to Available for Sale investments, Held to Maturity investments and Loans and receivables and include all realised and unrealised fair value changes and dividends.

6.5 Rental Income and Expenses

Rental income and expense are recognised in profit or loss on an accrual basis.

7 SIGNIFICANT ACCOUNTING POLICIES – INCOME TAX EXPENSE

7.1 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.

7.1.1 Current Tax

'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. The amount of current tax receivable or payable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. 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'.

7.2 Deferred Tax

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.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available, against which they can be used.

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.

Notes to the Financial Statements

7.3 Value Added Tax (VAT) on Financial Services

The value base for the computation of value added tax on financial services is calculated by adjusting the economic 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.

7.4 Nation Building Tax (NBT) on Financial Services

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.

7.5 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.

7.6 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.

7.7 Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from April 01,

2004. Currently, the ESC is payable at 0.50% on 'Liable Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in three subsequent years (including the year of assessment in which the payment is due).

8 SIGNIFICANT ACCOUNTING POLICIES – STATEMENT OF CASH FLOWS

8.1 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.

9 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE

A number of new standards and amendments to standards, which have been issued but not yet effective as at the 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:

- SLFRS 9 "Financial Instruments"

SLFRS 9, issued in 2014 which replaces the existing guidance in LKAS 39 – "Financial Instruments: Recognition and Measurement" is

effective for annual reporting periods beginning on or after January 1, 2018. The key aspects of SLFRS 9 are;

1. Classification – Financial assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

SLFRS 9 includes three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing LKAS 39 categories of Held to maturity, Loans and receivables and Available for sale.

2. Impairment – Financial assets, loan commitments and financial guarantee contracts

SLFRS 9 replaces the "Incurred Loss Model" in LKAS 39 with forward looking "Expected Loss Model" (ECL). This will require considerable judgement over how changes in economic factors affect ECL, which will be determined on a probability weighted basis.

SLFRS 9 requires loan loss to be recognised at an amount equal to either 12 month ECL or life time ECL. Lifetime ECLs are the ECLs that result from possible default events over the expected life of a financial instrument, whereas 12 months ECLs are the portion of the ECLs those results from default events that are possible within 12 months after the Reporting date.

3. Inputs into measurement of ECLs

The key inputs into measurement of ECLs are likely to be the term structures of the following variables which will be derived from internally

developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward looking information.

- Probability of Default (PD) are estimates at a certain date which will be calculated based on statistical models and assessed using rating tools tailored to the various categories of counterparties and exposures.
- Loss Given Default (LGD) is the magnitude to the likely loss if there is default. The Company estimates LGD parameters based on history of recovery rates of claims against defaulted counter parties.
- Exposure at Default (EAD) represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counterparty and potential chances to the current amount allowed under the contract.

4. Possible impact on Financial Statements

The most significant impact on the Company's financial statements from the implementation of SLFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments within the scope of SLFRS 9.

The Company has employed statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposure and how these are expected to change as a result of the passage of time. This analysis includes the identification and calibration of relationship between changes in default rates and changes in key macro-economic factors as well as analysis of the impact of certain other factors on the risk of default.

The Company has estimated LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, Counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD for lending commitments and financial guarantees, include the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which has been estimated based on historical observations and forward looking forecasts.

Under SLFRS 9, the Company has incorporated forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has completed the initial high level assessment of the potential impact on its Financial Statements for the year ended 31st March 2018 resulting from the application of SLFRS 9 with the assistance of an external consultant.

Based on the preliminary assessments undertaken to date which is yet to be audited, the total estimated additional loan loss provision on the Financial Statements for the year ended 31st March 2018 on adoption of SLFRS 9 is expected to be in the range of 10% to 20% of the total impairment provision as per the current LKAS 39.

The above assessment is preliminary (and is yet to be audited) because not all transition work has been finalised. The actual impact of adopting SLFRS 9 on 01st April 2018 may change because;

- SLFRS 9 will require the Company to revise accounting process and internal controls and these changes are not yet complete;
- The Company is refining and finalising its models for ECL calculations; and
- The new accounting policies, assumptions, judgments and estimation techniques employed are subject to change until the Company finalises its first financial statements for the year ended 31st March 2019 that include the date of initial application.

The Company is expected to maintain solid capital position even after taking into account the first time adoption of SLFRS 9, effective from 01st April 2018.

- SLFRS 15 "Revenue from Contracts with customers"

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Entities will apply five-step model to determine when to recognize revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised.

Notes to the Financial Statements

It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 on 'Customer Loyalty Programmes'.

SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018, with early adoption permitted.

The Company does not expect significant impact on its Financial Statements resulting from the application of SLFRS 15.

- SLFRS 16 "Leases"

SLFRS 16 eliminates the current dual accounting model for leases which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.

SLFRS 16 is effective for annual Reporting periods beginning on or after January 01, 2019.

The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

For the Year Ended 31st March**2018**
Rs.**2017**
Rs.**10 GROSS INCOME**

Interest Income (Note 11.1)	6,256,980,109	4,597,260,244
Fee and Commission Income (Note 12)	248,286,443	189,052,650
Net Gain / (Loss) from Trading (Note 13)	42,217	1,010,838
Net Gain / (Loss) from Financial Investments (Note 14)	1,943,400	22,230
Other Operating Income (Note 15)	421,948,884	327,348,520
	6,929,201,053	5,114,694,482

11 NET INTEREST INCOME

Interest Income (Note 11.1)	6,256,980,109	4,597,260,244
Interest Expense (Note 11.2)	3,500,249,672	2,604,049,257
	2,756,730,437	1,993,210,987

11.1 Interest Income**11.1.1 Hire Purchase**

Interest Income	78,334,780	243,351,215
Over Due Interest	15,989,819	36,880,187
	94,324,599	280,231,402

11.1.2 Lease

Interest Income	2,440,071,338	1,926,013,585
Over Due Interest	268,445,122	223,995,633
	2,708,516,460	2,150,009,218

11.1.3 Loans and Advances

Interest Income	2,517,725,628	1,478,717,584
Over Due Interest	167,572,465	98,231,788
	2,685,298,093	1,576,949,372

Notes to the Financial Statements

For the Year Ended 31st March	2018 Rs.	2017 Rs.
11.1.4 Loans against Fixed Deposits		
Interest Income	63,544,835	45,363,811
	63,544,835	45,363,811
11.1.5 Microfinance Loans		
Interest Income	22,546,764	29,186,647
	22,546,764	29,186,647
11.1.6 Gold Loans		
Interest Income	255,710,355	144,383,148
	255,710,355	144,383,148
11.1.7 Fixed Deposits		
Placements with Banks	214,182,636	171,872,728
Placements with Other Finance Companies	35,489,480	58,744,848
	249,672,116	230,617,576
11.1.8 Interest on Call Deposits	854,795	2,075,352
11.1.9 Interest on Staff Loans	5,595,706	5,363,454
11.1.10 Interest Income from Sri Lanka Government Securities	170,916,386	133,080,264
	6,256,980,109	4,597,260,244

11.1.10.1 Notional Tax Credit on Secondary Market Transactions

As per 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. 17,091,638 (2016/17 - Rs. 13,308,026).

For the Year Ended 31st March	2018 Rs.	2017 Rs.
11.2 Interest Expense		
On Fixed Deposits	2,451,717,517	1,807,473,246
On Savings Deposits	847,085	402,458
On Certificate of Deposits	101,668,352	57,006,876
On Borrowings	749,747,926	499,293,831
On Bank Overdrafts	10,173,349	17,460,653
On Debentures	186,095,443	222,412,193
	3,500,249,672	2,604,049,257
12 FEE AND COMMISSION INCOME		
Loans and Receivables related services	248,123,714	188,856,355
Other Financial Services	162,729	196,295
	248,286,443	189,052,650
13 NET GAIN / (LOSS) FROM TRADING		
Net marked to Market Gain/ (Loss)	(165,945)	(103,000)
Dividend Income from Financial Investments - Held for Trading	208,162	230,845
Capital Gain from Sale of Financial Investments - Held for Trading	-	882,993
	42,217	1,010,838
14 NET GAIN / (LOSS) FROM FINANCIAL INVESTMENTS		
Dividend Income from Financial Investments - Available for Sale	68,400	22,230
Capital Gain from Sale of Financial Investments - Available for Sale	1,875,000	-
	1,943,400	22,230
15 OTHER OPERATING INCOME		
Early Termination Income	348,938,695	268,693,587
Gain / (Loss) on Disposal of Property, Plant & Equipment	5,352,809	(1,938,640)
Redemption Income - Unit Trusts	27,671,195	44,992,251
Rent and Other Income	39,986,185	15,601,322
	421,948,884	327,348,520

Notes to the Financial Statements

For the Year Ended 31st March	2018 Rs.	2017 Rs.
16 IMPAIRMENT CHARGES / (REVERSALS) FOR LOANS AND OTHER LOSSES		
On Hire Purchase Receivable	(11,351,041)	(22,125,766)
On Lease Receivable	42,204,382	14,586,439
On Loans Receivable	63,607,505	38,861,156
On Micro Finance Loans Receivable	7,046,648	1,208,289
On Gold Loan Receivable	2,919,032	379,794
On Other Financial Assets	432,351	131,413
	104,858,877	33,041,325
17 PERSONNEL EXPENSES		
Salary & Bonus	608,585,852	452,590,114
Retirement Benefit Costs (Note 43.2)	11,589,917	9,869,016
Employer's Contribution to Employee's Provident Fund	45,644,152	35,708,813
Employer's Contribution to Employee's Trust Fund	11,248,667	8,792,219
Staff Welfare Expenses	55,651,017	42,349,468
	732,719,605	549,309,630
18 OPERATING PROFIT BEFORE VALUE ADDED TAX (VAT) & NATION BUILDING TAX (NBT)		
Operating Profit Before Value Added Tax & NBT is stated after charging all the expenses including the following:		
Professional Fees	2,257,935	3,980,158
Auditors Remuneration - Statutory Audit and Audit Related Services	1,650,000	1,535,000
- Non Audit Services	1,050,000	400,000
Directors Fees and Expenses	5,539,856	3,930,384
Depreciation of Property, Plant and Equipment	71,140,707	58,179,730
Amortisation of Intangible Assets	3,647,297	2,747,833
Advertising & Related Expenses	117,500,000	114,900,000
Business Promotion Expenses	54,950,413	57,625,849
Donations	363,120	126,391
Deposit Insurance Premium	25,065,934	19,019,964
CROP Insurance Levy	10,261,589	7,332,644
Personnel Expenses (Note 17)	732,719,605	549,309,630

For the Year Ended 31st March	2018 Rs.	2017 Rs.
19 VALUE ADDED TAX (VAT) ON FINANCIAL SERVICES & NATION BUILDING TAX (NBT)		
Value Added Tax on Financial Services	314,711,111	199,908,856
Nation Building Tax on Financial Services	41,838,480	29,780,986
	356,549,591	229,689,842

20 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	2018 Rs.	2017 Rs.
Current Income Tax Expense on Profits for the Year (Note 20.1)	444,823,585	257,660,201
(Over) / under provision in respect of previous year	(37,590,406)	(3,541,543)
	407,233,179	254,118,658
Deferred Tax Charge for the Year (Note 41.2)	111,973,590	114,503,715
	519,206,769	368,622,373

20.1 Reconciliation of Accounting Profit to Income Tax Expense

Profit Before Income Tax	1,537,844,163	1,094,781,347
Add : Disallowable Expenses	7,634,451,945	5,985,722,767
Less : Tax Deductible Expenses	(7,555,969,253)	(6,115,296,858)
Less : Allowable Credits	(27,671,195)	(44,992,251)
Assessable Income	1,588,655,660	920,215,005
Less : Qualifying Payments	-	-
Taxable Income	1,588,655,660	920,215,005
Current Income Tax Expense @ 28%	444,823,585	257,660,201
	444,823,585	257,660,201

Notes to the Financial Statements

For the Year Ended 31st March	2018		2017	
	%	Rs.	%	Rs.
20.2 Reconciliation of Effective Tax Rate				
Profit Before Income Taxation		1,537,844,163		1,094,781,347
Taxable Income	28.0	430,596,366	28.0	306,538,777
Disallowable Expenses	139.0	2,137,646,545	153.1	1,676,002,375
Tax Deductible Expenses	(138.0)	(2,115,671,391)	(156.4)	(1,712,283,120)
Allowable Credits	(0.5)	(7,747,935)	(1.2)	(12,597,830)
Effects on Deferred Taxation	7.3	111,973,590	10.5	114,503,714
Effects on (Over) / under provision	(2.4)	(37,590,406)	(0.3)	(3,541,543)
Total Income Tax Expense	33.8	519,206,769	33.7	368,622,373

21 EARNINGS PER SHARE

21.1 Basic Earnings per Share

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

For the Year Ended 31st March	2018 Rs.	2017 Rs.
Profit Attributable to Ordinary Shareholders (Rs.)	1,018,637,394	726,158,974
Weighted Average Number of Ordinary Shares (Note 21.1.1)	41,550,600	41,550,600
Basic Earnings Per Share (Rs.)	24.52	17.48

21.1.1 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

21.2 Diluted Earnings per Share

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

For the Year Ended 31st March	2018 Rs.	2017 Rs.
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22 DIVIDENDS PAID

First & Final Dividend

Net dividend paid to the ordinary shareholders out of normal profits	112,186,620	93,488,850
Withholding Tax Deducted at source	12,465,180	10,387,650
Gross Dividend paid	124,651,800	103,876,500

Interim Dividend

Net dividend paid to the ordinary shareholders out of normal profits	130,884,390	-
Withholding Tax Deducted at source	14,542,710	-
Gross Dividend paid	145,427,100	-

22.1 Dividend Paid Per Share

First & Final Dividend

Dividend Paid Per Share for the Financial Year 2015/16	-	2.50
Dividend Paid Per Share for the Financial Year 2016/17	3.00	-

Interim Dividend

Dividend Paid Per Share for the Financial Year 2017/18	3.50	-
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Notes to the Financial Statements

23 CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

23.1 Classification of Financial Assets and Financial Liabilities As at 31st March 2018

The table below provide a reconciliation between the line items in the Statement of Financial Position and Categories of Financial Assets and Financial Liabilities of the Company.

	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.
Financial Assets					
Cash and Cash Equivalents	-	-	1,021,651,531	-	1,021,651,531
Placements with Banks and Other Finance Companies	-	-	2,076,192,145	-	2,076,192,145
Reverse Repurchase Agreements	-	-	630,286,027	-	630,286,027
Financial Investments - Held for Trading	1,938,675	-	-	-	1,938,675
Loans and Receivables to Other Customers	-	-	18,073,714,310	-	18,073,714,310
Lease Rental and Hire Purchase Receivables	-	-	12,753,940,053	-	12,753,940,053
Financial Investments - Available for Sale	-	-	-	208,703,800	208,703,800
Financial Investments - Held to Maturity	-	1,920,722,472	-	-	1,920,722,472
Other Financial Assets	-	-	16,971,763	-	16,971,763
Total Financial Assets	1,938,675	1,920,722,472	34,572,755,829	208,703,800	36,704,120,776

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Financial Liabilities			
Bank Overdrafts	-	1,839,144,681	1,839,144,681
Rental Received in Advance	-	308,688,009	308,688,009
Deposits due to Customers	-	22,186,879,453	22,186,879,453
Interest bearing Borrowings	-	8,011,421,404	8,011,421,404
Subordinated Term Debts	-	1,550,967,094	1,550,967,094
Total Financial Liabilities	-	33,897,100,641	33,897,100,641

23.2 Classification of Financial Assets and Financial Liabilities As at 31st March 2017

The table below provide a reconciliation between the line items in the Statement of Financial Position and Categories of Financial Assets and Financial Liabilities of the Company.

	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.
Financial Assets					
Cash and Cash Equivalents	-	-	806,206,582	-	806,206,582
Placements with Banks and Other Finance Companies	-	-	2,243,112,840	-	2,243,112,840
Reverse Repurchase Agreements	-	-	810,190,562	-	810,190,562
Financial Investments - Held for Trading	1,761,300	-	-	-	1,761,300
Loans and Receivables to Other Customers	-	-	12,466,944,145	-	12,466,944,145
Lease Rental and Hire Purchase Receivables	-	-	12,311,135,772	-	12,311,135,772
Financial Investments - Available for Sale	-	-	-	510,085,388	510,085,388
Financial Investments - Held to Maturity	-	1,019,286,080	-	-	1,019,286,080
Other Financial Assets	-	-	20,827,738	-	20,827,738
Total Financial Assets	1,761,300	1,019,286,080	28,658,417,639	510,085,388	30,189,550,407

	Held For Trading (HFT) Rs.	Amortised Cost Rs.	Total Carrying Amount Rs.
Financial Liabilities			
Bank Overdrafts	-	1,487,193,561	1,487,193,561
Rental Received in Advance	-	243,881,527	243,881,527
Deposits due to Customers	-	17,863,861,472	17,863,861,472
Interest bearing Borrowings	-	6,043,391,985	6,043,391,985
Subordinated Term Debts	-	1,700,465,782	1,700,465,782
Total Financial Liabilities	-	27,338,794,327	27,338,794,327

Notes to the Financial Statements

24 FAIR VALUE OF ASSETS AND LIABILITIES

24.1 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. Value of unquoted shares of Rs. 203,800 as at end of year 2017/18 (Rs. 203,800 as at end of year 2016/17) categorised under Financial Investments - Available for Sale whose fair value cannot be reliably measured is stated at cost in the Statement of Financial Position as permitted by the LKAS 39 on "Financial Instruments: Recognition and Measurement".

24.2 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.

24.3 Assets and Liabilities Measured at Fair Value and Fair Value Hierarchy

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
As at 31st March 2018				
Financial Investments - Held for Trading				
Equity Shares - Quoted	1,938,675	-	-	1,938,675
	1,938,675	-	-	1,938,675
Financial Investments - Available for Sale				
Government of Sri Lanka Treasury Bonds	208,500,000	-	-	208,500,000
	208,500,000	-	-	208,500,000
As at 31st March 2017				
Financial Investments - Held for Trading				
Equity Shares - Quoted	1,761,300	-	-	1,761,300
	1,761,300	-	-	1,761,300
Financial Investments - Available for Sale				
Government of Sri Lanka Treasury Bonds	509,881,588	-	-	509,881,588
	509,881,588	-	-	509,881,588

24.4 Financial Instruments not measured at Fair Value and 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:

24.4.1 Assets for which fair value approximates carrying value

For financial assets and financial liabilities with short-term maturities, with short-term re-pricing intervals, it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to savings deposits which do not have a specific maturity.

24.4.2 Fixed rate Financial Instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost (eg. fixed rate loans and receivables, deposits due to customers and subordinated liabilities) are estimated based on the Discounted Cash Flow approach. This approach employs the current market interest rates of similar financial instruments as a significant unobservable input in measuring the fair value and hence it is categorised under Level 3 in the fair value hierarchy.

24.4.3 Sensitivity of Significant Unobservable Inputs used to Measure Fair Value of Fixed Rate Financial Instruments

A significant increase/(decrease) in the market interest rate would result in lower/(higher) fair value being disclosed.

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.

As at 31st March 2018	Carrying Value	Fair Value				Total
	Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Rs.	
Financial Assets						
Cash and Cash Equivalents	1,021,651,531	-	-	-	1,021,651,531	
Placements with Banks and Other Finance Companies	2,076,192,145	-	2,076,192,145	-	2,076,192,145	
Reverse Repurchase Agreements	630,286,027	-	630,286,027	-	630,286,027	
Loans and Receivables to Other Customers	18,073,714,310	-	-	17,930,066,621	17,930,066,621	
Lease Rental and Hire Purchase Receivables	12,753,940,053	-	-	12,501,719,955	12,501,719,955	
Financial Investments - Held to Maturity	1,920,722,472	1,910,566,884	-	-	1,910,566,884	
Other Financial Assets	16,971,763	-	-	16,971,763	16,971,763	
	36,493,478,301	1,910,566,884	2,706,478,172	30,448,758,138	36,087,454,725	
Financial Liabilities						
Bank Overdrafts	1,839,144,681	-	-	-	1,839,144,681	
Rental Received in Advance	308,688,009	-	308,688,009	-	308,688,009	
Deposits due to Customers	22,186,879,453	-	-	22,379,394,642	22,379,394,642	
Interest bearing Borrowings	8,011,421,404	-	-	8,021,058,701	8,021,058,701	
Subordinated Term Debts	1,550,967,094	-	-	1,534,352,734	1,534,352,734	
	33,897,100,641	-	308,688,009	31,934,806,076	34,082,638,767	

Notes to the Financial Statements

As at 31st March 2017	Carrying Value Rs.	Level 1 Rs.	Fair Value		Total Rs.
			Level 2 Rs.	Level 3 Rs.	
Financial Assets					
Cash and Cash Equivalents	806,206,582	-	-	-	806,206,582
Placements with Banks and Other Finance Companies	2,243,112,840	-	2,243,112,840	-	2,243,112,840
Reverse Repurchase Agreements	810,190,562	-	810,190,562	-	810,190,562
Loans and Receivables to Other Customers	12,466,944,145	-	-	12,354,582,777	12,354,582,777
Lease Rental and Hire Purchase Receivables	12,311,135,772	-	-	12,131,548,883	12,131,548,883
Financial Investments - Held to Maturity	1,019,286,080	1,016,440,022	-	-	1,016,440,022
Other Financial Assets	20,827,738	-	-	20,827,738	20,827,738
	29,677,703,719	1,016,440,022	3,053,303,402	24,506,959,398	29,382,909,404
Financial Liabilities					
Bank Overdrafts	1,487,193,561	-	-	-	1,487,193,561
Rental Received in Advance	243,881,527	-	243,881,527	-	243,881,527
Deposits due to Customers	17,863,861,472	-	-	17,760,942,617	17,760,942,617
Interest bearing Borrowings	6,043,391,985	-	-	6,025,398,021	6,025,398,021
Subordinated Term Debts	1,700,465,782	-	-	1,578,985,331	1,578,985,331
	27,338,794,327	-	243,881,527	25,365,325,969	27,096,401,057

As at 31st March	2018 Rs.	2017 Rs.
25 CASH AND CASH EQUIVALENTS		
Cash & Cash equivalents (Note 25.1)	1,021,651,531	806,206,582
Bank Overdrafts (Note 25.2)	(1,839,144,681)	(1,487,193,561)
Net cash and Cash Equivalents	(817,493,150)	(680,986,979)
25.1 Cash at Bank	904,240,688	702,419,623
Cash in Hand	117,410,843	103,786,959
	1,021,651,531	806,206,582
25.2 Bank Overdrafts	(1,839,144,681)	(1,487,193,561)

As at 31st March	2018 Rs.	2017 Rs.
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26 PLACEMENTS WITH BANKS AND OTHER FINANCE COMPANIES

Placements with Banks and Other Finance Companies	2,076,192,145	2,243,112,840
	2,076,192,145	2,243,112,840

	Institute	Type of Investment	2018 Rs.	2017 Rs.
Placements with Banks	Pan Asia Banking Corporation PLC	Fixed Deposit	930,536,411	1,424,622,055
	Hatton National Bank PLC	Fixed Deposit	532,091,507	533,157,260
	Pan Asia Banking Corporation PLC	Call Deposit	400,854,795	-
	Cargills Bank Limited	Fixed Deposit	-	27,466,781
	Seylan Bank PLC	Fixed Deposit	-	54,962,329
Other Finance Companies	LB Finance PLC	Fixed Deposit	2,948,239	1,822,004
	Commercial Leasing & Finance PLC	Fixed Deposit	209,761,193	201,082,411
			2,076,192,145	2,243,112,840

27 FINANCIAL INVESTMENTS - HELD FOR TRADING

	2018 Rs.	2017 Rs.
Quoted Equities (Note 27.1)	1,938,675	1,761,300
	1,938,675	1,761,300

27.1 Investments in Quoted Equities

Balance at the Beginning of the year	1,761,300	4,067,378
Movement during the year	343,320	(2,203,078)
Gain / (Loss) from marked to market valuation	(165,945)	(103,000)
Balance at the End of the year	1,938,675	1,761,300

Notes to the Financial Statements

	No of Ordinary shares	Cost of investment Rs.	Market Price as at 31/03/2018 Rs.	Market value as at 31/03/2018 Rs.
Bank , Finance & Insurance				
Singer Finance (Lanka) PLC	125,888	2,261,651	15.40	1,938,675
Total Quoted Equities	125,888	2,261,651		1,938,675

	No of Ordinary shares	Cost of investment Rs.	Market Price as at 31/03/2017 Rs.	Market value as at 31/03/2017 Rs.
Bank , Finance & Insurance				
Singer Finance (Lanka) PLC	103,000	1,918,331	17.10	1,761,300
Total Quoted Equities	103,000	1,918,331		1,761,300

	2018 Rs.	2017 Rs.
28 ASSETS HELD FOR SALE		
Balance at the Beginning of the year	-	-
Additions during the year	23,919,000	-
Disposals during the year	-	-
Balance at the End of the year	23,919,000	-

28.1 Analysis of Assets Held for Sale

Assets held for sale consists of a property situated at No. 73, Temple Road, Kelaniya of an extent of 20.10 perch land & a building of 2,568 sq.ft. purchased exclusively with a view to subsequent disposal.

As at 31st March	2018 Rs.	2017 Rs.
29 LOANS AND RECEIVABLES TO OTHER CUSTOMERS		
Gross Loans and Receivables	18,308,643,347	12,628,299,997
Allowance for Impairment	(234,929,037)	(161,355,852)
Net Loans and Receivables (Note 29.1)	18,073,714,310	12,466,944,145
29.1 Net Loans and Receivables		
29.1.1 Receivable on Loans and advances	16,155,104,534	11,083,943,371
29.1.2 Receivable on Loans against fixed deposits	388,451,265	377,656,166
29.1.3 Receivable on Micro Finance Loans	20,447,809	108,282,749
29.1.4 Receivable on Gold Loans	1,509,710,702	897,061,859
	18,073,714,310	12,466,944,145
29.1.1 Receivable on Loans and advances		
Future receivable	20,665,907,229	13,998,270,258
Future interest	(4,289,221,258)	(2,756,352,955)
Gross Receivable on Loans and advances	16,376,685,971	11,241,917,303
Allowance for impairment	(221,581,437)	(157,973,932)
Net Receivable on Loans and advances	16,155,104,534	11,083,943,371
29.1.2 Receivable on Loans against Fixed Deposits		
Future receivable	388,451,265	377,656,166
Future interest	-	-
Gross Receivable on Loans against Fixed Deposits	388,451,265	377,656,166
Allowance for impairment	-	-
Net Receivable on Loans against Fixed Deposits	388,451,265	377,656,166
29.1.3 Receivable on Micro Finance Loans		
Future receivable	28,702,746	109,491,038
Future interest	-	-
Gross Receivable on Micro Finance Loans	28,702,746	109,491,038
Allowance for impairment	(8,254,937)	(1,208,289)
Net Receivable on Micro Finance Loans	20,447,809	108,282,749

Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.
29.1.4 Receivable on Gold Loans		
Future receivable	1,514,803,365	899,235,490
Future interest	-	-
Gross Receivable on Gold Loans	1,514,803,365	899,235,490
Allowance for impairment	(5,092,663)	(2,173,631)
Net Receivable on Gold Loans	1,509,710,702	897,061,859
29.1.5 Allowance for Impairment		
Balance brought forward	161,355,852	120,906,613
Net impairment charge for the year	73,573,185	40,449,239
Balance carried forward	234,929,037	161,355,852

As at 31st March	2018 Rs.	2017 Rs.
30 LEASE RENTAL AND HIRE PURCHASE RECEIVABLES		
30.1 Hire Purchase Receivables	219,927,271	793,685,839
30.2 Lease Rental Receivables	12,534,012,782	11,517,449,933
	12,753,940,053	12,311,135,772
30.1 Hire Purchase Receivables		
30.1.1 Future Receivables	393,751,556	1,086,974,240
Future Interest	(24,252,579)	(132,365,654)
Gross Hire Purchase Receivables	369,498,977	954,608,586
Allowance for Impairment (Note 30.1.4)	(149,571,706)	(160,922,747)
Net Hire Purchase Receivables	219,927,271	793,685,839
30.1.2 Hire purchase receivables within one year from Statement of Financial Position date		
Future Receivables	333,571,533	719,139,860
Future Interest	(19,856,100)	(93,763,833)
	313,715,433	625,376,027
30.1.3 Hire purchase receivables after one year but before five years from Statement of Financial Position date		
Future Receivables	60,180,023	367,834,380
Future Interest	(4,396,479)	(38,601,821)
	55,783,544	329,232,559
30.1.4 Allowance for Impairment		
Balance brought forward	160,922,747	183,048,513
Net impairment charge / (reverse) for the year	(11,351,041)	(22,125,766)
Balance carried forward	149,571,706	160,922,747

Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.
30.2 Lease Rental Receivables		
30.2.1 Future Receivables	16,935,496,586	15,619,144,903
Future Interest	(3,991,152,208)	(3,733,567,756)
Gross Lease Rental Receivables	12,944,344,378	11,885,577,147
Allowance for Impairment (Note 30.2.5)	(410,331,596)	(368,127,214)
Net Lease Rental Receivables	12,534,012,782	11,517,449,933
30.2.2 Lease rental receivables within one year from Statement of Financial Position date		
Future Receivables	7,640,975,852	6,573,058,577
Future Interest	(2,041,321,109)	(1,869,658,637)
	5,599,654,743	4,703,399,940
30.2.3 Lease rentals receivables after one year but before five years from Statement of Financial Position date		
Future Receivables	9,292,565,152	9,046,086,326
Future Interest	(1,949,707,939)	(1,863,909,119)
	7,342,857,213	7,182,177,207
30.2.4 Lease rentals receivables after five years from Statement of Financial Position date		
Future Receivables	1,955,582	-
Future Interest	(123,160)	-
	1,832,422	-
30.2.5 Allowance for Impairment		
Balance brought forward	368,127,214	353,540,775
Net impairment charge for the year	42,204,382	14,586,439
Balance carried forward	410,331,596	368,127,214

As at 31st March	2018 Rs.	2017 Rs.
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31 FINANCIAL INVESTMENTS - AVAILABLE FOR SALE

Government of Sri Lanka Treasury Bonds (Note 31.1)	208,500,000	509,881,588
Unquoted Equities - (Note 31.2)	203,800	203,800
	208,703,800	510,085,388

31.1 Government of Sri Lanka Treasury Bonds

Balance at the Beginning of the year	509,881,588	104,454,551
Movement During the year	(301,381,588)	404,252,887
Gain / (Loss) on marked to Market valuation	-	1,174,150
Balance at the End of the year	208,500,000	509,881,588

	Face Value Rs.	Year of Maturity	Rate of Interest %	Cost of Investment Rs.	Carrying Value as at 31/03/2018 Rs.
31.1.1 Government of Sri Lanka Treasury Bonds					
Treasury Bond	100,000,000	2018	8.50	97,370,100	104,250,000
Treasury Bond	100,000,000	2018	8.50	97,267,900	104,250,000
	200,000,000			194,638,000	208,500,000

	No of Ordinary shares	Cost of investment Rs.	Market Value/ Manager's Buying Price as at 31/03/2018 Rs.	Market Value/ Manager's Buying Price as at 31/03/2017 Rs.
31.2 Unquoted Equities				
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

31.2.1 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

As at 31st March	2018 Rs.	2017 Rs.
32 FINANCIAL INVESTMENTS - HELD TO MATURITY		
Government of Sri Lanka Treasury Bills - Face Value	2,030,000,000	1,050,257,000
Less:- Income allocated for future periods	(109,277,528)	(30,970,920)
	1,920,722,472	1,019,286,080
33 OTHER FINANCIAL ASSETS		
Gross Staff Loans (Note 33.1)	17,535,527	20,959,151
Allowance for Impairment (Note 33.2)	(563,764)	(131,413)
Net Staff Loans	16,971,763	20,827,738
33.1 Gross Staff Loans		
Balance at the beginning of the year	20,959,151	15,968,593
Granted during the year	12,758,000	17,087,000
Recovered during the year	(18,043,425)	(13,822,435)
Net change in Prepaid Staff Cost during the year	1,861,801	1,725,993
Balance at the end of the year	17,535,527	20,959,151
33.2 Allowance for Impairment		
Balance brought forward	131,413	-
Net Impairment charge during the year	432,351	131,413
Balance carried forward	563,764	131,413

34 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land		Freehold Building		Building on Leasehold Land		Capital WIP		Computer Equipment		Furniture & Fittings		Office Equipment		Freehold Motor Vehicles		Total			
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Cost																				
As at 01st April	122,625,000	30,443,314	1,950,000	-	65,348,217	180,284,882	97,017,087	41,906,074	539,574,574	373,774,744										
Additions	1,113,336,000	456,527	-	6,432,000	12,158,701	42,504,520	16,087,609	11,440,000	1,202,415,357	182,566,611										
Transfers	-	6,432,000	-	(6,432,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	(245,580)	(2,901,738)	(4,305,247)	(4,168,464)	(11,621,029)	(16,766,781)										
As at 31st March	1,235,961,000	37,331,841	1,950,000	-	77,261,338	219,887,664	108,799,449	49,177,610	1,730,368,902	539,574,574										
Accumulated Depreciation																				
As at 01st April	-	3,014,706	227,500	-	40,554,159	103,778,587	49,998,465	26,897,542	224,470,959	178,987,357										
Depreciation for the year	-	2,154,505	195,000	-	11,041,109	29,740,010	19,687,580	8,322,503	71,140,707	58,179,730										
Disposals/Transfers	-	-	-	-	(220,328)	(2,739,030)	(3,548,810)	(4,024,297)	(10,532,465)	(12,696,128)										
As at 31st March	-	5,169,211	422,500	-	51,374,940	130,779,567	66,137,235	31,195,748	285,079,201	224,470,959										
Carrying Amount																				
As at 31st March 2018	1,235,961,000	32,162,630	1,527,500	-	25,886,398	89,108,097	42,662,214	17,981,862	1,445,289,701	-										
As at 31st March 2017	122,625,000	27,428,608	1,722,500	-	24,794,058	76,506,295	47,018,622	15,008,532	-	315,103,615										

34.1 Based on the assessment of potential impairment carried out internally by the Board of Directors as at 31st March 2018, no provision was required to be made in the Financial statements.

34.2 Property, Plant & Equipment included fully depreciated assets having a gross amount of Rs. 163,413,812/- as at 31st March 2018 (2016/17 Rs. 119,067,884 /-).

34.3 There were no capitalised borrowing costs related to the acquisition of Property, Plant & Equipment during the year (2016/17 - nil).

34.4 There were no restrictions on the title of the Property, Plant & Equipment as at 31st March 2018.

34.5 There were no items of Property, Plant & Equipment pledged as security as at 31st March 2018.

34.6 There were no items of Property, Plant & Equipments retired from the active use as at 31st March 2018.

34.7 There were no temporary idle items of Property, Plant & Equipment as at 31st March 2018.

Notes to the Financial Statements

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

	Extent Perches	Buildings Sq.ft.	Cost of Land Rs.	Cost of Building Rs.	Accumulated Depreciation Rs.	Net Book Value	
						As at 31st March 2018 Rs.	As at 31st March 2017 Rs.
Maharagama Branch	15.2		30,000,000			30,000,000	30,000,000
No. 126-5, Highlevel Road, Maharagama.		7,121		14,693,715	2,698,768	11,994,947	12,774,326
Kiribathgoda Branch	10.0		26,319,000			26,319,000	26,319,000
No. 121-D, Gala Junction, Kandy Road, Kiribathgoda		2,626		8,262,312	1,833,339	6,428,973	6,710,468
Galle Branch	5.70		66,306,000			66,306,000	66,306,000
No. 128, Main Street , Galle		1,558		7,943,814	529,852	7,413,962	7,943,814
Chilaw Branch	10.00		17,467,000			17,467,000	-
No. 84, Kurunegala Road, Chilaw		2,144		6,432,000	107,254	6,324,746	-
Land	42.12	-	1,095,869,000	-	-	1,095,869,000	-
Galle Road , Colombo 03							

As at 31st March

**2018
Rs.**

**2017
Rs.**

35 INTANGIBLE ASSETS

Computer Software (Note 35.1)	14,568,813	10,297,779
	14,568,813	10,297,779

35.1 Intangible Assets

Cost

Balance as at 01st April	19,938,620	11,022,620
Additions	7,918,331	8,916,000
Balance as at 31st March	27,856,951	19,938,620

Accumulated Amortisation

Balance as at 01st April	9,640,841	6,893,008
Charge for the year	3,647,297	2,747,833
Balance as at 31st March	13,288,138	9,640,841

Carrying Amount

As at 31st March 2018	14,568,813	-
As at 31st March 2017	-	10,297,779

As at 31st March	2018 Rs.	2017 Rs.
36 OTHER ASSETS		
Refundable Deposits	19,726,241	18,039,611
Taxes Recoverable	116,303,445	84,850,970
Prepaid Staff Cost	1,981,935	3,843,736
Advance Payments	19,264,061	16,309,808
Vehicle stock	14,711,790	940,000
Insurance Claim Receivable	91,300	676,349
Other Debtors	30,279,770	36,958,490
	202,358,542	161,618,964

37 DEPOSITS DUE TO CUSTOMERS

Fixed Deposits	21,238,319,940	17,233,108,463
Savings Deposits	6,142,969	14,746,396
Certificate of Deposits	942,416,544	616,006,613
	22,186,879,453	17,863,861,472

37.1 Analysis of Deposits due to Customers by Maturity Date

As at 31st March 2018	1 to 90 days Rs.	91 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Fixed Deposits	9,759,086,625	8,675,011,246	2,804,222,069	21,238,319,940
Savings Deposits	6,142,969	-	-	6,142,969
Certificate of Deposits	611,832,776	291,643,685	38,940,083	942,416,544
	10,377,062,370	8,966,654,931	2,843,162,152	22,186,879,453

As at 31st March 2017	1 to 90 days Rs.	91 to 365 days Rs.	More than 365 days Rs.	Total Rs.
Fixed Deposits	7,652,373,566	6,265,104,272	3,315,630,625	17,233,108,463
Savings Deposits	14,746,396	-	-	14,746,396
Certificate of Deposits	313,577,239	246,871,521	55,557,853	616,006,613
	7,980,697,201	6,511,975,793	3,371,188,478	17,863,861,472

Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.
38 INTEREST BEARING BORROWINGS		
Institutional Borrowings (Note 38.1)	8,011,421,404	6,043,391,985
	8,011,421,404	6,043,391,985

38.1 Institutional Borrowings

	As at 01st April 2017 Rs.	Facility Obtained Rs.	Interest Recognised Rs.	Repayments Capital Rs.	Interest Rs.	As at 31st March 2018 Rs.	Tenure of Loan	Security Offered
Bank of Ceylon 2	628,922,397	-	41,040,946	250,000,008	21,441,644	398,521,690	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Bank of Ceylon 3	329,680,715	-	19,644,919	203,680,465	45,431,630	100,213,539	24 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Bank of Ceylon 4	444,554,494	-	30,891,231	347,228,882	31,466,435	96,750,408	24 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Bank of Ceylon 5	2,683,403,682	-	281,727,303	750,000,000	280,311,207	1,934,819,778	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
PABC Bank 1	308,839,257	-	31,403,255	166,666,667	33,325,921	140,249,925	36 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
PABC Bank 2	-	299,443,742	29,827,334	44,274,416	29,732,050	255,264,610	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
PABC Bank 3	-	449,182,763	3,730,685	-	-	452,913,448	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Deutsche Bank 1	9,413,619	-	224,765	9,346,327	292,057	-	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Deutsche Bank 2	727,525,021	-	69,464,296	480,766,782	71,742,108	244,480,428	18 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Seylan Bank 1	375,781,951	-	40,312,392	125,004,000	40,574,387	250,515,956	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Seylan Bank 2	385,861,247	-	42,465,005	125,004,000	42,606,758	260,715,494	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Seylan Bank 3	-	250,000,000	10,224,792	67,709,000	9,951,406	182,564,387	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Seylan Bank 4	-	499,509,927	7,312,692	10,400,000	5,285,479	491,137,139	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Seylan Bank 5	-	500,000,000	10,017,123	500,000,000	10,017,123	-	2 Months	Letter of Offer
Seylan Bank 6	-	1,000,000,000	2,016,438	-	-	1,002,016,438	3 Months	Letter of Offer
Cargills Bank	149,409,602	-	17,764,636	50,880,874	17,872,647	98,420,718	48 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
NDB Bank	-	600,000,000	6,040,685	300,000,000	3,167,123	302,873,562	3 Months	Mortgage Bond over Lease & Hire Purchase Portfolio and Letter of Offer
Union Bank	-	179,696,988	17,702,848	75,000,000	17,555,223	104,844,613	24 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Hatton National Bank 1	-	999,760,636	87,243,651	40,000,000	41,634,646	1,005,369,640	60 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
Hatton National Bank 2	-	689,056,700	692,931	-	-	689,749,631	20 Months	Mortgage Bond over Lease & Hire Purchase Portfolio
	6,043,391,985	5,466,650,756	749,747,926	3,545,961,421	702,407,844	8,011,421,404		

* Facility obtained is reported net of transaction cost.

	Amount as at 31st March 2018 Rs.	Repayment Period	Repayment Terms
38.1.1 Details of Borrowings			
Bank of Ceylon 2	398,521,690	48 Months	Monthly Rentals
Bank of Ceylon 3	100,213,539	24 Months	Structured Rentals
Bank of Ceylon 4	96,750,408	24 Months	Structured Rentals
Bank of Ceylon 5	1,934,819,778	48 Months	Monthly Rentals
PABC Bank 1	140,249,925	36 Months	Monthly Rentals
PABC Bank 2	255,264,610	48 Months	Monthly Rentals
PABC Bank 3	452,913,448	48 Months	Monthly Rentals
Deutsche Bank 2	244,480,428	18 Months	Monthly Rentals
Seylan Bank 1	250,515,956	48 Months	Monthly Rentals
Seylan Bank 2	260,715,494	48 Months	Monthly Rentals
Seylan Bank 3	182,564,387	48 Months	Monthly Rentals
Seylan Bank 4	491,137,139	48 Months	Monthly Rentals
Seylan Bank 6	1,002,016,438	3 Months	Maturity
Cargills Bank	98,420,718	48 Months	Monthly Rentals
NDB Bank	302,873,562	3 Months	Maturity
Union Bank	104,844,613	24 Months	Monthly Rentals
Hatton National Bank 1	1,005,369,640	60 Months	Monthly Rentals
Hatton National Bank 2	689,749,631	20 Months	Structured Rentals
	8,011,421,404		

	2018 Rs.	2017 Rs.
39 SUBORDINATED TERM DEBTS		
Balance as at 1st April	1,700,465,782	1,917,563,133
Movement during the year	(149,498,688)	(217,097,351)
Balance as at 31st March	1,550,967,094	1,700,465,782

Notes to the Financial Statements

39.1 In 2012 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. The debentures were redeemed on respective maturity dates.

Debenture Category	Interest Payment Frequency	Allotment Date	Maturity date	Amortised Cost as at 31st March 2018 Rs.	Amortised Cost as at 31st March 2017 Rs.
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	14-Aug-12	13-Aug-17	-	55,027,021
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	15-Aug-12	14-Aug-17	-	22,002,027
2012/2017 - 364 Days TB rate (Gross) + 4.50%	Annually	27-Aug-12	26-Aug-17	-	87,586,630
				-	164,615,678

39.2 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 31st March 2018	Amortised Cost as at 31st March 2018 Rs.	Amortised Cost as at 31st March 2017 Rs.
2014/2019 - 14.75% p.a.	Quarterly	20-Feb-14	20-Feb-19	15.59%	362,421,959	361,489,818
2014/2019 - 15.00% p.a.	Semi-annually	20-Feb-14	20-Feb-19	15.56%	21,222,845	21,170,082
2014/2019 - 15.50% p.a.	Annually	20-Feb-14	20-Feb-19	15.50%	149,175,877	148,825,267
					532,820,681	531,485,167

39.3 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 31st March 2018	Amortised Cost as at 31st March 2018 Rs.	Amortised Cost as at 31st March 2017 Rs.
2015/2020 - 10.25% p.a.	Semi-annually	31-Mar-15	31-Mar-20	10.51%	1,018,146,413	1,004,364,938
					1,018,146,413	1,004,364,938

* Utilisation of funds raised via the Public Debenture issues of Rs. 500Mn and Rs. 1Bn have been disclosed in the " Information on Listed Debentures"

As at 31st March	2018 Rs.	2017 Rs.
40 CURRENT TAX LIABILITIES		
Balance as at Beginning of the Year	209,076,751	38,687,596
Income Tax Provision on Current Year Profits	444,823,585	257,660,201
(Over) / under provision in respect of previous year	(37,590,406)	(3,541,543)
Paid and Set off During the Year	(251,421,552)	(83,729,503)
Balance as at end of the Year	364,888,378	209,076,751

41 DEFERRED TAX LIABILITIES		
Deferred Tax Liabilities (Note 41.3)	385,537,287	270,783,875
Deferred Tax Assets (Note 41.4)	(16,019,726)	(8,525,324)
Net Deferred Tax Liabilities (Note 41.1)	369,517,561	262,258,551

41.1 Recognised Deferred Tax Assets & Liabilities

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

As at 31st March	2018 Rs.	2017 Rs.
Taxable / (Deductible) Temporary Differences		
Property, Plant & Equipment	51,924,771	46,299,222
Lease capital Balance	1,182,017,577	776,583,137
Legal Termination receivables	142,976,528	144,202,904
Taxable Temporary Differences	1,376,918,876	967,085,263
Retirement Benefit Obligation	(57,213,310)	(29,716,585)
Unclaimed Impairment provisions	-	(731,005)
Total Taxable Temporary Differences (net)	1,319,705,566	936,637,673
Applicable Tax Rate	28%	28%
Net Deferred Tax Liabilities / (Assets)	369,517,561	262,258,551

Notes to the Financial Statements

For the year ended 31st March	2018 Rs.	2017 Rs.
41.2 Deferred Tax Expense		
Origination of Deferred tax		
Liability (Note 41.3)	114,753,412	87,918,344
Asset (Note 41.4)	(7,494,402)	28,622,151
	107,259,010	116,540,495
Total expense charged / (reversed) to Income Statement	111,973,590	114,503,715
Total expense charged / (reversed) to OCI	(4,714,579)	2,036,780

	2018		2017	
	Temporary Difference Rs.	Tax Effect Rs.	Temporary Difference Rs.	Tax Effect Rs.
41.3 Deferred Tax Liabilities				
Balance as at beginning of the year	967,085,263	270,783,875	653,091,178	182,865,531
Originating during the year	409,833,614	114,753,412	313,994,086	87,918,344
Balance as at end of the year	1,376,918,877	385,537,287	967,085,263	270,783,875
41.4 Deferred Tax Assets				
Balance as at beginning of the year	30,447,591	8,525,324	132,669,560	37,147,476
Originating / (reversing) during the year	26,765,720	7,494,402	(102,221,969)	(28,622,151)
Balance as at end of the year	57,213,311	16,019,726	30,447,591	8,525,324

	2018	2017
	Rs.	Rs.
42 OTHER LIABILITIES		
Other Provisions & Payables (Note 42.1)	357,210,414	228,423,775
Accrued Expenses	43,216,640	50,680,794
	400,427,054	279,104,569
42.1 Other Provisions & Payables		
RMV Payable	8,959,756	6,356,733
Insurance Payable	83,321,942	74,367,776
Stamp Duty Payable	11,758,250	15,104,865
Social Development Fund	6,545,715	6,848,118
Dividend Payable	5,286	-
Other Payables	246,619,465	125,746,283
	357,210,414	228,423,775

Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.
43 RETIREMENT BENEFIT OBLIGATIONS		
43.1 Retirement Benefit Liability Recognised in Statement of Financial Position		
Balance as at 1st April	29,716,585	27,669,222
Amounts Recognised in Income Statement	11,589,917	9,869,016
Amounts Recognised in OCI	16,837,783	(7,274,213)
Payments during the Year	(930,975)	(547,440)
Balance as at 31st March	57,213,310	29,716,585
43.2 Amounts Recognised in Income Statement		
Service cost	7,288,612	7,032,921
Net Interest on defined benefit obligation	4,301,305	2,836,095
	11,589,917	9,869,016
43.3 Amounts Recognised in OCI		
Remeasurement of retirement benefit obligation arising from changes in assumptions	10,783,187	(8,354,874)
Remeasurement of retirement benefit obligation arising from experience adjustments	6,054,596	1,080,661
	16,837,783	(7,274,213)
43.4 Defined Benefit Obligation Reconciliation		
Benefit obligation at end of prior year	29,716,585	27,669,222
Company service cost	7,288,612	7,032,921
Interest cost	4,301,305	2,836,095
Payments made during the year	(930,975)	(547,440)
Remeasurement of retirement benefit obligation arising from changes in assumptions	10,783,187	(8,354,874)
Remeasurement of retirement benefit obligation arising from experience adjustments	6,054,596	1,080,661
Benefit obligation at end of year	57,213,310	29,716,585

43.4.1 An actuarial valuation of the employee benefit liability as at 31st March 2018 was carried out by Mr. Piyal S Goonetilleke, FIA , of Messers. Piyal S Goonetilleke and Associates, a firm of professional actuaries.

43.4.2 The valuation has been done using the “Projected Unit Credit Method”, which is recommended in the Sri Lanka Accounting Standard - LKAS 19 “Employee Benefits”.

As at 31st March	2018 Rs.	2017 Rs.
43.5 Assumptions		
Discount Rate	10.50%	12.50%
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

43.6 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 2018.

	Sensitivity effect on Statement of Financial Position (Benefit Obligation) Rs.
1% increase in discount rate	(5,873,794)
1% decrease in discount rate	7,062,119
1% increase in salary increment rate	6,893,905
1% decrease in salary increment rate	(5,848,789)

Notes to the Financial Statements

As at 31st March	2018 Rs.	2017 Rs.
44 STATED CAPITAL		
Ordinary Shares (Note 44.1)	287,153,000	287,153,000
No. of shares (Note 44.2)	41,550,600	41,550,600
44.1 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
44.2 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
45 STATUTORY RESERVE FUND		
Statutory Reserve Fund (Note 45.1)	732,136,173	528,408,694
	732,136,173	528,408,694

45.1 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	2018 Rs.	2017 Rs.
At the Beginning of the Year	528,408,694	383,176,899
Transfers during the Year	203,727,479	145,231,795
As at the End of the Year	732,136,173	528,408,694
46 AVAILABLE FOR SALE RESERVE		
At the Beginning of the Year	(6,834,947)	(8,009,097)
Net Fair Value Gains / (Losses) on remeasuring Available For Sale Financial Assets	6,834,947	1,174,150
As at the End of the Year	-	(6,834,947)

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

As at 31st March	2018 Rs.	2017 Rs.
47 GENERAL RESERVE		
General Reserve (Note 47.1)	7,500,000	7,500,000
	7,500,000	7,500,000

47.1 General Reserve

General reserve comprises the amounts appropriated by the Board of Directors as a General Reserve.

As at 31st March	2018 Rs.	2017 Rs.
48 RETAINED EARNINGS		
At the Beginning of the Year	1,741,393,235	1,259,105,123
Total Comprehensive Income		
Profit for the Year	1,018,637,394	726,158,974
Other Comprehensive Income	(12,123,204)	5,237,433
Statutory Reserve Transfer	(203,727,479)	(145,231,795)
Dividends	(270,078,900)	(103,876,500)
Unclaimed Dividend Adjustments	219,669	-
At the End of the Year	2,274,320,715	1,741,393,235

Notes to the Financial Statements

49 RELATED PARTY DISCLOSURES

The Company carried out transactions in the ordinary course of business on an arm's length basis at commercial rates with parties who are defined as related parties as per the Sri Lanka Accounting Standard - LKAS 24 "Related Party Disclosures".

49.1 Parent and Ultimate Controlling Party

In the opinion of Directors, the Company's immediate and ultimate parent undertaking and controlling party is Vallibel Investments (Private) Limited.

49.2 Key Management Personnel (KMP)

KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly.

KMP of the Company

The Board of Directors (including executive and non-executive Directors) and selected key employees who meet the above criteria have been classified as KMP of the Company.

49.2.1 Transactions with KMP

49.2.1.1 Compensation of KMP

For the Year Ended 31st March	2018 Rs.	2017 Rs.
Short term employment benefits	70,902,731	58,833,632
Director fees and expenses	5,539,856	3,930,384
Post employment benefits	-	-
	76,442,587	62,764,016

49.2.2 Transactions, Arrangements and Agreements involving KMP and their Close Family Members (CFM)

CFM of a KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner and children of the KMPs domestic partner and dependants of the KMPs domestic partner. CFM are related parties of the Company.

49.2.2.1 Statement of Financial Position

As at 31st March	2018 Rs.	2017 Rs.
Liabilities		
Deposits due to Customers	403,400,085	658,095,703
Subordinated Term Debts	11,500,000	11,500,000
	414,900,085	669,595,703

49.2.2.2 Income Statement

For the Year Ended 31st March

	2018 Rs.	2017 Rs.
Interest Expense	54,576,255	74,476,303
Compensation to KMP	76,442,587	62,764,016
	131,018,842	137,240,319

49.2.3 Transactions, Arrangements and Agreements involving Entities which are controlled and / or significantly influenced by the KMP or their CFM

49.2.3.1 Statement of Financial Position

As at 31st March

	2018 Rs.	2017 Rs.	Amount Received / (Paid)	
			2017/18 Rs.	2016/17 Rs.
Assets				
Cash and Cash Equivalents	47,651,249	10,375,633	(37,275,616)	(278,750)
Placements with Banks and Other Finance Companies	1,334,339,445	1,426,444,059	92,104,614	(234,820,102)
Loans and Receivables to Other Customers	1,063,647	1,596,545	532,898	(1,596,545)
Reverse Repurchase Agreements	-	290,067,534	290,067,534	(290,067,534)
Financial Investments - Held for Trading	1,938,675	1,761,300	(177,375)	-
	1,384,993,016	1,730,245,071	345,252,055	(526,762,931)
Liabilities				
Bank Overdrafts	352,605,074	645,575,635	(292,970,561)	384,009,609
Deposits due to Customers	1,640,924,298	2,086,765,464	(445,841,166)	(229,316,650)
Interest bearing Borrowings	848,427,983	308,839,257	539,588,725	(166,999,207)
Subordinated Term Debts	250,000,000	414,615,678	(164,615,678)	(229,991,377)
	3,091,957,355	3,455,796,034	(363,838,680)	(242,297,625)

Notes to the Financial Statements

49.2.3.2 Income Statement For the Year Ended 31st March

	2018 Rs.	2017 Rs.
Interest Income	130,022,639	135,547,643
Interest Expense	358,547,937	425,834,022
Net Gain / (Loss) from Trading	42,217	36,050
Other Operating Income	613,992	613,992

49.2.4. 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.

49.3 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	2018 Rs.	Rationale for entering Transaction
Pan Asia Banking Corporation PLC	Fixed Deposits invested for 11.50% to 13.00% for 4 to 12 Months Maturity	11-Oct-2017 to 11-Oct-2018	930,536,411	To invest the excess funds
Pan Asia Banking Corporation PLC	Call Deposits invested for 9.00% and 10.00%	19-Mar-2018 to 29-Mar-2018	400,854,795	To invest the excess funds
Pan Asia Banking Corporation PLC	Overdraft facility taken for Monthly AWPLR + 2.5%	01-Apr-2017 to 31-Mar-2018	352,605,074	To utilise for the day to day banking operations
Vallibel One PLC	Fixed Deposits taken for 12.75% for period of 6 Months	14-Oct-2017	718,942,715	To invest the excess funds
La Forteresse (Pvt) Limited	Fixed Deposits taken from 12.10% to 13.00% for period of 6 Months	01-Oct -2017 to 30-Mar-2018	374,820,623	To invest the excess funds
Pan Asia Banking Corporation PLC	Term Loan facilities obtained at the interest rate of AWPLR + 2.5% for period of 36 months and 48 months	01-Apr-2017 to 31-Mar-2018	848,427,983	To utilise for the day to day operations

50 CONTINGENT LIABILITIES AND COMMITMENTS

50.1 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	2018 Rs.	2017 Rs.
Approved and contracted for	25,485,016	4,000,000
Approved and not contracted for	-	-
	25,485,016	4,000,000

50.2 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	2018 Rs.	2017 Rs.
Less than one year	84,708,412	73,795,571
Between one and five years	275,668,832	230,005,033
More than five years	171,686,757	31,761,349
	532,064,001	335,561,953

50.3 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.

As at 31st March	2018 Rs.	2017 Rs.
Cases pending against the Company	5,964,784	5,000,000
	5,964,784	5,000,000

Notes to the Financial Statements

51 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 38 to the Financial Statements.

Funding institute	Nature of Assets	Nature of Liability	Value of Assets Pledged Rs.	Included Under
Bank of Ceylon	Leases & Hire Purchases Receivable	Long -term Borrowings	2,926,980,402	Future Rental Receivables
Pan Asia Banking Corporation PLC	Leases & Hire Purchases Receivable	Long -term Borrowings	1,117,950,444	Future Rental Receivables
Pan Asia Banking Corporation PLC	Leases & Hire Purchases Receivable	Overdraft	378,929,724	Future Rental Receivables
NDB Bank	Leases & Hire Purchases Receivable	Working Capital Loan	159,632,004	Future Rental Receivables
Deutsche Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	355,521,181	Future Rental Receivables
Cargills Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	158,639,555	Future Rental Receivables
Seylan Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	1,457,681,463	Future Rental Receivables
Seylan Bank	Leases & Hire Purchases Receivable	Overdraft	399,067,432	Future Rental Receivables
Union Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	172,056,758	Future Rental Receivables
Hatton National Bank	Leases & Hire Purchases Receivable	Long-term Borrowings	2,359,695,457	Future Rental Receivables

In the ordinary course of business the company enters into transaction that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

The company has transferred future rental receivable of Leases & Hire purchases, but has retained substantially all of the credit risk associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets, the company continues to recognise these assets within Lease Rental Receivable and Hire Purchase Receivable.

52 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.

52.1 Business Segments

For the Year Ended 31st March	Finance Lease		Hire Purchase		Loans & Advances		Investments		Unallocated		Total	
	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000	2018 Rs. '000	2017 Rs. '000
Income From												
External Operations												
Interest	2,708,516	2,150,009	94,325	280,231	3,032,696	1,801,246	421,443	365,773	-	-	6,256,980	4,597,260
Administration Fees	-	-	-	-	-	-	-	-	248,286	189,053	248,286	189,053
Dividends	-	-	-	-	-	-	277	253	-	-	277	253
Other	-	-	-	-	-	-	29,546	45,875	394,112	282,253	423,658	328,128
Total Revenue	2,708,516	2,150,009	94,325	280,231	3,032,696	1,801,246	451,266	411,901	642,398	471,306	6,929,201	5,114,694
Profit Before Income Tax	-	-	-	-	-	-	-	-	-	-	1,537,844	1,094,781
Income Tax Expense	-	-	-	-	-	-	-	-	-	-	(519,207)	(368,622)
Profit After Tax											1,018,637	726,159
Other Information												
As at 31 March												
Segment Assets	12,534,013	11,517,450	219,927	793,686	18,073,714	12,466,944	4,837,843	4,584,436	2,740,779	1,322,580	38,406,277	30,685,096
Segment Liabilities	11,456,685	10,577,341	201,024	729,792	16,520,236	11,455,249	4,422,019	4,163,850	2,505,203	1,201,244	35,105,167	28,127,476
Net Assets	1,077,328	940,109	18,903	63,894	1,553,478	1,011,695	415,824	420,586	235,576	121,336	3,301,110	2,557,620

Notes to the Financial Statements

53 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.

Notes to the Financial Statements

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 2018	Neither past due not individually impaired	Past due but not individually impaired	Individually impaired	Total
	Rs.	Rs.	Rs.	Rs.
Cash and Cash Equivalents	1,021,651,531	-	-	1,021,651,531
Placements with Banks and Other Finance Companies	2,076,192,145	-	-	2,076,192,145
Reverse Repurchase Agreements	630,286,027	-	-	630,286,027
Financial Investments - Held for Trading	1,938,675	-	-	1,938,675
Loans and Receivables to Other Customers	8,993,535,684	9,071,475,798	243,631,865	18,308,643,347
Less : Impairment	-	-	-	(234,929,037)
Lease Rental and Hire Purchase Receivables	4,879,776,431	8,031,371,383	402,695,541	13,313,843,355
Less : Impairment	-	-	-	(559,903,302)
Financial Investments - Available for Sale	208,703,800	-	-	208,703,800
Financial Investments - Held to Maturity	1,920,722,472	-	-	1,920,722,472
Other Financial Assets	16,407,999	-	563,764	16,971,763
	19,749,214,764	17,102,847,181	646,891,170	36,704,120,776

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	31 to 60 days	61 to 90 days	More than 90 days	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Loans and Receivables to Other Customers	4,566,107,343	2,283,324,943	1,384,969,601	837,073,911	9,071,475,798
Lease Rental and Hire Purchase Receivables	3,713,529,940	2,418,466,326	1,120,332,074	779,043,043	8,031,371,383
	8,279,637,283	4,701,791,269	2,505,301,675	1,616,116,954	17,102,847,181

As at 31st March 2017	Neither past due not individually impaired Rs.	Past due but not individually impaired Rs.	Individually impaired Rs.	Total Rs.
Cash and Cash Equivalents	806,206,582	-	-	806,206,582
Placements with Banks and Other Finance Companies	2,243,112,840	-	-	2,243,112,840
Reverse Repurchase Agreements	810,190,562	-	-	810,190,562
Financial Investments - Held for Trading	1,761,300	-	-	1,761,300
Loans and Receivables to Other Customers	7,007,215,940	5,464,106,947	156,977,110	12,628,299,997
Less : Impairment	-	-	-	(161,355,852)
Lease Rental and Hire Purchase Receivables	5,357,186,300	7,170,296,546	312,702,887	12,840,185,733
Less : Impairment	-	-	-	(529,049,961)
Financial Investments - Available for Sale	510,085,388	-	-	510,085,388
Financial Investments - Held to Maturity	1,019,286,080	-	-	1,019,286,080
Other Financial Assets	20,577,870	-	249,868	20,827,738
	17,775,622,862	12,634,403,493	469,929,865	30,189,550,407

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	2,995,019,980	1,335,103,044	676,512,019	457,471,904	5,464,106,947
Lease Rental and Hire Purchase Receivables	3,639,793,626	2,165,561,159	785,434,813	579,506,948	7,170,296,546
	6,634,813,606	3,500,664,203	1,461,946,832	1,036,978,852	12,634,403,493

Notes to the Financial Statements

Analysis of Risk Concentration

Provincial breakdown for Lease Rental & Hire Purchase Receivables and Loans & Receivables to Other Customers (gross balances) from customers are as follows.

Province	Lease Rental & Hire Purchase Receivables		Loans and Receivables to Other Customers	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Western	8,007,699,697	7,820,949,700	12,976,119,158	9,144,872,943
Southern	1,082,056,791	994,854,882	1,175,180,901	675,518,875
Sabaragamuwa	1,213,782,431	1,142,119,932	993,675,513	769,438,167
Central	577,652,241	517,057,178	653,774,763	383,466,894
Uva	354,012,743	341,942,198	347,754,093	229,425,472
Eastern	29,666,332	20,084,954	22,212,815	13,461,093
North Western	1,383,737,398	1,373,238,013	1,405,707,982	958,893,957
North Central	655,833,777	626,719,529	724,754,358	446,863,590
Northern	9,401,945	3,219,347	9,463,763	6,359,006
	13,313,843,355	12,840,185,733	18,308,643,347	12,628,299,997

(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	2018	2017
Liquid Asset Ratio (LAR)		
Average for the year	16.40%	15.79%
Maximum for the year	19.64%	20.85%
Minimum for the year	12.92%	12.45%

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

As at 31st March	2018 Rs.	2017 Rs.
Cash in Hand	116,883,115	53,424,334
Balances in Current Accounts free from lien	67,448,839	27,270,710
Deposits in Commercial Banks free from lien	1,700,000,000	1,825,000,000
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	2,110,059,935	1,213,015,145
Any Other Approved Securities	630,000,000	810,000,000
Total liquid assets	4,624,391,889	3,928,710,189

Notes to the Financial Statements

An analysis of the interest bearing assets and liabilities employed by the company as at 31st March 2018, 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	1,121,456,545	953,207,162	1,528,438	-	-	2,076,192,145
Reverse Repurchase Agreements	630,286,027	-	-	-	-	630,286,027
Financial Investments - Available for Sale	208,703,800	-	-	-	-	208,703,800
Financial Investments - Held to Maturity	279,542,650	1,641,179,822	-	-	-	1,920,722,472
Loans and Receivables to Other Customers*	3,577,299,830	6,895,750,338	5,805,895,543	1,794,465,762	302,837	18,073,714,310
Finance Lease Receivables*	1,613,084,059	3,576,239,088	5,853,347,951	1,489,509,262	1,832,422	12,534,012,782
Hire Purchase Receivables*	61,214,206	102,929,521	55,684,537	99,007	-	219,927,271
Total Interest Bearing Assets	7,491,587,117	13,169,305,931	11,716,456,469	3,284,074,031	2,135,259	35,663,558,807
Percentage 2018	21%	37%	33%	9%	0%	
Percentage 2017	20%	37%	33%	10%	0%	
Interest Bearing Liabilities						
Bank Overdrafts	1,839,144,681	-	-	-	-	1,839,144,681
Interest Bearing Borrowings	2,191,236,086	1,916,217,675	3,296,022,852	607,944,791	-	8,011,421,404
Subordinated Term Debts	85,413,184	498,517,085	967,036,825	-	-	1,550,967,094
Deposits Due to Customers - Fixed Deposits	9,759,086,625	8,675,011,246	2,241,515,529	562,706,540	-	21,238,319,940
Deposits Due to Customers - Savings Deposits	6,142,969	-	-	-	-	6,142,969
Deposits Due to Customers - Certificate of Deposits	611,832,776	291,643,685	38,940,083	-	-	942,416,544
Total Interest Bearing Liabilities	14,492,856,321	11,381,389,691	6,543,515,289	1,170,651,331	-	33,588,412,632
Percentage 2018	43%	34%	20%	3%	0%	
Percentage 2017	38%	31%	28%	3%	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.

Exposure to Market Risk - Trading and Non - Trading Portfolios

The table below sets out the allocation of assets and liabilities subject to market risk between trading and non-trading portfolios.

	Market Risk Measurement			Carrying Amount as at 31st March 2017 Rs.	Market Risk Measurement	
	Carrying Amount as at 31st March 2018 Rs.	Trading Portfolios Rs.	Non -Trading Portfolios Rs.		Trading Portfolios Rs.	Non -Trading Portfolios Rs.
Assets subject to Market Risk						
Cash and Cash Equivalents	1,021,651,531	-	1,021,651,531	806,206,582	-	806,206,582
Placements with Banks and Other Finance Companies	2,076,192,145	-	2,076,192,145	2,243,112,840	-	2,243,112,840
Reverse Repurchase Agreements	630,286,027	-	630,286,027	810,190,562	-	810,190,562
Financial Investments - Held for Trading	1,938,675	1,938,675	-	1,761,300	1,761,300	-
Loans and Receivables to Other Customers	18,073,714,310	-	18,073,714,310	12,466,944,145	-	12,466,944,145
Lease Rental and Hire Purchase Receivables	12,753,940,053	-	12,753,940,053	12,311,135,772	-	12,311,135,772
Financial Investments - Available for Sale	208,703,800	-	208,703,800	510,085,388	-	510,085,388
Financial Investments - Held to Maturity	1,920,722,472	-	1,920,722,472	1,019,286,080	-	1,019,286,080
Other Financial Assets	16,971,763	-	16,971,763	20,827,738	-	20,827,738
	36,704,120,776	1,938,675	36,702,182,101	30,189,550,407	1,761,300	30,187,789,107
Liabilities subject to Market Risk						
Bank Overdrafts	1,839,144,681	-	1,839,144,681	1,487,193,561	-	1,487,193,561
Deposits due to Customers	22,186,879,453	-	22,186,879,453	17,863,861,472	-	17,863,861,472
Interest bearing Borrowings	8,011,421,404	-	8,011,421,404	6,043,391,985	-	6,043,391,985
Subordinated Term Debts	1,550,967,094	-	1,550,967,094	1,700,465,782	-	1,700,465,782
	33,588,412,632	-	33,588,412,632	27,094,912,800	-	27,094,912,800

Notes to the Financial Statements

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	2018 Rs.	2017 Rs.
Rate Sensitive Assets (RSA)	35,663,558,807	29,360,754,787
Rate Sensitive Liabilities (RSL)	33,588,412,632	27,094,912,800
GAP (RSA-RSL)	2,075,146,175	2,265,841,987

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 2018 Rs.	Lowest Market Value Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	1,938,675	1,321,824	616,851
Total	1,938,675	1,321,824	616,851

	Market Value as at 31st March 2017 Rs.	Lowest Market Value Rs.	Effect to the Comprehensive Income if the market price drops to the lowest value Rs.
Bank , Finance & Insurance	1,761,300	1,081,500	679,800
Total	1,761,300	1,081,500	679,800

(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.

Notes to the Financial Statements

Capital Management

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

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

Capital Adequacy

Total Risk Weighted Assets Computation

As at 31st March	Balance		Risk Weight Factor %	Risk Weighted Balance	
	2018 Rs.	2017 Rs.		2018 Rs.	2017 Rs.
Assets					
Cash and Cash Equivalents	1,021,651,531	806,206,582	0%	-	-
Placements with Banks and Other Finance Companies	2,076,192,145	2,243,112,840	20%	415,238,429	448,622,568
Reverse Repurchase Agreements	630,286,027	810,190,562	0%	-	-
Financial Investments - Held for Trading (excluding items deducted from the total Capital)	1,938,675	1,761,300	100%	1,938,675	1,761,300
Financial Investments - Available for Sale					
Government of Sri Lanka Treasury Bonds	208,500,000	509,881,588	0%	-	-
Unquoted Equities	203,800	203,800	100%	203,800	203,800
Financial Investments - Held to Maturity	1,920,722,472	1,019,286,080	0%	-	-
Loans and Receivables :					
Loans against Fixed Deposits	388,451,265	377,656,166	0%	-	-
Loans against Gold and Gold Jewellery (Less than 10% in Total Advances)	1,509,710,702	897,061,859	0%	-	-
Loans and Receivables to Other Customers	16,175,552,343	11,192,226,120	100%	16,175,552,343	11,192,226,120
Lease Rental and Hire Purchase Receivables	12,753,940,053	12,311,135,772	100%	12,753,940,053	12,311,135,772
Other Financial Assets	16,971,763	20,827,738	100%	16,971,763	20,827,738
Assets Held for Sale	23,919,000	-	100%	23,919,000	-
Other Assets	202,358,542	161,618,964	100%	202,358,542	161,618,964
Property, Plant and Equipment	1,445,289,701	315,103,615	100%	1,445,289,701	315,103,615
Intangible Assets	14,568,813	10,297,779	100%	14,568,813	10,297,779
Deffered Tax Assets	16,019,726	8,525,324	100%	16,019,726	8,525,324
Total Risk Weighted Assets	38,406,276,558	30,685,096,089		31,066,000,845	24,470,322,980

Total Capital Base Computation

As at 31st March	2018 Rs.	2017 Rs.
Tier I : Core Capital		
Stated Capital	287,153,000	287,153,000
Statutory Reserve Fund	732,136,173	528,408,694
General Reserve	7,500,000	7,500,000
Retained Earnings	2,267,223,711	1,734,558,289
Total Tier I Capital	3,294,012,884	2,557,619,983
Tier II : Supplementary Capital		
Eligible Approved Unsecured Subordinated Term Debt	500,000,000	800,000,000
Total Eligible Tier II Capital	500,000,000	800,000,000
Total Capital	3,794,012,884	3,357,619,983
Deductions		
Investments in capital of other banks	-	-
Capital Base	3,794,012,884	3,357,619,983

Computation of Capital Adequacy Ratios

Core Capital Ratio (Minimum Requirement 5%)	10.60%	10.45%
<u>Core Capital</u> x 100		
Risk Weighted Assets		
Total Risk Weighted Capital Ratio (Minimum Requirement 10%)	12.21%	13.72%
<u>Capital Base</u> x 100		
Risk Weighted Assets		

Notes to the Financial Statements

54 EVENTS OCCURRING AFTER THE REPORTING PERIOD

54.1 The Board of Directors passed a resolution on 15th February 2018 to go for a rights issue at the proportion of 5 new ordinary shares for every 12 ordinary shares held at Rs. 60/- per share to raise Rs. 1,038,765,000/-. The shareholders of the Company have approved the corresponding resolution at the Extraordinary General Meeting held on 08th May 2018.

Subsequent to the reporting date, no circumstances have arisen which would require adjustments to or disclosure in the Financial Statements other than disclosed above.

55 COMPARATIVE FIGURES

The presentation and classification of the following material items in these financial statements are amended to ensure the comparability with the current year.

As at 31st March 2018	Note	As disclosed previously Rs.	Current Presentation Rs.	Adjustment Rs.
Income Statement				
Interest Expense	55.1	2,586,588,604	2,604,049,257	17,460,653
Other Operating Expenses	55.1	518,041,616	500,580,963	(17,460,653)

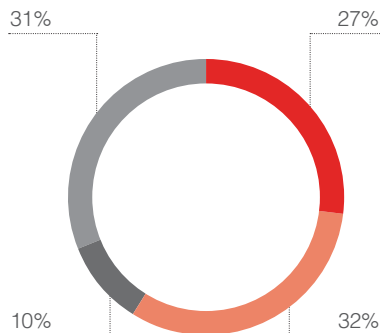
55.1 Interest Expense on Bank Overdrafts amounting to Rs. 17,460,653 classified in 'Other Operating Expenses' has been reclassified to 'Interest Expense'.

Value Added Statement

For the year ended 31st March	2018		2017	
	Rs.	%	Rs.	%
Value Added				
Income from Interest Related Activities	6,256,980,109	90%	4,597,260,244	90%
Income from Other Activities	672,220,944	10%	517,434,238	10%
	6,929,201,053	100%	5,114,694,482	100%
Depositors & Lenders	3,500,249,672	83%	2,604,049,257	82%
Cost of Sales & Services	622,191,141	15%	542,895,518	17%
Impairment Charges for Loans and other losses	104,858,877	2%	33,041,325	1%
	4,227,299,690	100%	3,179,986,100	100%
Total Value Added	2,701,901,363		1,934,708,382	

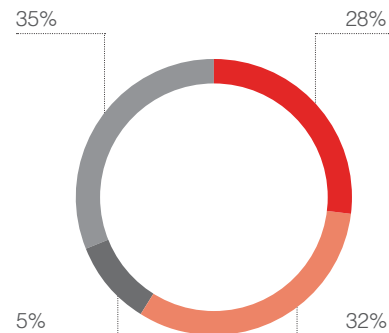
Distribution of Value Added				
To Employees as Remuneration	732,719,605	27%	549,309,630	28%
To Government as Taxation	875,756,360	32%	598,312,215	32%
To Providers of Capital as Dividend	269,859,231	10%	103,876,500	5%
To Expansion & Growth				
Depreciation & Amortisation	74,788,004	3%	60,927,563	3%
Retained Profits	748,778,163	28%	622,282,474	32%
Total Distribution of Value Added	2,701,901,363	100%	1,934,708,382	100%

Value Added Statement - 2018



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

Value Added Statement - 2017

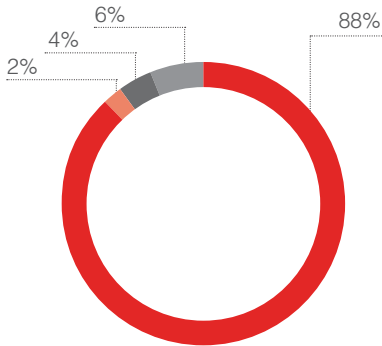


- To Employees as Remuneration
- To Government as Taxation
- To Providers of Capital as Dividend
- To Expansion & Growth

Sources and Utilisation of Income

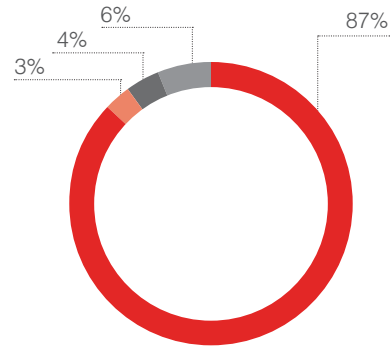
For the year ended 31 March	2018		2017		2016		2015		2014	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%	Rs.	%
SOURCES OF INCOME										
Loans and Advances	6,086,063,723	87.83	4,464,179,980	87.28	3,165,917,337	91.28	2,735,721,353	94.46	2,397,529,201	93.27
Government Securities	170,916,386	2.47	133,080,264	2.60	78,869,404	2.27	64,024,522	2.21	54,271,611	2.11
Commission Income	248,286,443	3.58	189,052,650	3.70	109,128,266	3.15	50,314,825	1.74	43,082,243	1.68
Other Income	423,934,501	6.12	328,381,588	6.42	114,361,894	3.30	46,126,678	1.59	75,741,298	2.94
Total	6,929,201,053	100.00	5,114,694,482	100.00	3,468,276,901	100.00	2,896,187,378	100.00	2,570,624,353	100.00
UTILISATION OF INCOME										
To Employees										
Personnel Expenses	732,719,605	10.57	549,309,630	10.74	436,060,020	12.57	336,574,216	11.62	251,662,381	9.79
To Suppliers										
Interest Paid	3,500,249,672	50.51	2,604,049,257	50.91	1,558,667,730	44.94	1,344,337,892	46.42	1,340,464,712	52.15
Other Expenses	622,191,141	8.98	542,895,518	10.61	436,836,950	12.60	295,865,994	10.22	238,823,823	9.29
Depreciation & Amortisation	74,788,004	1.08	60,927,563	1.19	54,794,468	1.58	47,263,171	1.63	40,009,172	1.56
Impairment charge for Loans & other losses	104,858,877	1.51	33,041,325	0.65	70,182,156	2.02	239,203,374	8.26	210,654,141	8.19
To Government										
Value Added Tax and Nation										
Building Tax	356,549,591	5.15	229,689,842	4.49	128,112,003	3.69	74,302,462	2.57	46,006,899	1.79
Income Tax	519,206,769	7.49	368,622,373	7.21	270,359,053	7.80	185,853,667	6.42	139,092,992	5.41
To Shareholders										
Dividends	269,859,231	3.90	103,876,500	2.03	83,101,200	2.40	41,550,600	1.43	62,325,900	2.42
Retained Profit	748,778,163	10.81	622,282,474	12.17	430,163,321	12.40	331,236,002	11.44	241,584,333	9.40
Total	6,929,201,053	100.00	5,114,694,482	100.00	3,468,276,901	100.00	2,896,187,378	100.00	2,570,624,353	100.00

Sources of Income - 2018



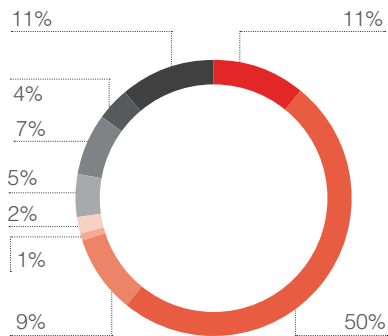
- Loans and Advances
- Government Securities
- Commission Income
- Other Income

Sources of Income - 2017



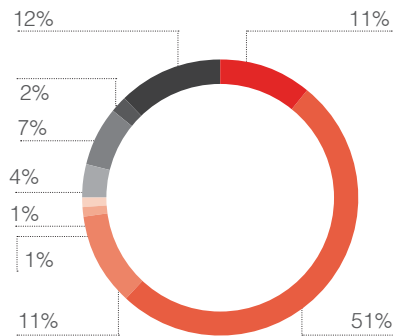
- Loans and Advances
- Government Securities
- Commission Income
- Other Income

Utilisation of Income - 2018



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Value Added Tax and Other Taxes
- Income Tax
- Dividends
- Retained Profit

Utilisation of Income - 2017



- Personnel Expenses
- Interest Paid
- Other Expenses
- Depreciation & Amortisation
- Impairment charge for Loans & other losses
- Value Added Tax and Other Taxes
- Income Tax
- Dividends
- Retained Profit

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.

SHAREHOLDER BASE

The total numbers of shareholders as at 31st March 2018 were 1,946.

DISTRIBUTION OF SHAREHOLDING AS AT 31ST MARCH 2018

Shares	2018				2017			
	No of Shareholders	%	No of Shares	%	No of Shareholders	%	No of Shares	%
Up to 1,000	1,448	74.41%	425,818	1.02%	1,439	72.53%	466,063	1.12%
1,001 - 10,000	381	19.58%	1,301,103	3.13%	420	21.17%	1,382,486	3.33%
10,001 - 100,000	95	4.88%	2,878,441	6.93%	104	5.24%	3,165,851	7.62%
100,001 - 1,000,000	19	0.98%	4,008,429	9.65%	18	0.91%	3,649,391	8.78%
Over 1,000,000	3	0.15%	32,936,809	79.27%	3	0.15%	32,886,809	79.15%
	1,946	100.00%	41,550,600	100.00%	1,984	100.00%	41,550,600	100.00%

CATEGORIES OF SHAREHOLDERS

Type of Investor	2018			2017		
	No of Holders	No of Shares	%	No of Holders	No of Shares	%
Local Individuals	1,839	9,779,779	23.54%	1,864	9,452,014	22.75%
Local Institutions	100	31,450,173	75.69%	112	31,805,944	76.55%
Foreign Individuals	7	320,648	0.77%	7	251,143	0.60%
Foreign Institutions	-	-	-	1	41,499	0.10%
	1,946	41,550,600	100.00%	1,984	41,550,600	100.00%

20 MAJOR SHAREHOLDERS OF THE COMPANY

Shareholders	2018		2017	
	No of Shares	%	No of Shares	%
Vallibel Investments (Pvt) Limited	30,277,000	72.87	30,277,000	72.87
Mr. K D A Perera	1,359,809	3.27	1,359,809	3.27
Mr. R F T Perera	1,300,000	3.13	1,250,000	3.01
Mr. S B Rangamuwa	900,000	2.17	880,092	2.12
Union Bank of Colombo PLC/ Mr. S Abishek	289,157	0.70	289,157	0.70
Mr. C S J Perera	285,200	0.69	285,200	0.69
Mr. K Sabaratnam	210,750	0.51	75,000	0.18
Mr. V R Kathiragamamby	205,000	0.49	205,000	0.49
Mr. H Beruwalage	202,800	0.49	202,800	0.49
Mr. B A R Dissanayake	200,500	0.48	200,500	0.48
Mrs. K I A Hewage	200,000	0.48	200,000	0.48
Mr. S Abishek	177,467	0.43	17,183	0.04
Mr. F J P Raj	166,350	0.40	148,778	0.36
Mrs. S P Gunasekera	158,524	0.38	149,166	0.36
Mr. D S Panditha	154,898	0.37	153,798	0.37
Mr. N Balasingam	134,900	0.32	134,900	0.32
Mr. A S Marapana	132,050	0.32	73,195	0.18
Mr. U F Strunk & Mrs. M G De A Leinenbach	125,992	0.30	-	-
Mr. A Ragupathy	120,500	0.29	97,317	0.23
Mr. D F G Dalpethado & Mrs. H F A K D Fonseka	119,385	0.28	39,932	0.09
	36,720,282	88.37	36,038,827	86.73
Others	4,830,318	11.63	5,511,773	13.27
Total	41,550,600	100.00	41,550,600	100.00

PUBLIC HOLDING

The percentage of shares held by the public being 21.49% comprising of 1,939 shareholders as at 31st March 2018.

Market Prices	Quarter Ended				Year Ended	
	30.06.2017	30.09.2017	31.12.2017	31.03.2018	31.03.2018	31.03.2017
Highest (Rs.)	71.80	74.90	75.00	75.90	75.90	71.60
Lowest (Rs.)	59.80	66.30	66.50	66.50	59.80	55.20
Closing (Rs.)	67.50	66.90	70.00	67.00	67.00	58.50

Information on Listed Debentures

MARKET VALUES OF LISTED DEBENTURES

Debentures 2014/2019	Highest		Lowest		Period End	
	2018	2017	2018	2017	2018	2017
Fixed - 14.75%	102.00	102.00	101.27	100.00	102.00	102.00
Fixed - 15.00%	100.00	N/T	100.00	N/T	100.00	N/T
Fixed - 15.50%	101.05	N/T	100.20	N/T	101.05	N/T

Debentures 2015/2020	Highest		Lowest		Period End	
	2018	2017	2018	2017	2018	2017
Fixed - 10.25%	N/T	99.28	N/T	97.73	N/T	99.28

INTEREST RATES

Debentures 2014/2019	2018		2017	
	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	2018		2017	
	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

	2018	2017
5 Year Treasury Bond	9.44%	12.89%

INTEREST YIELD AND YIELD TO MATURITY

Debentures 2014/2019	Fixed - 14.75%		Fixed - 15.00%		Fixed - 15.50%	
	2018	2017	2018	2017	2018	2017
Interest Yield	14.46%	14.46%	15.00%	15.00%	15.34%	15.50%
Yield to Maturity of last trade	13.17%	13.80%	15.00%	N/T	14.32%	N/T

Debentures 2015/2020	Fixed - 10.25%	
	2018	2017
Interest Yield	N/T	10.32%
Yield to Maturity of last trade	N/T	10.48%

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

RATIOS

	2018	2017
Debt to Equity Ratio (%)	290%	303%
Interest Cover (Times)	1.54	1.51
Liquid Asset Ratio (%) - Minimum Required 10%	18.79%	20.85%

RATING BY ICRA LANKA LIMITED

Instrument	Rated Amount	Rating Action
Issuer Rating	N/A	Revised to [SL] BBB (Stable) From [SL] BBB- Stable
Unsecured Subordinated Redeemable Debenture Programme	LKR 500 Mn	Revised to [SL] BBB- (Stable) From [SL] BB+ Stable
Guaranteed Subordinated Redeemable Debenture Programme	LKR 1,000Mn	[SL] AA- (SO) (Stable), Reaffirmed

UTILISATION OF FUNDS RAISED VIA CAPITAL MARKET

Debenture Issue	Objective Number	Objective as Per Prospectus	Amount Allowed as per Prospectus	Proposed Date of Utilization as Per Prospectus	Amount Allocated From Proceeds	% of Total Proceeds	Amounts Utilized	% Of Utilization Against Allocation	Clarification if not Fully Utilized Including Where the Funds are Invested
Rs. 500 Mn	i	To Expand and strengthen the capital base of the Company		From 11th					
	ii	Diversify the funding mix of the Company	Rs. 500 Mn	February 2014 onwards	Rs. 500 Mn	100%	Rs. 500 Mn	100%	N/Ap
	iii	To minimize the interest rate risk and gap exposure of the Company							
Rs. 1,000 Mn	i	To Expand and strengthen the capital base of the Company	Rs. 1,000 Mn	From 26th March 2015 onwards	Rs. 1,000 Mn	100%	Rs. 1,000 Mn	100%	N/Ap
	ii	To minimize the interest rate risk							

Ten Year Summary

BASED ON FINANCIAL STATEMENTS PREPARED UNDER SLFRS

For the year ended 31 March	2018	2017	2016	2015	2014	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Income Statement							
Gross Income	6,929,201,053	5,114,694,482	3,468,276,901	2,896,187,378	2,570,624,353	1,879,396,483	1,210,633,975
Interest Income	6,256,980,109	4,597,260,244	3,244,786,741	2,799,745,875	2,451,800,812	1,791,914,232	1,111,638,186
Interest Expense	3,500,249,672	2,604,049,257	1,558,667,730	1,344,337,892	1,340,464,712	1,008,844,798	536,824,726
Net Interest Income	2,756,730,437	1,993,210,987	1,686,119,011	1,455,407,983	1,111,336,100	783,069,434	574,813,460
Net Fee and Commission Income	248,286,443	189,052,650	109,128,266	50,314,825	43,082,243	31,255,381	21,941,300
Other Operating Income	423,934,501	328,381,588	114,361,894	46,243,968	75,741,298	56,226,870	77,054,489
Operating Expenses and provisions	1,534,557,627	1,186,174,036	997,873,594	918,906,755	741,149,517	402,623,499	285,785,791
Profit Before Taxation	1,894,393,754	1,324,471,189	911,735,577	632,942,731	489,010,124	467,928,186	388,023,458
Provision for Taxation	875,756,360	598,312,215	398,471,056	260,156,129	185,099,891	173,395,744	156,847,326
Net Profit	1,018,637,394	726,158,974	513,264,521	372,786,602	303,910,233	294,532,442	231,176,132

As at 31st March	2018	2017	2016	2015	2014	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and Cash Equivalents	1,021,651,531	806,206,582	519,315,084	357,722,928	311,612,928	239,915,519	79,321,134
Placements with Bank's and Other Finance Companies	2,076,192,145	2,243,112,840	1,312,169,859	1,768,499,428	1,146,244,786	698,087,988	210,974,451
Reverse Repurchase Agreements	630,286,027	810,190,562	1,679,716,852	1,353,477,948	112,017,262	-	-
Financial Investments - Held for Trading	1,938,675	1,761,300	4,067,378	4,822,336	5,101,684	14,329,011	12,283,156
Assets Held for Sale	23,919,000	-	-	-	-	-	-
Loans and Receivables to Finance Companies	-	-	-	-	-	16,472,400	16,472,400
Loans and Receivables to Other Customers	18,073,714,310	12,466,944,145	7,251,676,658	3,307,495,086	1,149,653,055	631,715,458	305,257,922
Lease Rental and Hire Purchase Receivables	12,753,940,053	12,311,135,772	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	208,703,800	510,085,388	104,658,351	120,529,779	113,965,232	203,800	203,800
Financial Investments - Held to Maturity	1,920,722,472	1,019,286,080	300,794,154	296,296,416	612,634,968	281,718,777	251,392,472
Other Financial Assets	16,971,763	20,827,738	15,968,593	11,806,411	7,912,643	6,343,169	17,656,274
Property, Plant and Equipment	1,445,289,701	315,103,615	194,787,387	181,172,558	127,325,987	116,748,120	105,792,958
Intangible Assets	14,568,813	10,297,779	4,129,612	4,188,589	4,355,878	5,997,534	-
Deffered Tax Assets	16,019,726	8,525,324	37,147,476	66,516,415	33,785,749	2,142,794	1,092,818
Other Assets	202,358,542	161,618,964	114,516,593	159,599,520	165,575,145	137,949,156	155,102,646
Total Assets	38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289	12,578,713,620	9,303,949,343	6,673,964,919

BASED ON FINANCIAL STATEMENTS PREPARED UNDER SLFRS

As at 31st March	2018	2017	2016	2015	2014	2013	2012
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities							
Bank Overdrafts	1,839,144,681	1,487,193,561	1,224,665,038	463,536,788	233,878,618	360,101,982	82,765,639
Rental Received in Advance	308,688,009	243,881,527	208,870,398	170,421,167	136,928,230	164,624,026	76,741,268
Deposits due to Customers	22,186,879,453	17,863,861,472	14,804,037,141	12,162,096,690	9,299,977,850	6,268,210,181	4,024,406,195
Interest bearing Borrowings	8,011,421,404	6,043,391,985	2,243,116,105	299,522,795	542,516,837	951,201,653	1,399,833,703
Subordinated Term Debts	1,550,967,094	1,700,465,782	1,917,563,133	1,859,653,357	898,088,784	399,255,587	232,764,384
Current Tax Liabilities	364,888,378	209,076,751	38,687,596	93,290,845	88,294,895	41,938,998	52,416,626
Deferred Tax Liabilities	385,537,287	270,783,875	182,865,531	88,459,437	74,288,962	65,089,176	40,018,009
Other Liabilities	400,427,054	279,104,569	190,776,252	220,230,653	111,124,087	109,699,079	76,721,663
Retirement Benefit Obligations	57,213,310	29,716,585	27,669,222	22,125,917	12,872,166	7,652,838	3,902,921
Total Liabilities	35,105,166,670	28,127,476,107	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	287,153,000	287,153,000
Statutory Reserves	732,136,173	528,408,694	383,176,899	280,523,995	333,906,930	237,580,979	130,551,881
Available For Sale Reserve	-	(6,834,947)	(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	7,500,000	7,500,000
Retained Earnings	2,274,320,715	1,741,393,235	1,259,105,123	929,735,134	548,128,273	403,941,844	259,189,630
Total Shareholders' Funds & Total Liabilities	38,406,276,558	30,685,096,089	22,767,176,341	16,893,507,289	12,578,713,619	9,303,949,343	6,673,964,919

Ten Year Summary

For the year ended 31 March	2018	2017	2016	2015	2014	2013	2012
Information on Ordinary Shares							
Earnings per Share (Rs.)	24.52	17.48	12.35	8.97	7.31	7.09	5.56
Net Assets per Share (Rs.)	79.45	61.55	46.42	36.44	28.42	22.53	16.47
Interest Cover (Times)	1.54	1.51	1.58	1.47	1.36	1.46	1.72
Dividend Per Share (Rs.) *	3.00	2.50	2.00	1.00	1.50	1.00	0.50
Dividend Payout (%)	17.17	20.24	22.29	13.67	21.16	17.97	19.29
Market Value Per Share	67.00	58.50	53.70	45.00	29.70	28.30	38.80
P/E Ratio (Times)	2.73	3.35	4.35	5.02	4.06	3.99	6.97

* The Company has paid an Interim Dividend of Rs. 3.50 per share for the Financial Year ended 31st March 2018.

Ratios (%)							
Return on Shareholders Funds (%)	30.86	28.39	26.61	24.62	25.74	31.46	33.78
Liquid Assets as a % of Deposits (%)	26.40	30.17	26.46	32.04	24.69	19.46	13.46
Growth in Income (%)	35.48	47.47	19.75	12.66	36.78	55.24	89.26
Growth in Interest Expenses (%)	34.42	67.07	15.94	0.29	32.87	87.93	99.15
Growth in Other Expenses (%)	29.37	18.87	8.59	23.98	84.08	40.88	106.06
Growth in Profit After Tax (%)	40.28	41.48	37.68	22.66	3.18	27.41	114.64
Growth in Advances (%)	24.42	34.08	47.03	26.47	27.67	33.27	78.82
Growth in Deposits (%)	24.20	20.67	21.72	30.78	48.37	55.75	50.06
Growth on Shareholders' Funds (%)	29.07	32.59	27.39	28.24	26.12	36.79	30.73

Ten Year Summary

BASED ON FINANCIAL STATEMENTS PREPARED UNDER SLAS

For the year ended 31 March	2011	2010	2009
	Rs.	Rs.	Rs.
Income Statement			
Gross Income	639,660,503	426,093,169	376,368,752
Interest Income	595,382,652	413,871,000	364,278,447
Interest Expense	269,555,960	233,952,166	236,607,948
Net Interest Income	325,826,692	179,918,834	127,670,499
Other Operating Income	44,277,851	12,222,169	12,090,305
Operating Expenditure	138,687,765	84,787,295	66,939,687
Profit Before Taxation	231,416,778	107,353,708	72,821,117
Provision for Taxation	123,710,483	65,468,118	40,628,587
Net Profit	107,706,295	41,885,590	32,192,530

As at 31st March	2011	2010	2009
	Rs.	Rs.	Rs.
Assets			
Liquid Assets	356,060,756	172,712,628	284,252,629
Investments in Dealing Securities	4,668,076	445,727	314,117
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
Other Assets	177,478,281	44,531,957	42,515,016
Property, Plant & Equipment	78,882,526	12,765,533	9,701,836
Total Assets	3,889,581,108	1,797,891,703	1,456,519,022
Liabilities			
Bank Overdrafts	49,660,559	87,044,952	12,369,889
Borrowings	449,322,933	169,214,636	310,382,379
Deposits From Customers	2,596,232,472	1,139,477,444	820,547,319
Other Liabilities	326,229,359	135,349,881	80,530,880
Total Liabilities	3,421,445,323	1,531,086,913	1,223,830,467
Shareholders' Funds			
Stated Capital/Share Capital	287,153,000	172,753,000	172,753,000
Reserves	180,982,785	94,051,790	59,935,555
Total Shareholders' Funds & Total Liabilities	3,889,581,108	1,797,891,703	1,456,519,022

Ten Year Summary

For the year ended 31 March	2011	2010	2009
Information on Ordinary Shares			
Earnings per Share (Rs.)	2.63	1.34	2.32
Net Assets per Share (Rs.)	11.27	8.56	14.94
Interest Cover (Times)	1.86	1.46	1.31
Dividend per Share (Rs.)	1.00	0.50	-
Dividend Payout (%)	37.31	21.55	-
Market Value Per Share	49.50	-	-
P/E Ratio (Times)	18.82	-	-
Ratios (%)			
Return on Shareholders Fund (%)	23.01	15.70	13.84
Liquid Assets as a % Of Deposits (%)	13.71	15.16	34.64
Growth in Income (%)	50.12	13.21	198.81
Growth in Interest Expenses (%)	15.22	(1.12)	236.46
Growth in Other Expenses (%)	63.57	26.66	128.62
Growth in Profit After Tax (%)	157.14	30.11	180.76
Growth in Advances (%)	109.86	39.91	43.77
Growth in Deposits (%)	127.84	38.87	73.23
Growth on Shareholders' Fund (%)	75.46	14.66	101.47

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.274/A, Anagarika Dharmapala Mawatha,Matara	041-7687687	041-7687689	Mr. Dilak Wanigathunga
Kurunegala	No.395, Colombo Road, Kurunegala	037-7687687	037-7687689	Mr. Dushantha De Silva
Negombo	No.178,Colombo Road,Negombo	031-7687687	031-7687689	Mr. Andrew De Silva
Gampaha	No.55,Yakkala Road,Gampaha	033-7687687	033-7687689	Mr. Ajith Rathnamalala
Galle	No.128, Main Street, Galle	091-7687687	091-7687689	Mr. Jagath Mendis
Chilaw	No. 84, Kurunegala Road, Chilaw	032-7687687	032-7687689	Mr. Wasantha Kumara
Kuliypitiya	No. 111, Kurunegala Road, Aswedduma wattha, Kuliypitiya	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. Madhura Jayasekara
Bandarawela	No. 197, Badulla Road, Bandarawela	0577-687687	0577-687689	Mr. Chaminda Attanayake
Kalutara	No. 302,Galle Road, Kalutara South	0347-387387	0347-387389	Mr. Priyantha Silva
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. Chamara Perera
Rajagiriya	No. 600/A, Nawala Road, Rajagiriya	0117-489489	0117-489479	Mr. Dilhan Liyanage

Branch Network

Kaduruwela	No. 292, Batticaloa Road, Kaduruwela	0277-687687	0277-687689	Mr. Sirimal Priyantha
Piliyanadala	No. 84, Colombo Road, Piliyandala	0117-595595	0117-595599	Mr. Asoka Dilruk
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. Gayan Kumarasinghe
Borella	No.58, Castle Street, Borella	0117-876876	0117-876879	Mr. Sudheera Sampath
Mount Lavinia	No 340, Galle road, Mt.lavinia	0117-867867	0117-867869	Mr. Kumara Thennekumbura
Balangoda	No.86 C, Barnes Rathwaththa Mawatha, Balangoda	0457-857857	0457-857859	Mr.Mahesh Abesingha
Uragasmanhandiya	No.52,Main Street,Uragasmanhandiya	0917-796796	0917-796799	Mr.Hirantha Dissanayake
Nuwara Eliya	No.78,Kandy Road, Nuwara Eliya	0527-687687	052-7687689	Mr.Nilan Siriwardana
Hanwella	No.133/C, Awissawella Road,Hanwella	0367-687687	0367-687689	Mr.Manjula Rathantha
Wennappuwa	No.200, Main Street, Wennappuwa	0317-487487	0317-487489	Mr.Tephan Sosa
Kurunegala Metro	No 36,Surathissa Mawatha,Kurunegala	0377-889889	0377-889899	Mr. Asinil Perera

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 post employment 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.

Glossary of Financial Terms

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.

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 Value per Share

Shareholders' funds divided by the number of ordinary shares in issue.

Net Interest Income

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

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

Return on Assets (ROA)

Net profit after tax divided by the average assets.

Return on 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 2018 at 10.00 a.m at the Members Lounge of The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 7, 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 2018 with the Report of the Auditors thereon.
2. To elect Mr. S S Weerabahu in terms of Article 94 of the Articles of Association, as a Director.
3. To re-elect Mr. A Dadigama who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.
4. To re-appoint the retiring Auditors Messrs KPMG, Chartered Accountants as the Company's Auditors and to authorise the Directors to determine their remuneration.

5. To authorise the Directors to determine donations for the year ending 31st March 2019 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

30th May 2018
Colombo

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote on behalf of him/her.
2. A proxy need not be a shareholder of the Company.
3. The Form of Proxy is enclosed for this purpose.
4. The completed Form of Proxy must be deposited at the Registered Office of the Company; No. 310, Galle Road, Colombo 3, not less than forty seven (47) hours prior to the time appointed for the meeting.

Notes

A series of horizontal dotted lines for writing notes.

Form of Proxy

I/We* holder of NIC No.
of

being a shareholder / shareholders* of Vallibel Finance PLC hereby appoint

..... holder of 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	or failing him*
Mr. S S Weerabahu	of Colombo

as my/our* proxy to represent me/us*, to speak and to vote as indicated hereunder for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 28th June 2018 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 elect Mr. S S Weerabahu in terms of Article 94 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr. A Dadigama who retires by rotation in terms of Articles 87 and 88 of the Articles of Association, as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-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"/>
4. To authorise the Directors to determine donations for the year ending 31st March 2019 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 Eighteen.

.....
Signature of Shareholder(s)

*Please delete what is inapplicable.

Note:

1. Instructions as to completion appear on the reverse.
2. A Proxy need not be a shareholder of the Company.

Form of Proxy

Instructions for completion

1. Kindly perfect the Form of Proxy by filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. The completed Form of Proxy should be deposited at the Registered Office of the Company No. 310, Galle Road, Colombo 03, Sri Lanka, forty seven (47) hours prior to the time appointed for the Meeting.
3. If you wish to appoint a person other than the Chairman or a Director of the Company as your Proxy, please insert the relevant details in the space provided (above the names of the Board of Directors) on the Proxy Form.
4. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney must be deposited at the Secretaries' Office (i.e. 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 K D D Perera - Executive Director

Mr. R M Karunaratne

Mr. T Murakami

Mr. K D A Perera

Mr. A Dadigama

Mr. S S Weerabahu

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.

Cargills Bank

No.696,
Galle Road
Colombo 03.

Union Bank

Head Office Branch
No. 64,Galle Road
Colombo 03.

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