

ABANS FINANCE PLC

INTERIM FINANCIAL STATEMENTS

31 MARCH 2013



Abans
FINANCE

Abans Finance PLC

STATEMENT OF FINANCIAL POSITION

As at 31st March 2013

	2013 Rs.	2012 Rs. (Restated)	2011 Rs. (Restated)
Assets			
Cash and Bank Balances	33,802,530	24,020,124	12,497,604
Placement With Banks	125,140,325	25,480,047	65,103,633
Repurchase Agreements	-	15,362,988	65,861,000
Financial Investments - Held for Trading	8,336,547	8,085,928	11,716,200
Loans and Advances	836,056,102	973,335,065	773,016,914
Lease rentals receivable & Stock out on hire	1,550,513,004	1,239,972,311	906,090,902
Financial Investments - Available for Sale	80,400	80,400	80,400
Financial Investments - Held to Maturity	168,522,407	193,296,448	90,901,970
Other financial assets	15,933,475	14,918,387	19,317,363
Real Estate & Vehicle Stock	133,841,502	144,617,200	135,883,066
Other Non Financial Assets	25,212,484	25,988,315	13,354,847
Tax Recoverable	-	6,602,177	10,274,326
Intangible Assets	12,268,901	10,410,217	12,900,571
Property, Plant & Equipment	16,608,245	19,253,353	16,984,243
Deferred tax assets	3,190,302	3,190,302	25,118,991
Total Assets	<u>2,929,506,224</u>	<u>2,704,613,262</u>	<u>2,159,102,030</u>
Liabilities			
Due to Banks	359,435,795	383,057,225	153,893,325
Due to Customers	1,765,882,547	1,672,108,740	1,519,571,106
Debt Instruments Issued and Other borrowed funds	174,325,058	99,374,620	24,999,996
Other Financial Liabilities	168,376,898	134,244,122	85,763,706
Other Non Financial Liabilities	2,525,232	4,911,976	6,275,498
Retirement Benefit Liability	5,833,972	3,716,168	5,619,334
Current tax liabilities	8,894,740	-	-
Total liabilities	<u>2,485,274,242</u>	<u>2,297,412,851</u>	<u>1,796,122,965</u>
Shareholders' Funds			
Stated Capital	382,373,630	382,373,630	382,373,630
Statutory Reserve Fund	20,201,500	20,201,500	9,519,900
Investment Fund Reserve	14,723,672	7,833,381	-
Retained Earnings	26,933,180	(3,208,100)	(28,914,465)
Total Shareholders' Funds	<u>444,231,982</u>	<u>407,200,411</u>	<u>362,979,065</u>
Total Liabilities and Shareholders' Funds	<u>2,929,506,224</u>	<u>2,704,613,262</u>	<u>2,159,102,030</u>
Commitments and Contingencies	<u>-</u>	<u>-</u>	<u>-</u>
Net Assets Per Share (Rs.)	<u>12.01</u>	<u>11.01</u>	<u>9.81</u>

The figures presented above are provisional and subject to Audit

These Financial Statements are in compliance with the requirements of the Companies Act No.07 of 2007.

R.M.C.K.Bandara (Sgnd)
Chief Finance Officer

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

R.Pestonjee (Sgnd)
Director

K.B.Wanigasekara (Sgnd)
Director

28th May 2013
Colombo

ABANS FINANCE PLC
STATEMENT OF COMPREHENSIVE INCOME

	For The Quarter Ended 31 March 2012		For The Year Ended 31 March 2012	
	2013 Rs.	(Restated) Rs.	2013 Rs.	(Restated) Rs.
Gross Income	<u>164,329,079</u>	<u>122,978,031</u>	<u>570,344,913</u>	<u>458,963,774</u>
Interest Income	152,601,906	117,882,889	541,111,997	434,997,143
Interest Expenses	<u>(90,085,699)</u>	<u>(61,693,435)</u>	<u>(328,177,272)</u>	<u>(221,598,716)</u>
Net Interest Income	62,516,207	56,189,454	212,934,725	213,398,427
Fee and Commission Income	9,992,282	3,784,070	24,513,497	19,240,537
Fee and Commission Expenses	<u>(4,060,590)</u>	<u>(324,944)</u>	<u>(7,055,624)</u>	<u>(3,855,418)</u>
Net Fee and Commission Income	5,931,692	3,459,126	17,457,873	15,385,119
Net gain/(loss) from trading	185,412	(295,412)	449,377	(2,869,873)
Other Operating Income (net)	<u>1,549,479</u>	<u>1,311,072</u>	<u>4,270,042</u>	<u>4,726,094</u>
Total Operating Income	70,182,790	60,664,240	235,112,017	230,639,767
Impairment (Charges) / Reversal for loans and other losses	(5,211,149)	3,748,417	(5,143,120)	(2,649,111)
Net Operating Income	<u>64,971,641</u>	<u>64,412,657</u>	<u>229,968,897</u>	<u>227,990,656</u>
Operating Expenses				
Personnel Costs	(18,162,213)	(13,287,009)	(73,462,698)	(59,572,261)
Other Operating Expenses	(24,741,284)	(20,902,233)	(90,702,131)	(82,234,335)
Operating Profit before Value Added Tax on Financial Services	22,068,144	30,223,415	65,804,068	86,184,060
Value Added Tax on Financial Services	(1,928,495)	(2,156,595)	(7,585,827)	(8,379,298)
Profit before Taxation from Operations	20,139,649	28,066,820	58,218,241	77,804,762
Provision for Income Taxation	<u>(6,462,417)</u>	<u>(15,609,926)</u>	<u>(21,186,670)</u>	<u>(33,583,417)</u>
Profit for the Year	<u>13,677,232</u>	<u>12,456,894</u>	<u>37,031,571</u>	<u>44,221,345</u>
Other Comprehensive Income				
Net Gains and Losses on Remeasuring Available for sale Financial Assets	-	-	-	-
Other Comprehensive Income for the year net of tax	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the year	<u>13,677,232</u>	<u>12,456,894</u>	<u>37,031,571</u>	<u>44,221,345</u>
Earnings Per Share (Rs)	<u>1.48</u>	<u>1.35</u>	<u>1.00</u>	<u>1.20</u>

The figures presented above are provisional and subject to Audit.

28th May 2013

Colombo

STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2013

	Stated Capital Rs.	Retained Earnings Rs.	Statutory Reserve Rs.	Investment Fund Reserve Rs.	Total Rs.
Balance as at 1 April 2011	382,373,630	-28,914,465	9,519,900	-	362,979,065
Net profit for the year		44,221,346			44,221,346
Other comprehensive income net of tax					-
Transfer to Statutory Reserve		-10,681,600	10,681,600		-
Transfer to Investment Fund Reserve		-7,833,381		7,833,381.00	-
Appropriation of Bad Debts					-
Final Dividend for 2010/11					-
Balance as at 31 March 2012	<u>382,373,630</u>	<u>- 3,208,100</u>	<u>20,201,500</u>	<u>7,833,381</u>	<u>407,200,411</u>
Net profit for the year		37,031,570			37,031,571
Other comprehensive income net of tax					-
Transfer to Statutory Reserve					-
Transfer to Investment Fund Reserve		(6,890,290)		6,890,290	-
Appropriation of Bad Debts					-
Final Dividend for 2011/12					-
Balances as at 31 March 2013	<u>382,373,630</u>	<u>26,933,180</u>	<u>20,201,500</u>	<u>14,723,671</u>	<u>444,231,982</u>

The figures presented above are provisional and subject to Audit.

28th May 2013
Colombo

CASH FLOW STATEMENT

Year Ended 31 March 2013

	2013	2012
	Rs.	Rs.
Cash Flows From / (Used in) Operating Activities		
Profit before Income Tax Expense	58,218,241	77,804,763
Adjustments for		
Depreciation	5,571,554	5,714,825
Amortisation of Intangible Assets	2,850,401	2,591,334
Impairment provision	5,143,120	2,649,110
Interest cost on Finance Lease	-	-
Loss/(Profit) from Sale of Investments	-	(506,112.00)
Diminution/(Appreciation) in value of investments	(246,458)	3,523,259.00
Loss/(Profit) on disposal of property & equipment	2,677	(246)
Provision/(reversal) for Defined Benefit Plans	2,484,442	(1,053,415)
Dividend Received	(198,758)	(152,801)
Operating Profit before Working Capital Changes	73,825,219	90,570,717
(Increase)/Decrease in Real Estate Stock	10,775,699	(8,734,134)
(Increase)/Decrease in Loans and Advances	137,278,963	(200,318,151)
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire	(310,540,694)	(333,881,409)
(Increase)/Decrease in Other Financial Assets	(1,015,084)	4,398,977
(Increase)/Decrease in Other Non Financial Assets	775,830	(12,633,468)
Increase/(Decrease) in Amounts Due to Customers	93,773,807	152,537,634
Increase/(Decrease) in Other Financial Liabilities	34,132,776	48,480,417
Increase/(Decrease) in Other Non Financial Liabilities	(2,386,743)	(1,363,524)
Cash Generated from Operations	36,619,773	(260,942,941)
Retirement Benefit Liabilities Paid	(366,638)	(849,750)
Taxes Paid	(5,689,754)	(7,985,624)
Net Cash From/(Used in) Operating Activities	30,563,381	(269,778,315)
Cash Flows from / (Used in) Investing Activities		
Acquisition of Property, Plant & Equipment	(3,088,945)	(7,997,761)
Acquisition of Intangible Assets	(4,709,086)	(100,980)
Proceeds from Sales of Property, Plant & Equipment	159,821	14,071
Financial investments held -for- trading	-	2,335,829
Sale/(Purchase) of Placement with banks	14,997,175	4,997,652
Sale/(Purchase) of financial investments- held to maturity	19,798,539	52,073,562
Securities sold under re-purchase agreements	-	-
Dividend Received	198,758	152,801
Net Cash Flows from/(Used in) Investing Activities	27,356,262	51,475,174
Cash Flows from / (Used in) Financing Activities		
Cash Flow from Debt Instruments Issued and Other borrowings	92,090,877	212,317,921
Net Cash Flows from/(Used in) Financing Activities	92,090,877	212,317,921
Net Increase in Cash and Cash Equivalents	150,010,520	(5,985,220)
Cash and Cash Equivalents at the beginning of the year	36,043,024	42,028,242
Cash and Cash Equivalents at the end of the year	186,053,544	36,043,022

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28th May 2013
Colombo

ABANS FINANCE PLC
FINANCIAL REPORTING BY SEGMENT

For the Year Ended 31st March 2013	Leasing		Hirepurchase		Term Loans		Others		Total	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Interest Income	111,508,193	67,939,785	187,818,078	151,008,894	211,022,044	196,513,483	30,763,682	19,534,980	541,111,996	434,997,143
Fee Based Income & Others	9,752,738	6,003,979	8,228,542	8,919,004	6,532,217	4,317,555	692,198		25,205,696	19,240,537
Unallocated Income									4,027,222	4,726,094
Total Revenue	121,260,931	73,943,764	196,046,620	159,927,898	217,554,261	200,831,038	31,455,880	19,534,980	570,344,914	458,963,774
Interest Expences	(72,062,603)	(37,709,692)	(102,763,782)	(70,720,389)	(107,684,465)	(79,761,002)	(45,666,422)	(33,407,633)	(328,177,272)	(221,598,716)
Fee Based Expences & Others	(2,008,305)	-	(2,863,913)	-	(2,183,406)	(494,418)	-	(6,230,873)	(7,055,624)	(6,725,291)
Impairment	(7,305,670)	(17,798,186)	(416,224)	6,970,915	2,578,775	8,178,160			(5,143,120)	(2,649,110)
Net Operating Income	39,884,353	18,435,886	90,002,701	96,178,425	110,265,165	128,753,778	(14,210,542)	(20,103,526)	229,968,898	227,990,657
Unallocated Expenses									(171,750,656)	(150,185,894)
Profits/ (Loss) before Tax									58,218,242	77,804,762
Income Tax expenses									(21,186,670)	(33,583,417)
Net Profit /(Loss) for the period									37,031,571	44,221,345
Segment Assets	693,616,175	466,862,716	856,896,829	773,109,595	836,056,101	973,335,064	435,921,180	386,923,012	2,822,490,285	2,600,230,387
Unallocated Assets									107,015,938	104,382,875
Total Assets	693,616,175	466,862,716	856,896,829	773,109,595	836,056,101	973,335,064	435,921,180	386,923,012	2,929,506,224	2,704,613,262
Unallocated Liabilities									2,929,506,224	2,704,613,262
Total Liabilities									2,929,506,224	2,704,613,262

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

FIRST- TIME ADOPTION OF LKAS AND SLFRSs

	Reconciliation of Balance Sheet as at 31 March 2012			Reconciliation of Balance Sheet as at 31 March 2013		
	SLAS Rs.	Remeasurements Rs.	SLFRS/LKAS Rs.	SLAS Rs.	Remeasurements Rs.	SLFRS/LKAS Rs.
Assets						
Cash and Bank Balances	24,020,124	-	24,020,124	12,497,604	-	12,497,604
Placement with banks	25,480,047	-	25,480,047	65,103,633	-	65,103,633
Repurchase Agreement	15,362,988	-	15,362,988	65,861,000	-	65,861,000
Financial Investments - Held for Trading	8,085,928	-	8,085,928	11,710,673	5,527	11,716,200
Loans and Advances	985,293,071	(11,958,006)	973,335,065	789,634,950	(16,618,036)	773,016,914
Lease rentals receivable & Stock out on hire	1,237,789,597	2,182,714	1,239,972,311	895,253,101	10,837,801	906,090,902
Financial Investments - Held to Maturity	193,296,448	-	193,296,448	90,901,970	-	90,901,970
Financial Investments - Available for Sale	80,400	-	80,400	80,400	-	80,400
Other Financial Assets	20,327,032	(5,408,645)	14,918,387	21,735,419	(2,418,056)	19,317,363
Real Estate & Vehicle Stock	144,617,200	-	144,617,200	135,883,066	-	135,883,066
Other Non Financial Assets	19,418,241	6,570,074	25,988,315	6,453,857	6,900,990	13,354,847
Tax Recoverable	6,602,177	-	6,602,177	10,274,326	-	10,274,326
Intangible Assets	693,676	9,716,541	10,410,217	1,392,023	11,508,548	12,900,571
Property, Plant & Equipment	17,867,681	1,385,672	19,253,353	15,460,004	1,524,239	16,984,243
Deferred tax assets	3,190,302	-	3,190,302	25,118,991	-	25,118,991
Total Assets	2,702,124,912	2,488,350	2,704,613,262	2,147,361,017	11,741,013	2,159,102,030
Liabilities						
Due to Banks	383,057,225	-	383,057,225	153,893,325	-	153,893,325
Due to Customers	1,672,778,499	(669,759)	1,672,108,740	1,520,174,490	(603,384)	1,519,571,106
Debt Instruments Issued and Other borrowed funds	99,374,620	-	99,374,620	24,999,996	-	24,999,996
Other Financial Liabilities	134,244,122	-	134,244,122	85,763,706	-	85,763,706
Other Non Financial Liabilities	4,911,976	-	4,911,976	6,275,498	-	6,275,498
Retirement Benefit Liability	3,716,168	-	3,716,168	5,619,333	-	5,619,333
Total liabilities	2,298,082,610	(669,759)	2,297,412,851	1,796,726,348	(603,384)	1,796,122,964
Shareholders' Funds						
Stated Capital	382,373,630	-	382,373,630	382,373,630	-	382,373,630
Statutory reserve	20,201,500	-	20,201,500	9,519,900	-	9,519,900
Investment Fund	7,833,381	-	7,833,381	-	-	-
Retained Earnings	(6,366,209)	3,158,109	(3,208,100)	(41,258,861)	12,344,397	(28,914,464)
Total Shareholders' Funds	404,042,302	3,158,109	407,200,411	350,634,669	12,344,397	362,979,066
Total Liabilities and Shareholders' Funds	2,702,124,912	2,488,350	2,704,613,262	2,147,361,017	11,741,013	2,159,102,030

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2013

FIRST- TIME ADOPTION OF LKAS AND SLFRSs (Contd.)**Reconciliation of Income Statement for the year ended 31 March 2012**

	Note	SLAS Rs.	Remeasurements Rs.	SLFRS/LKAS Rs.
Interest Income		441,373,663	(6,376,520)	434,997,143
Interest Expense		<u>(221,665,092)</u>	66,376	<u>(221,598,716)</u>
Net Interest Income		219,708,571		213,398,427
Fee and Commission Income		19,240,537		19,240,537
Fee and Commission Expenses		<u>(3,855,418)</u>		<u>(3,855,418)</u>
Net Fee and Commission Income		15,385,119		15,385,119
Net gain/(loss) from trading		(2,864,346)	(5,527)	(2,869,873)
Other Operating Income (net)		4,726,094		4,726,094
Total Operating Income		236,955,438		230,639,767
Less : Operating Expenses				
Personnel Costs		(58,348,746)	(1,223,515)	(59,572,261)
Other Operating Expenses		(79,061,372)	(3,172,963)	(82,234,335)
Impairment (Charges) / Reversal for loans and other losses		<u>(4,174,981)</u>	1,525,870	<u>(2,649,111)</u>
Profits from Operations		95,370,339		86,184,060
Less :Value Added Tax on Financial Services		<u>(8,379,298)</u>	-	<u>(8,379,298)</u>
Profit Before Taxation		86,991,041		77,804,762
Less :Provision for Income Taxation		<u>(33,583,417)</u>	-	<u>(33,583,417)</u>
Profit for the Period		<u>53,407,624</u>	<u>(9,186,279)</u>	<u>44,221,345</u>

ABANS FINANCE PLC**NOTES TO THE FINANCIAL STATEMENTS****For 31st March 2013****(a). MARKET VALUE PER SHARE FOR THE QUARTER ENDED,**

	31st March 2013	31st March 2012
Highest	Rs.37.80	Rs.73.90
Lowest	Rs.26.20	Rs.37.00
Closing	Rs.29.00	Rs.40.30

(b).

The Financial Statements of the Company (Statement of Financial Position, Income Statement and Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31st March 2013 are prepared in accordance with Sri Lanka Accounting Standards comprising of SLFRSs and LKASs (hereafter referred as SLFRSs), as laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No. 07 of 2007.

For all periods up to the year ended 31st March 2012 and interim financial statements for the period ended 30th September 2012 & 31st December 2012, the Company has prepared its financial statements in accordance with the Sri Lanka Accounting Standards which were applicable prior to January 1, 2012. These financial statements for the year ended 31st March 2013 are the first set of financial statements of the company accordance with SLFRSs. These SLFRSs are in effective from April 1, 2012 and comparatives (year 2011 and 2012) also reclassified and re-measured. Hence the date of transition to SLFRS is April 1, 2011.

The accounting policies have been consistently applied by the company with those of the previous financial year in accordance with LKAS 01 Presentation of Financial Statements, except those which had to be changed as a result of application of the new SLFRS. Summary of significant accounting policies (which require changes) applied in preparation of interim financial statements are set out in the annexure. Further, comparative information is reclassified whenever necessary to comply with the current presentation.

These Interim Financial Statements have been prepared in accordance with LKAS 34 - Interim Financial Reporting and present information required by Listing Rules of Colombo Stock Exchange. These Financial Statements are drawn up from the unaudited financial Statements of the company unless otherwise indicated.

(c). COMMITMENTS AND CONTINGENCIES

There were no significant capital commitments as at the Balance Sheet date.

(d). PUBLIC HOLDING

Public Share holding as at 31st March 2013 is, 10.72%.

(e). EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have been no material events occurring after the Balance Sheet date that require adjustment or disclosure in the Financial Statements

(f). DIRECTORS AND CEO's SHAREHOLDING

NAME OF THE DIRECTOR	31st March 2013		31st March 2012	
	NO.OF SHARES	(%)	NO.OF SHARES	(%)
MRS. SAROSHI DUBASH	133,334	0.36	133,334	0.36
MR. R PESTONJEE	106,801	0.29	106,801	0.29
MR. C D PATHIRANA	NIL	0.00	NIL	0.00
MR. K B WANIGASEKARA	NIL	0.00	NIL	0.00
MR. V K CHOKSY	NIL	0.00	NIL	0.00
MR. T SOMESHWARAN	NIL	0.00	NIL	0.00

(g). TWENTY LARGEST SHAREHOLDERS

NAME OF THE SHAREHOLDER	31st March 2013		31st March 2012	
	NO.OF SHARES	(%)	NO.OF SHARES	(%)
1 ABANS (PVT) LIMITED	31,195,367	84.31	31,195,367	84.31
2 MR. P N PESTONJEE	679,560	1.84	674,899	1.82
3 MR. B PESTONJEE	519,732	1.40	533,334	1.44
4 MR. P K PESTONJEE	370,100	1.00	370,000	1.00
5 MR. D S KARUNAKARAN	370,000	1.00	370,000	1.00
6 MISS. C V SUMANADASA	370,000	1.00	370,000	1.00
7 MR. K KUNENTHIRAN	370,000	1.00	370,000	1.00
8 MRS. H G S CHANDRAKANTHI	370,000	1.00	370,000	1.00
9 MR. A H A JAYASINGHE	370,000	1.00	370,000	1.00
10 MR. N N PERERA	370,000	1.00	370,000	1.00
11 MRS. M V I F FERNANDO	370,000	1.00	370,000	1.00
12 MISS. I N JALALDEEN	366,400	0.99	366,400	0.99
13 MRS. S DUBASH	133,334	0.36	133,334	0.36
14 MR. R PESTONJEE	106,801	0.29	106,801	0.29
15 A B COLD STORAGE (PRIVATE)	100,000	0.27	100,000	0.27
16 CLEANTECH PVT LTD	100,000	0.27	100,000	0.27
17 AB SECURITAS (PRIVATE) LIMITE	100,000	0.27	100,000	0.27
18 MRS. ABAN PESTONJEE	66,667	0.18	66,667	0.18
19 MR. S G SALGADO	66,600	0.18	66,600	0.18
20 MR. G C GOONETILLEKE	30,000	0.08	30,000	0.08
	36,424,561	98.44	36,433,402	98.47
OTHERS	575,439	1.56	566,598	1.53
TOTAL	37,000,000	100	37,000,000	100

ANNEXURE

01. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and balance with banks. For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and short term deposits as defined above, net of unfavourable bank balances.

1.2 Financial Assets – Initial recognition and subsequent measurement

Financial assets within the scope of LKAS 39 are classified as, Loans and Advances, Lease Rental Receivables Financial investments held-to-maturity, financial investments available-for-sale, financial investments held for trading as appropriate. The Company determines the classification of its financial assets at initial recognition.

1.2.1 Date of recognition

All financial assets are initially recognized on the trade date, i.e., the date that the company becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

1.2.2 Initial measurement of financial Assets

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them. All financial assets are measured initially at their fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

1.2.3 Financial assets held for trading

Financial assets held for trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net trading income'. Dividend income is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

1.2.4 Available for sale financial assets

Available for sale investments include non-quoted equity 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.

Dividends earned whilst holding available for sale financial investments are recognized in the income statement as 'Other operating income' when the right of the payment has been established. Currently, the Company has recorded its non-quoted equity investments classified as available for sale financial instruments at cost.

1.2.5 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. Subsequent to initial recognition, held to maturity financial investments are measured at amortized cost using the Effective Interest Rate (EIR), less impairment.

1.2.6 Loans and advances to customers and Lease Rental Receivables from customers

Loans and advances to customers and Lease Rental Receivables from customers include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

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

After initial measurement, amounts 'loans and advances to customers and Lease Rental Receivables from customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment.

1.3 De-recognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either:
 - The company has transferred substantially all the risks and rewards of the asset. OR
 - The company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

1.4 Impairment of Financial Assets

The company assesses at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Loans and advances to customers and Lease Rental Receivable from customers

Losses for impaired loans are recognized promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and for groups of loans, this is done collectively. Impairment losses are recorded as charges to the income statement. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognized.

Collectively assessed loans and advances customers and Lease Rental Receivable from customers

Impairment is assessed on a collective basis in two circumstances:

- (a) To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- (b) For homogeneous groups of loans those are not considered individually significant.

Incurred but not yet identified impairment

Individually assessed loans for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the company has incurred as a result of events occurring before the balance sheet date, which the company is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the group, those loans are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- (a) Historical loss experience in portfolios of similar credit risk; and
- (b) Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Homogeneous groups of loans and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group.

Net flow Rate method is used to calculate historical loss experience on a collective basis. Under this methodology the movement in the outstanding balance of customers in to bad categories over the periods are used to estimate the amount of loans that will eventually be written off as a result of the events occurring before the reporting date which the Group is not able to identify on an individual loan basis, and that can be reliably estimated.

Under this methodology, loans are grouped into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable.

Current economic conditions and portfolio risk factors are also evaluated when calculating the appropriate level of allowance required covering inherent loss.

These additional macro and portfolio risk factors may include:

- (a) Recent loan portfolio growth and product mix,
- (b) Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- (c) Exchange rates, interest rates
- (d) Changes in government laws and regulations

Write-off of loans and advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realization of security.

1.5 Other Financial Assets

Other Financial Assets includes the Other Receivables and Refundable Deposits. Refundable Deposits are initially record at Fair value and subsequently measured and amortized cost.

1.6 Property, Plant and equipment

1.6.1 Recognition and measurement

Property, Plant & Equipment are recognized 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 LKAS 16 on Property, Plant & Equipment. Initially property and equipment are measured at cost.

Cost Model

Property , Plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

Subsequent Cost

These are costs that are recognized in the carrying amount of an item, if it is probable that the future economic benefits embodied within that part will flow to the company and it can be reliably measured.

1.6.2 Depreciation

The provision for depreciation is calculated by using the straight line method on cost or valuation of the Property & Equipment other than freehold land. The rates of depreciations are given below;

Furniture and Fittings	-	12.5% - 33.33%
Office Equipment	-	12.5%
Motor Vehicle	-	12.5%
Computer Equipment	-	25%

The asset's residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

1.6.3 De-recognition

Property and equipment is derecognized on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' in the income statement in the year the asset is derecognized. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

1.7 Intangible assets

The intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the company.

1.7.1 Amortization

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives (10 Years).

The residual value of the intangible asset is zero.

1.8 Financial liabilities

1.8.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as Borrowings and Trade and Other Payables. The company determines the classification of its financial liabilities at initial recognition.

The Company classifies financial liabilities in to financial liabilities at other financial liabilities in accordance with the substance of the contractual arrangement and the definitions of financial liabilities. The Company recognizes financial liabilities in the Statement of financial position when the Company becomes a party to the contractual provisions of the financial liability.

1.8.2 Other Financial liabilities

Other financial liabilities including debt issued by the company and the other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortized cost using the EIR method.

Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

1.8.3 De-recognition of financial liabilities

A financial liability is de-recognized when the obligation under the liability is discharged or cancelled or expires. 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 de-recognition 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 recognized in profit or loss.

1.9 Borrowings

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

After initial measurement, borrowings are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

1.10 Recognition of Income and Expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

Interest Income and Interest Expense

For all financial instruments measured at amortized cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.