



# *Synergized*

ANNUAL REPORT 2015/16  
ABANS FINANCE PLC

## OUR VISION.....

Be the soundest and most trusted financial solutions provider in the industry.

## OUR MISSION.....

Power the consumer through innovative products, personalized service and a wide range of financial solutions by maximizing the synergies of the Abans Group, thereby creating wealth, fuelling growth and adding to stakeholder Value.....

# Synergized

Initially enhancing the opportunities available in a niche market with synergetic benefits is a key to a success of a financial entity.

Trusting ourselves on the strength of the company and the strength of the group, the entity's move toward enhancement of its business model through synergies offered.

Generating opportunities as a combined corporate entity to reduce and eliminate expenses associated with running the business model so as to optimize absolute return.

The impacts on synergetic efforts enabled the company to reap the benefits in terms of both margins and volumes that provide a cushion for overheads and stabilize the increase in value of delinquent accounts.

The company is further moving towards an efficient and controlled direction that provides a sustainable growth and which connects closely with the customer while reaping the success of new synergies generated through association with other group entities.

## FINANCIAL HIGHLIGHTS

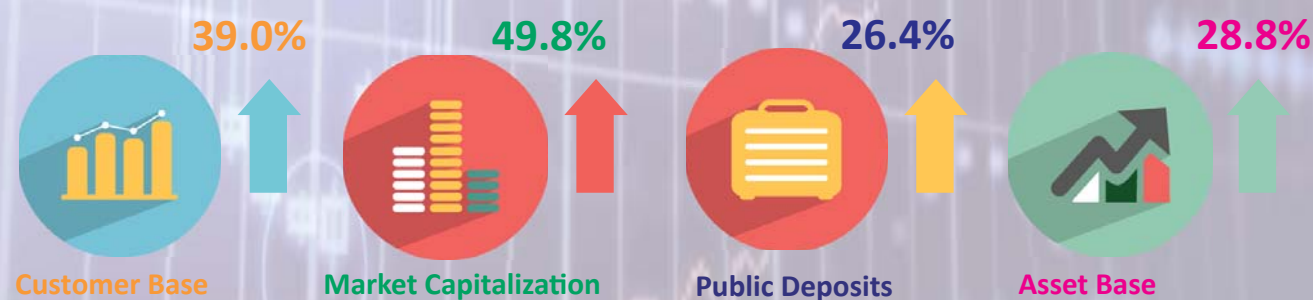
Financial Performance (LKR. '000)	2015/16	2014/15	Change
Income	1,317,233	958,111	37.48%
Net Interest Income	708,057	443,858	59.52%
Net Fee and Commission Income	34,698	46,472	-25.34%
Total Operating Income	759,123	502,882	50.95%
Profit Before Taxation	130,481	97,509	33.81%
Taxation	40,356	24,708	63.33%
Profit After Taxation	90,125	72,802	23.79%

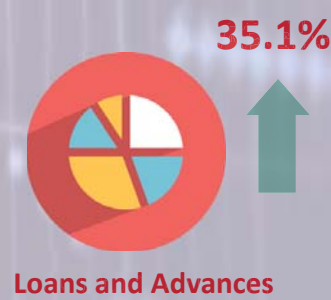
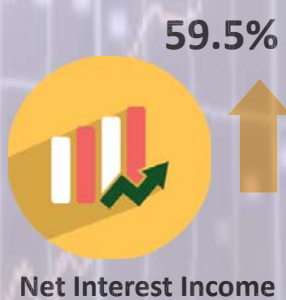
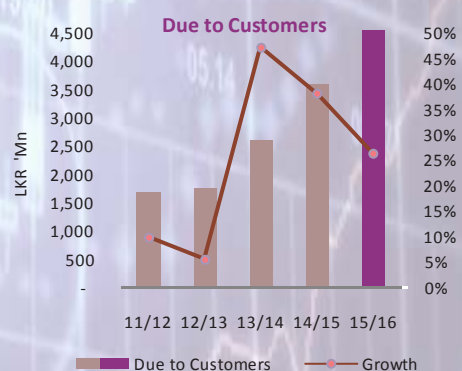
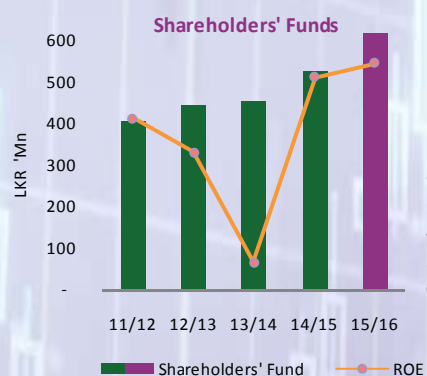
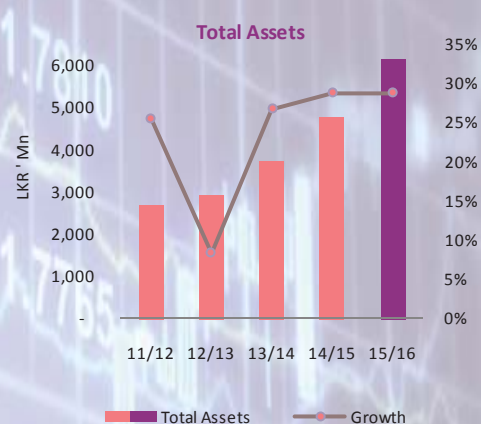
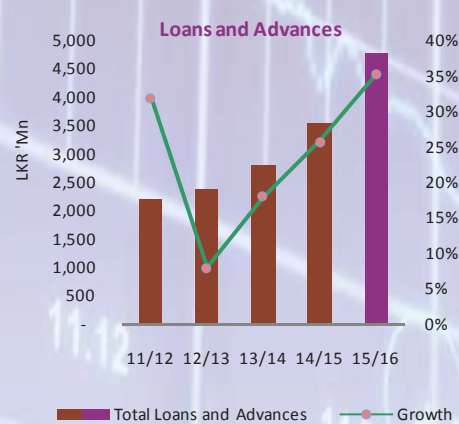
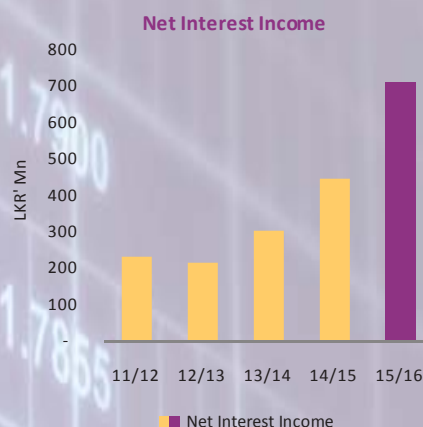
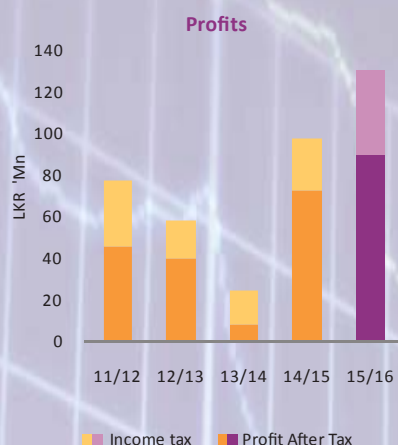
Financial Position at the Year End (LKR. '000)			
Total Assets	6,148,709	4,774,124	28.79%
Loans and Advances to Customers	4,784,799	3,540,534	35.14%
Public Deposits	4,539,362	3,591,961	26.38%
Borrowings	78,115	155,851	-49.88%
Shareholders' Funds	614,525	524,870	17.08%

Profitability			
Return On Assets (%)	1.65%	1.72%	7 bps
Return On Equity (%)	15.82%	14.89%	93 bps
Net Interest Margin	12.96%	10.47%	249 bps
Cost to Income Ratio	49.08%	55.41%	(633) bps

Investor Information			
Earnings Per Share (LKR.)	2.44	1.97	23.79%
Price to Earnings Ratio (Times)	15.68	13.08	19.90%
Net Asset Values Per Share (LKR.)	16.61	14.19	17.08%
Market Value Per Share (LKR.)	38.20	25.50	49.80%
Market Capitalization (LKR. Mn)	1,413	944	49.80%

Regulatory Ratios			
Capital Adequacy			
- Core Capital Ratio (%) (Minimum - 5%)	11.59%	12.84%	(125) bps
- Total Risk Weighted Capital Ratio (%) (Minimum - 10%)	11.59%	12.84%	(125) bps
Statutory Liquid Asset Ratio (%)	19.21%	21.33%	(212) bps
Capital Funds to Total Deposit Liabilities (%) (Minimum - 10%)	13.54%	14.61%	(107) bps





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## CHAIRMAN'S MESSAGE

## Dear Stakeholder,

It is my pleasure to welcome you to the Tenth Annual General Meeting of Abans Finance PLC and to present the Annual Report for the year ended 31 March 2016.

A few years ago Abans Finance PLC decided to chart a new path that would transform the company and reap the benefits of synergies. As the chairman of the company I leave it to our Managing Director to elaborate on the year's strategy followed, activities and accomplishments and I will take this opportunity to briefly share my perspective on the Company's performance against the global economy that prevailed during the year, the compliance environment of the non bank financial institutions and our business model.

## THE ECONOMY

The global economy achieved only a modest growth of 2.9 percent in 2015 mainly due to slower growth in the emerging economies. Emerging economies particularly were affected by lower commodity prices and reduced trade and capital flows. The Sri Lankan economy too recorded a modest growth of 4.8 percent mainly due to the disappointing performance of exports and political uncertainties due to elections during the year also contributed towards the lowest performance. Major infrastructure projects also had experienced delays in completion. These delays badly affected some of our customers, particularly in the subcontracting sector.

The Central Bank maintained a rather relaxed monetary policy on the whole, while attempting to stabilize inflation. However, despite this momentum, Inflation remained at mid-single digit levels throughout, ending the year at 4.5%.

The environment was conducive to expansion of credit to the private sector. The balance of payments weakened despite falling oil prices, and there was consequent depreciation of the Rupee. The Rupee on the other hand which had remained broadly stable for most of the year, depreciated by 9%, in the wake of the Central Bank of Sri Lanka's decision to allow greater flexibility in the determination of the exchange rate with effect from September 2015.

Despite volatile market conditions, the financial sector proved stable. Prudential regulatory measures were also introduced which strengthened the risk management and the public confidence in the sector.

Implementation of loan-to-value ratio of 70 percent in respect of loans and advances granted for the purpose of purchase or utilization of motor vehicles by banks and LFCs and SLCs also had a significant bearing on the performance.

## BUSINESS MODEL

In the face of complexities within the industry, the Company continued its test on the business model. The strategy of operating within a well defined profitable "Niche Market" worked well and the company further improved the operation of this model that resulted in better results than the previous year. The company is further focusing on a broader market with a breath of products to set the pace for sustainability in the operations and profits with the support of the Group and also to maintain a competitive edge over other players in the industry.

With the introduction of 'Loan to Value Ratio' by the Central Bank of Sri Lanka during the year the Company continued with its business model and thus paved the way for a high quality assets base. In such a backdrop the company has achieved a commendable bottom line and a strong financial position of improving shareholder returns.

Complexities within the industry and the volatility in the business environment have been challenging but the company maintained its growth targets.

The commitment of the Board on Policies in risk management together with best practices in corporate governance as per the Central Bank of Sri Lanka further equipped the Company's stability and positioning in the industry.

In relation to the financial performance of the company, Total Income and Net Interest Income demonstrated an impressive growth which enabled the company to achieve an impressive pre-tax profit of LKR 130.48 Mn, up by 33.8 percent over the previous financial year.

The company was able to end up with a healthy and sound financial position as at the year-end. The Total Assets at the end of the year under review stood at LKR 6,148.71 Mn, up by 28.8 percent over the previous financial year and Shareholders' Funds stood at LKR 614.52 Mn, up by 17.1 percent over the previous financial year

## OUTLOOK

The company expects that the new political landscape will pave the way for political and economic stability in the country by maintaining governance and independence in the financial industry for sustainable economic growth and its benefits will flow to the non banking financial sector. The market anticipates interest rates to further rise marginally. With the country's aspirations in reaching the excellence in economic and social development the Company has the true potential to reap the benefits of opportunities that will be available in the economy. Our company is equipped in this regard with a range of products, an experienced and energized team, and group synergies. Strength of the parent company, its subsidiary and island wide branch network are functioning as a facilitator to present ourselves in the market. The resources, financial capability, and the strength of the Abans brand will ensure our future aspirations. I am confident that my Board along with our management are well equipped and committed in this regard. This has enabled us to widen the scope and to focus on a range of products which will in turn have a balanced growth in our advances portfolio.

## YOUR COMPANY

As in the past, throughout the year Abans Finance has promptly dealt with all challenges faced. Such challenges have paved the way to make the business model more resilient in this dynamic environment. Our company has been focused and at the same time remained true to the core values of Abans Finance PLC. The commitment of the entire Abans Finance team has been the key to our success. Today we stand strong because of their dedication. I can assure you that your company is in safe hands and we foresee the future of this company to be fruitful. I have a strong belief that we have been truly living up to your expectations in this regard.

## COMPLIANCE FOR GREATER GOVERNANCE

I wish to inform you that during the year under review compliance in relation to Corporate Governance as per the Central Bank of Sri Lanka has been at the highest level. This has been due to the fact that the Board focused more on improving its effectiveness towards adopting policies on Corporate Governances. Going forward, we ensure that we will continuously provide improvements in this regard.

## CHAIRMAN'S MESSAGE (Contd...)

## APPRECIATIONS

In conclusion, I wish to express my sincere appreciation to my colleagues on the Board of Abans Finance PLC who have at all times extended their support and shared their valued expertise for the betterment of the Company and to take forward its mission.

My deep gratitude is extended to the Management and other staff for their tireless pursuit of the Company's strategic expectations. I also welcome the new Chief Executive Officer who will take forward the company in the ensuing year. I also wish to extend my gratitude to the Central Bank of Sri Lanka for their advise and directions in building a foundation for strong ethics and good governance. I also wish to thank the other stakeholders in business namely the customers, Bankers and other business partners for the support provided. Finally, I thank our share holders for their co-operation and the trust placed in our company.



**Rusi Pestonjee**  
Chairman  
24<sup>th</sup> August 2016

## MANAGING DIRECTOR'S REVIEW

## LFC / SLC SECTOR

Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) that comprised of 53 institutions exceeded the One Trillion mark in Total Assets to register LKR 1.07 Trillion as at 31st March 2016. Total Assets of the sector grew by 26.4% during 2015/2016. Total Loans and Accommodations reached LKR. 837.7 Bn as at 31 March 2016 and registered a growth of 29.6%. Deposits held by LFCs as at end of 2015/2016 increased by 17.2% and amounted to LKR. 490.3 Bn. Against this background, Borrowings by LFCs / SLCs grew significantly by 54.8% to reach LKR. 375.5 Bn as at 31st March 2016.

Total Capital Adequacy ratio of the industry declined during 2015/2016 and recorded 11.3% as at end of March 2016 (31.03.2015 – 13.5%). Gross NPL ratio of the sector improved to 5.1% from 6.3%. Net Interest Margin (NIM) also increased marginally during 2015/2016 and registered 8.6%. Return on Assets (ROA) and Return on Equity (ROE) improved to 3.5% and 17%, respectively, in comparison to 3.4% and 15.3% registered in the previous year.

## FINANCIAL PERFORMANCE

The company surpassed Rupees One billion in interest income during the year under review that amounted to LKR 1,189.2 Mn. This is a growth of 39.3%. Interest Expense increased by 17.4% and amounted to LKR. 481.2 Mn for the year. Net Interest Income increased sharply by 59.52% to LKR. 708.1 Mn (2014/2015 – LKR. 443.8 Mn). Total Operating Income of the company for the period was LKR.759.1 Mn, a growth of 50.95%. Pre-tax Earnings improved by 33.81% and amounted to LKR. 130.4 Mn. Net Earnings for the year was LKR. 90.1 Mn. a growth of 23.79% over 2014/2015.

## FINANCIAL POSITION

Total Assets grew by 28.79% and stood at LKR. 6,148.7 Mn as at 31st March 2016 (31.03.2015 – LKR. 4,774.1 Mn). Loans and Advances accounted for LKR. 4,784.7 Mn and was up from LKR.3,540.5 Mn in the previous year. This is a growth of 35.14%. Public Deposits registered a growth of 26.38% during 2015/2016 and stood at LKR. 4,539.3 Mn as at 31st March 2016. Shareholders' Funds increased to LKR. 614.5 Mn as at 31st March 2016. Return on Equity (ROE) was 15.82% (2014/2015 – 14.89%). Earnings Per Share was LKR. 2.44 (2014/2015 – LKR. 1.97). Net Assets Per Share improved to LKR. 16.61 from LKR. 14.19 as at 31st March 2015.

## OPERATIONAL PERFORMANCE

Lending Operations improved by 46.3% during the year under review with the major share of lending carried out during the first half of the year. The introduction of the LTV ratio of 70% by the regulator affected the new lending volumes during the second half of the year. Deposit mobilization also recorded a 37.7% growth over the previous year and it was during the first half of 2015/2016, that the momentum was gained. However, due to regulatory requirements, deposit mobilization was curtailed in order to be within statutory limits on capital funds to deposits ratio. Further, the growth in risk weighted assets that reduced the total capital adequacy ratio also had constraints in building lending volumes. A Rights Issue of Shares was proposed in December 2015 in order to meet this requirement which was concluded in early April 2016. We added 9 Customer Centres during the year and we are now represented in all nine provinces with a network of 22 Branches, Customer Centres and Kiosks, in addition to the Head Office in Colombo.

## OUTLOOK

We have already achieved a lot in a short time and are determined to maintain the momentum. We have completely restructured the organization, and have a clear strategy for the future that focuses on what we do best delivering Finance Leases and other Financial Accommodations. Finance Leases on two wheelers remain an attractive market in terms of returns and opportunity with the support of the Abans Group. We have a promising business with potential that we need to leverage far more effectively in the future. In the new year Finance Leases on four wheelers will receive prominence with the build up of a portfolio that will mitigate credit concentration risk and improve asset quality. The maintenance of a fully diversified credit portfolio is a priority on our agenda. The recent rights issue of shares has strengthened our capital funds and capital adequacy. The proposed capital infusion will ensure that we exceed the One Billion mark in core capital that will lay the foundation for accelerated growth. The optimum utilization of Abans PLC's network of LG showrooms, Hero showrooms and Dealers and the IT configuration to propel New Lending and strengthen recoveries will be of paramount importance. This will be backed by a significant level of investment in IT and ICT with a proportionate growth in delivery points. I welcome Mr. Roshan Nanayakkara, who assumed duties as the Chief Executive Officer of the Company with effect from 2nd May 2016. He has a proven track record as a CEO in the LFC sector and he is entrusted with the responsibility of steering the company to the next level from now onwards.

## APPRECIATION

Mr. Rusi Pestonjee, Chairman gave due leadership to the Board of Directors and provided his valuable advice and guidance during the year. I owe my grateful thanks to him. Mr. Channa Pathirana, Mr. V.K. Choksy and Mr. Ajith S. Ratnayake served as Chairmen of Board sub committees and provided necessary advice to conduct business and corporate affairs within accepted norms. I place on record my sincere thanks to them for their commitment. Dr. Ms. Saroshi Dubash who served as an Advisor to the Board also deserve my thanks and appreciation for her role as an advisor. Mr. M.K. Nambiyarooran, General Manager, relinquished office in June 2016 to take up an assignment with Abans PLC. He deserves a 'big thank you' for his contribution over the last several years. I thank Director, Supervision of Non-Bank Financial Institutions and the Additional Director, together with other officials for providing us with necessary guidance during the financial year. M/s Ernst & Young, our External Auditors always gave us their counsel to maintain high standards in financial reporting to whom I offer my grateful thanks. Our shareholders and customers merit a special word of thanks for the confidence they have placed in us. Finally, I place on record my gratitude to management and staff for their commitment and dedication to deliver a satisfactory performance under challenging circumstances.



**KITHSIRI WANIGASEKARA**  
MANAGING DIRECTOR

20<sup>th</sup> August 2016

# Management Discussion and Analysis

## Business Model

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## ORGANIZATIONAL PROFILE

### About Us

Abans Finance PLC is a member of the prestigious Abans Group, a household name in Sri Lanka. Abans Group recognizing the potential for financial services in the country and the available resources at their disposal, decided to establish Abans Finance PLC. Abans Finance PLC was incorporated on 8 April 2005 under the Companies Act No.17 of 1982 and was re-registered in terms of the new Companies Act No. 7 of 2007 on 15 June 2009.

Abans Finance PLC commenced business initially as a Registered Finance Leasing Establishment under the Finance Leasing Act No. 56 of 2000 on 19 April 2006. Abans Finance PLC obtained the Finance Company license in terms of the Finance Companies Act of No. 78 of 1988 with an initial Stated Capital of LKR 382 Mn on 27 August 2007 and the Company was listed on the Colombo Stock Exchange in 2011.

The Company currently operates with Nine Branches, Nine Customer Centres and Four Kiosks in addition to the Head Office, whilst developing and implementing strategies of reaching customers with focused financial solutions backed by the strong network of the Group spread over the country. Going along with the mission, our activities will grow by providing dynamic solutions and financial support by maximizing the synergies of the Abans Group preserving the public confidence and trust in order to step up the brand value and position ourselves in the market.

### Group Structure

Abans Finance PLC is a member of Abans Group, and is a subsidiary of Abans PLC (previously Abans (Pvt) Ltd.) which holds 89.26 percent of the shares of Abans Finance PLC. Accordingly, the Company's Parent and Ultimate Parent Company is Abans PLC.

## OPERATING ENVIRONMENT

## Global Economic Environment and Outlook

The world economy is not expected to improve much in the short term. Growth was 2.9 percent in 2015 and weak growth in emerging economies was the major contributory factor. World Economic Outlook (WEO) projections in April 2016 are tabulated below. Prospects across the main countries and regions remain uneven. Relative to last year, the recovery in advanced economies is expected to pick up slightly, while activity in emerging markets and developing economies is projected to slow, primarily reflecting weaker prospects for some large emerging market economies and oil-exporting countries. In an environment of declining commodity prices, reduced capital flows to emerging markets and pressure on their currencies, increasing financial market volatility and downside risks to the outlook have risen, particularly for emerging markets and developing economies.

## Summary of World Output (GDP)

Year	World (%)	Advanced Economies (%)	Emerging Economies (%)
2014	3.4	1.8	4.6
2015	3.1	1.9	4.0
2016 (Projections)	3.2	1.9	4.1

Source: IMF World Economic Outlook April 2016

## Sri Lankan Economic Environment and Outlook

Real Economic growth in Sri Lanka in 2015 registered 4.8 percent, compared with 4.9 percent in 2014. A slowdown in the growth of demand in Sri Lanka's traditional export markets impacted the growth of the export sector while a strengthening US economy prompted short term capital outflows. The impact of these developments was offset to some extent by lower international commodity prices.

Year	Real GDP Growth Rate (%)
2014	4.9
2015	4.8

Nevertheless, domestic consumption rebounded as incomes grew, particularly among public sector workers. Agriculture and services related activities grew by 5.5 percent and 5.3 percent, respectively, while industry related activities grew by 3.0 percent during 2015.

## Non Bank Financial Institutions (NBFI) Sector Performance

NBFI sector comprises of Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) which represent 7% of the Sri Lankan financial system. The branch network of NBFI sector expanded further in 2015 to 1,216 branches with emphasis placed on areas outside the Western Province.

Year	NBFI Branches
Dec-13	1,060
Dec-14	1,132
Dec-15	1,216

Source: Sector Performance- Department of Supervision of Non-Bank Financial Institutions

Total assets of the LFC/SLC sector expanded in 2016 at a higher pace. Total assets of the sector grew by 26.4 per cent from LKR. 852.9 Bn in March 2015 to LKR. 1,077.8 Bn in March 2016. The growth of assets was largely supported by the

increase in borrowings by 54.8 percent from LKR. 242.6 Bn in March 2015 to LKR. 375.5 Bn in March 2016. Deposits increased by 17.2 percent from LKR. 418.3 Bn in March 2015 to LKR 490.3 Bn in March 2016. Funds mobilized were largely utilized in granting loans and advances. Throughout 2015, the sector experienced a strong demand for credit on vehicle leasing and other secured loans. Credit growth accelerated as indicated by loans and advances which robustly grew by 29.6 percent from LKR. 646.4 Bn in March 2015 to LKR. 837.8 Bn in March 2016.

The investment portfolio comprises of investment in equities, capital market debt instruments, government securities and investment properties, recorded a growth of 2.3 percent to LKR 110 Bn in March 2016 from LKR. 107.5 Bn in March 2015. Other assets mainly comprised in the form of cash balances with banks and financial institutions, trading stocks and fixed assets showed an increase of 31.3 percent in March 2016.

## Growth of Assets in NBFI Sector

Year	Assets Growth Rate (%)
2015- March	18.9
2016- March	26.4

## Composition of Assets of the NBFI Sector

	March 2016 LKR' Bn	March 2015 LKR' Bn	Change %
<b>Total Assets (Net)</b>	<b>1,077.8</b>	<b>852.9</b>	<b>26.4</b>
Loans & Advances	837.8	646.4	29.6
Investments	110.0	107.5	2.3
Other Assets	130.0	99.0	31.3

Source: Sector Performance - Department of Supervision of Non-Bank Financial Institutions

The main contributory factor for the growth in the accommodation portfolio is due to the record growth in leasing product. In 2016 March, the average lending interest rate was 21.9 percent and as a result, the focus of the customers has turned into the finance leasing products.

However, Hire Purchase industry has further declined compared to the previous year, 2014/2015. This is because finance companies curtailed business on Hire Purchase facilities due to high risk as well as certain tax implications, such as disallowed VAT Input claim. As such the customers focused on Finance Leases rather than Hire Purchase.

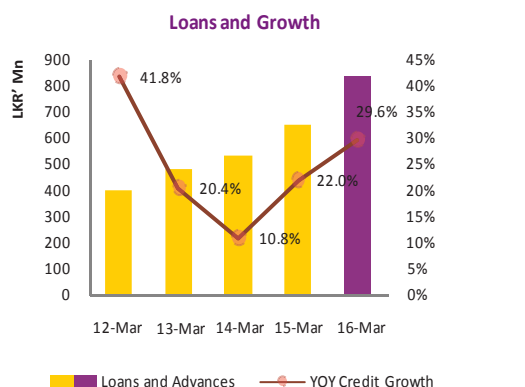
## Composition of Liabilities of the NBFI Sector

	March 2016 LKR' Bn	March 2015 LKR' Bn	Change %
<b>Total Liabilities (Net)</b>	<b>1,077.8</b>	<b>852.9</b>	<b>26.4</b>
Public Deposits	490.3	418.3	17.2
Borrowings	375.5	242.6	54.8
Capital Funds	132.0	121.0	9.0
Other Liabilities	80.0	71.0	12.7

Source: Sector Performance- Department of Supervision of Non-Bank Financial Institutions

## OPERATING ENVIRONMENT

### Credit Growth in NBFI Sector

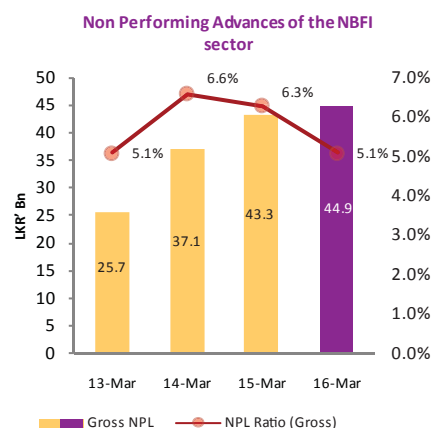


### Monthly Movement (Net) in Key Loan Products

	16-Jan	16-Feb	16-Mar
	LKR' Bn	LKR' Bn	LKR' Bn
Finance Lease	3.5	3.6	(0.4)
Hire Purchase	(2.8)	(3.2)	(3.8)
Pawning	0.1	(0.4)	0.2
Secured Loans	9.7	9.6	17.5
Unsecured Loans	(3.4)	2.6	(3.1)
Loans given for Real Estate	-	(0.1)	0.1
Others	3.5	0.5	2.6

- LFC/SLC sector credit recorded a notable growth of 29.6% YoY as at March 2016 compared to a growth of 22.0% YoY in previous corresponding period.
- This is despite the regulatory restrictions imposed on the business expansion of the 10 LFCs, i.e., maximum capital on deposits and borrowings.
- The credit growth was mainly driven by secured loans and finance leasing.

### Non Performing Advances of the NBFI sector



- The total amount of NPA has increased by 3.7% to LKR. 44.9 Bn from LKR.43.3 Bn YoY although the gross NPA ratio declined from 6.3% to 5.1%
- Finance Leases and Hire purchase represents 46% of the LFC/SLC sector NPAs.

### Profits of NBFI sector

	12 Months ending March 2015	12 Months ending March 2016	Growth %
Interest Income	133.5	160.2	20.0
Interest Expense	65.8	74.2	12.8
<b>Net Interest Income</b>	<b>67.7</b>	<b>86.0</b>	<b>27.0</b>
Non- Interest Income	20.8	24.1	16.0
Non- Interest Expenses	49.3	66.9	35.7
Provisioning	11.8	7.8	(33.9)
<b>Profit Before Tax</b>	<b>27.4</b>	<b>35.4</b>	<b>29.2</b>
<b>Profit After Tax</b>	<b>17.0</b>	<b>21.3</b>	<b>25.2</b>

Source: Sector Performance- Department of Supervision of Non-Bank Financial Institutions

During 2016, the LFC/SLC sector recorded a profit after tax of LKR. 21.3 Bn compared to LKR.17.0 Bn in 2015. Despite the improvements of core business operations, sharp increase in operational costs mainly contributed to moderation of profits. The net interest income picked up notably by 27 percent due to expansion of credit portfolio, particularly due to increasing higher yields on micro-finance lending and of finance leasing portfolios. This has resulted in improving the net interest margin to 8.6 per cent in 2016 from 8.3 per cent in 2015.

The increase of non-interest income recorded in 2016 was due to increased revenue from default charges and service charges. The provisions made on drop in market values of investments and increased staff costs were among the main reasons for the increased non-interest expenses. The loan loss provisions made against NPLs was LKR.7.8 Bn during 2016 when compared to LKR. 11.8 Bn made in 2015.

## STAKEHOLDER ANALYSIS

Stakeholders are the people and groups who can affect to the company activities directly or indirectly by influencing with their views and actions. Therefore, a company should be able to implement strategies in a systematic way by engaging and building relationships with stakeholder groups for the maximization of value.

The process of maximizing stakeholder value encourages the company to identify the stakeholder groups first that can directly influence the company activities. Abans Finance PLC identifies the following stakeholder groups that can individually or jointly affect the activities.

- Shareholders
- Employees
- Customers
- Business Partners
- Communities

### Stakeholder Engagement

The company engages with them for several activities such as, to communicate and find out what issues matter most in response to their expectations, to minimize reputational risk and to enhance their favourable influence over the company's business environment. Regular interactions and communications with our stakeholders facilitate us to improve our operations and to deliver more responsive as well efficient services.

### Management Approach

#### Shareholders

We always ensure the optimum shareholder value by engaging in dialogues with continuous business activities to maximize their expectations through new ideas, communications and periodical meetings.

#### Customers

Customers operate in a dynamic and complex business environment that constantly creates market needs, as well as significant opportunities. To enhance its competitiveness and profitability and to offer sustainable solutions for their financial needs, the company focuses more on a better customer care. As such, it always provides an excellent service with a high quality, through effective communication with our customers.

#### Communities

We believe that dialogue between business and the society is a constructive part of the decision making process. Abans Finance PLC wants to be transparent when it comes to sharing its expertise with the society. As such the company engages with a variety of CSR related activities, cultivating ethical behavior and complying with laws and regulations in line with the company requirements.

#### Employees

The employees are of importance for the business of Abans Finance PLC and the company wants its employees to reach their full potential. The main focus points of human resources approach of the company are recruitment management, leadership development, performance management and career development process for the retention of people.

## INTERNAL CAPITAL FORMATION

Internal capital constitutes financial capital and Institutional capital that are formed through the value created by the company's finance business through financial intermediation and transactions with stakeholders.

### FINANCIAL CAPITAL

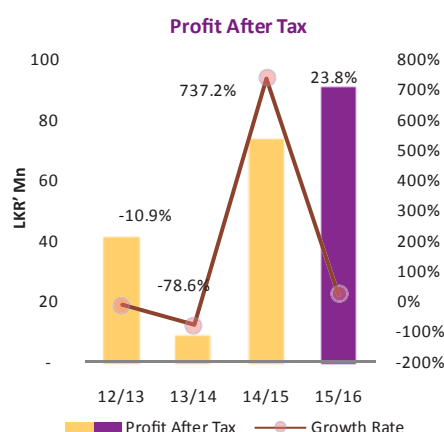
Abans Finance PLC has achieved a sound growth in business volumes and profitability while developing its strengths backed by strong credentials of Abans group. Synergetic advantages have enabled the company to achieve a remarkable growth in interest income on lending portfolio while ensuring an increase in Net Interest Income (NII). The company implemented a controlled growth strategy having focused on improving the asset quality on advances portfolio. Further, achievements include growth in investments in Human Capital, Technology, Setting up of Customer Centres.

#### Statement of Comprehensive income

Indicators	2015/16 LKR. '000	2014/15 LKR. '000	Change %
Net Interest Income	708,057	443,858	59.5
Net Fee and Commission Income	34,698	46,472	(25.3)
Net Gain from Trading	(582)	1,830	(131.8)
Other Operating Income (net)	16,950	10,721	58.1
<b>Total Operating Income</b>	<b>759,123</b>	<b>502,882</b>	<b>51.0</b>
Impairment Charges	225,840	115,593	95.4
<b>Net Operating Income</b>	<b>533,283</b>	<b>387,289</b>	<b>37.7</b>
Operating Expenses	372,613	278,656	33.7
Value Added Tax on Financial Services	30,188	11,124	171.4
<b>Profit before Taxation from Operations</b>	<b>130,481</b>	<b>97,509</b>	<b>33.8</b>
Provision for Income Taxation	40,356	24,708	63.3
<b>Profit for the Year</b>	<b>90,125</b>	<b>72,802</b>	<b>23.8</b>

#### Profitability

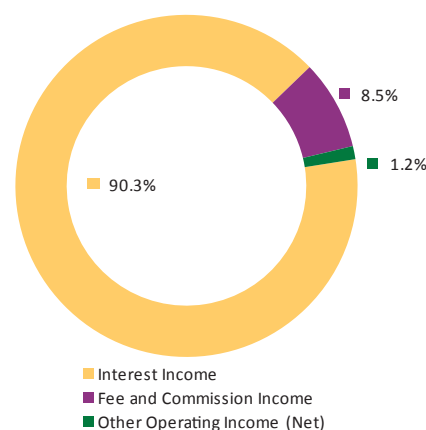
The company continued with its growth in profitability and recorded a profit growth of 23.79% for the year 2015/16. Profit before Tax increased to LKR 130.48 Mn in the year under review compared to LKR 97.51 Mn recorded in the previous year. Profit after tax of LKR 90.13 Mn was recorded in comparison to LKR 72.8Mn in 2014/15. The Synergies created with the Abans group is the key to success for the company's highest ever financial performance.



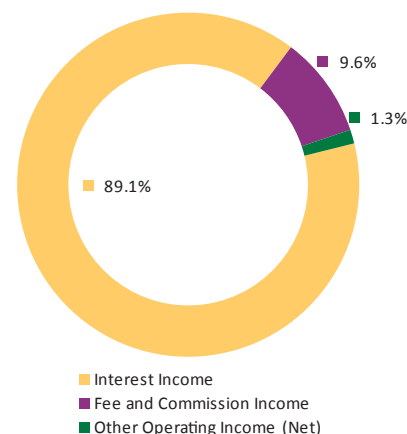
#### Gross Income

Gross Income constitutes interest Income, fee and commission income, net gain / loss from the trading and other operating income. Gross income was LKR 1.32 Bn as opposed to last year's LKR 958 Mn, an increase of 37.5%. The following chart demonstrates the composition of Gross Income.

#### Composition of Gross Income 2015/16



#### Composition of Gross Income 2014/15



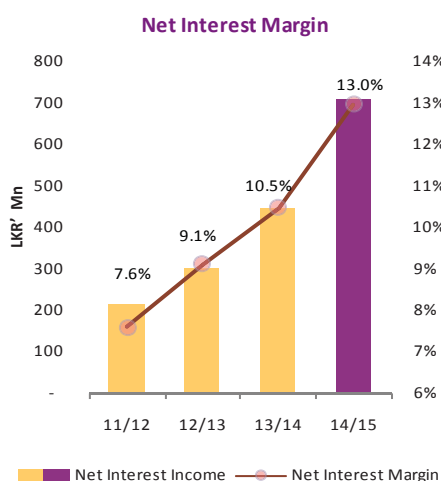
#### Net Interest Income (NII)

Indicators	2015/16 LKR. '000	2014/15 LKR. '000	Change %
Lease rentals receivable & Stock out on hire	989,664	629,677	57.2
Loans and Advances	130,927	169,517	(22.8)
Other Financial Assets	68,688	54,579	25.9
<b>Gross Interest Income</b>	<b>1,189,279</b>	<b>853,772</b>	<b>39.3</b>
Due to Banks	8,348	20,645	(59.6)
Due to Customers	471,614	384,362	22.7
Debt Instruments and Others	1,259	4,907	(74.3)
<b>Interest Expenses</b>	<b>481,222</b>	<b>409,914</b>	<b>17.4</b>
<b>Net Interest Income</b>	<b>708,057</b>	<b>443,858</b>	<b>59.5</b>

## INTERNAL CAPITAL FORMATION

## FINANCIAL CAPITAL

The year delivered an impressive growth in Net Interest Income (NII), which inclined by 59.52% to LKR 708.1 Mn, compared to the 2014/15 figure of LKR 443.8 Mn. This increase in NII was realized due the healthy portfolio growth of 35.1%. The Company always ensured that it maintains Net Interest Margin of over 10% over the several years. Therefore, NIM of 12.96% achieved during the year compared to 10.47% was an achievement of preceding year. Even though the low interest rate environment created pressure on the Net Interest Margins, the company's strategic approach in focusing on two wheelers with the synergies of the group, helped us to maintain a healthy Margin.



## Interest Income

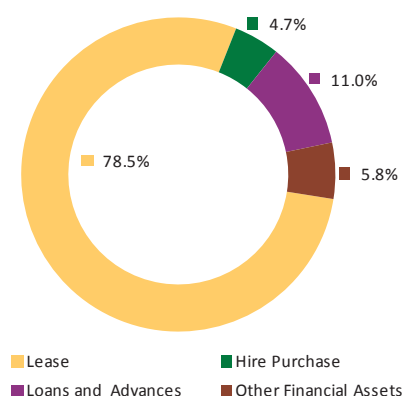
Interest income for the year 2015/16 was at LKR 1,189 Mn, a growth of 39.3%. Interest income in Finance Leasing accounted for 78.5% of the total Interest Income. This is a growth of 84.6% on the Finance Leasing Product.

The company's strategy on enhancing Hero Leasing portfolio successfully contributed to enhance the interest income on leasing.

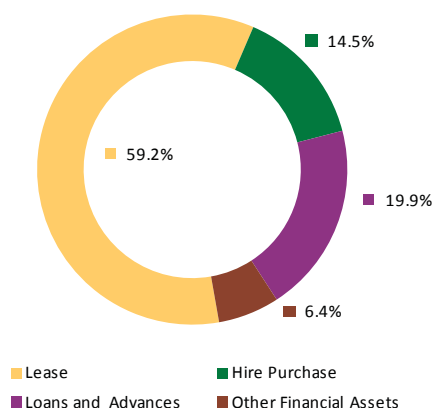
The second largest contributor to interest income was Income from Loans & Advances that accounted for 11.0% Interest Income.

Conversely, Interest income from Hire Purchase experienced a reduction as a result of a decline in the Hire Purchase Portfolio. Total interest from the HP portfolio represents only 4.71% that amounted to LKR 56 Mn compared with LKR 124 Mn in the previous year.

## Composition of Interest Income - 2015/16



## Composition of Interest Income - 2014/15



## Interest Expenses

Interest expenses comprised of interest due to banks, Depositors, debt instruments and other borrowed funds. Interest expense increased by 17.4% to LKR 481.2 Mn in the year under review compared to LKR 409.9 Mn in 2014/2015. This was mainly attributed to the increase in interest paid to Depositors. Interest expense on deposits increased to LKR 471.6 Mn compared to LKR 384.4 Mn in the previous year. The Company focused on the reduction in bank borrowings due to the high liquidity position that prevailed during the year. The interest expense on bank borrowings decreased by 59.56% from LKR 20.6 Mn in the previous year to LKR 8.3 Mn in the year under review.

## Net Fee and Commission Income

Fee and commission income recorded a growth of 27.6% and registered LKR 111.6 Mn which was up from LKR 91.8 Mn in the previous year. Increase in business volumes on Hero Leasing made a positive contribution towards this achievement.

Fee and commission income include Service charges, Insurance commission and other fees. During the year under review service charges was the main income generator to the fee and commission income.

Meanwhile Fee and Commission Expense also increased by 69.68% amounted to LKR 76.89 Mn during the year under review. Fee and commission expense constitute commission, fees paid to enhance business volumes and collection commissions.

## Net gain /loss from Trading

Net Trading income comprises of income earned from trading securities portfolio in the form of dividend income, changes in market value and profits realized through disposals.

Drop in market value resulted in a decrease in the net trading income and retention of those securities during the year under review helped the company to minimize the Net loss from trading.

## Other Operating Income

Other operating income/non-interest income recorded LKR 16.95 Mn during the year under review and was up from LKR 10.72 Mn in preceding year. The principal component of other operating income consisted of income realized from the sale of Available for Sale Financial Instruments. Apart from that Other operating income included Bad Debt Recoveries, Rent Income from Sublease of Building and Profit/(loss) on disposal of Property, Plant & Equipment.

## INTERNAL CAPITAL FORMATION

## FINANCIAL CAPITAL

## Impairment Charges for loans and other Losses

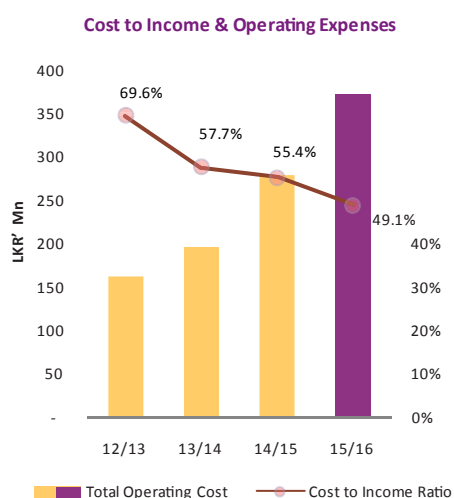
Indicators	2015/16 LKR. '000	2014/15 LKR. '000	Change %
Loans and Advances	1,244	6,906	-82.0
Lease and Stock out on hire	145,890	44,239	229.8
Other Receivables	78,706	64,448	22.1
<b>Total Impairment Chares</b>	<b>225,840</b>	<b>115,593</b>	<b>95.38</b>

Impairment charge increased during the year under review amounted to LKR 225.8 Mn and was up from LKR 115.6 Mn in 2014/15, this is an increase of 95.38%. Significant increase in losses was experienced relating to lease facilities, since the company concentrated more on the building up of the leasing portfolio. Impairment charges on the other receivables increased by 22.12%, mainly due to losses on repossessed vehicles and increase in the number of sales of repossessed vehicles during the period under review.

Impairment of loans and advances amounted to LKR 1.24 Mn, for the year under review compared to LKR 6.91 Mn for the year 2014/15. This is due to tightened credit evaluation standards for property mortgages which decelerated the growth in Revolving and Mortgage facilities.

The impairment provisions are calculated base on credit risk assessment of accommodations both on an individual basis (for significant facilities) and on a collective basis in compliance with the Sri Lanka Financial Reporting Standards.

## Operating Expenses



Total operating expenses for the year recorded at LKR 372.6 Mn, an increase of 33.72%, which was much lower than the growth in operating income. As a result, cost to income ratio improved steadily to 49.1% from 55.4% in the previous year, making a gradual progress towards increasing efficiency and productivity.

Personnel expenses continued as the largest overhead, representing 44.8% of total operating expenses. Personnel expenses increased by 40.8% to LKR 166.9 Mn due to increase in the employment cadre in key areas in the business expansion and due to annual increases.

Aligned with the strategic expansion, relocation & refurbishment of service locations, Office Administration & Establishment Expenses also demonstrated an upward movement by 26.79% to LKR 102.57 Mn from LKR 80.9 Mn in the previous year. During the year company expanded its operations to ten branches and thirteen service centers.

## Taxation

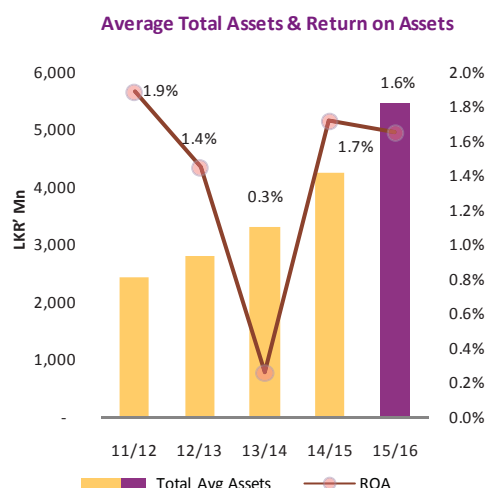
Indicators	2015/16 LKR. '000	2014/15 LKR. '000	Change %
VAT & NBT on Financial Services	(30,188)	(11,124)	171.4
Provision for Income Tax	(40,356)	(24,708)	63.3

During the year under review, income tax expense of the company amounted to LKR 40.36 Mn compared to previous year's LKR 24.71 Mn resulting effective tax rate of 31.0%

Value Added Tax & Nation Building Tax on Financial Services increased to LKR 30.2Mn in year under review in comparison to LKR 11.1Mn in the previous year, as a consequence of changing VAT on Lease rentals to VAT on Financial Services by the budget 2014.

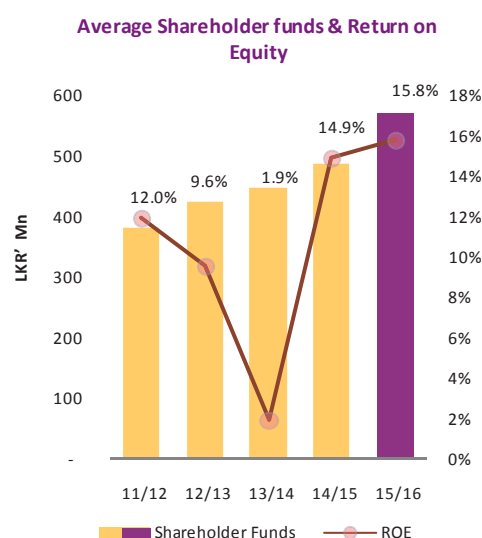
## Return on Assets (ROA)

The company recorded ROA of 1.65% during the year against 1.72% in 2014/15. ROA has declined marginally due to mismatch between the profit increment and growth rate of lending assets.



## Return on Equity (ROE)

The Return on Equity recorded 15.82% demonstrating a slight growth compared to 14.89% in the previous financial year. The Industry average was 17%.



## INTERNAL CAPITAL FORMATION (Contd...)

### FINANCIAL CAPITAL

#### Financial Position

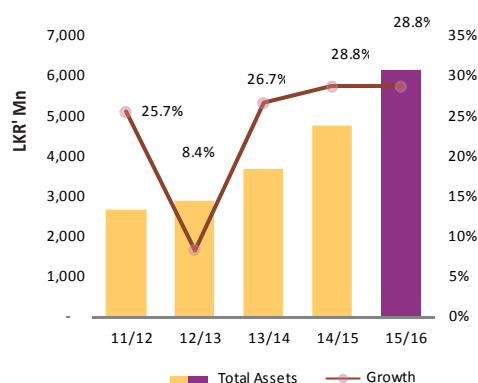
##### A summary of Assets and Liabilities Position

Indicator	31.03.2016 LKR '000	31.03.2015 LKR '000	Change %
<b>Total Assets</b>	<b>6,148,709</b>	<b>4,774,124</b>	<b>28.79</b>
Gross Loans and Receivables	5,128,366	3,801,468	34.90
Investments	882,922	888,544	(0.63)
<b>Total liabilities</b>	<b>5,534,184</b>	<b>4,249,254</b>	<b>30.24</b>
Customer Deposits	4,539,362	3,591,961	26.38
Borrowings	31,111	-	100.00
<b>Total Shareholders' Funds</b>	<b>614,525</b>	<b>524,870</b>	<b>17.08</b>

#### Assets

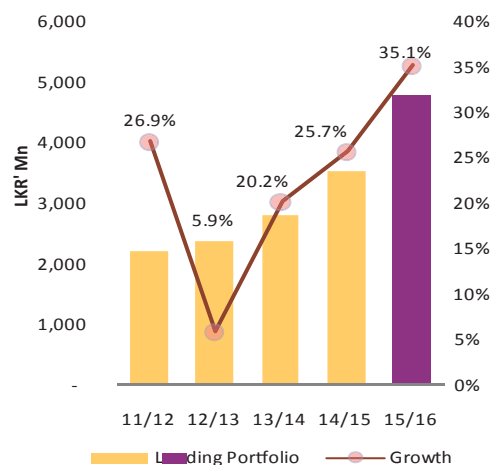
The company recorded a growth of 28.79% in total assets as at end of 2015/2016 over that of the year ended 31 March 2015. This increase was mainly due to 35.14% growth in the lending portfolio (net of impairment) that amounted to 77.82% of total assets.

##### Asset Growth

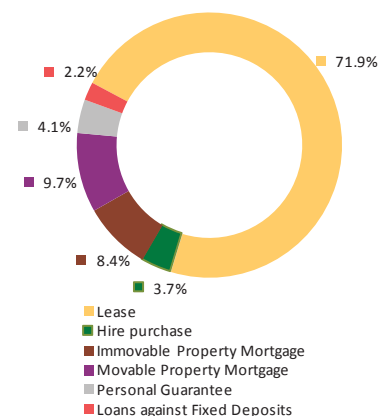


#### Lending Portfolio

##### Net Lending Portfolio



#### Lending Portfolio Composition - 2015/16



Gross lending portfolio displayed a commendable growth of 34.90% to reach LKR 5.13 Bn as at 31 March 2016. Whilst all business segments contributed towards this growth, Leasing continues to dominate the company's lending portfolio with a share of 71.9%, recording a growth of 38.59%.

The company's efforts continued in improving Leasing Portfolio in a challenging environment during the year due to several changes in regulation with particular attention to Loan to Value ratio (LTV). Further changes in duty structure impacted on vehicle prices. Despite the challenges in the operating environment, use of group synergy and exclusion of Finance Leases from VAT contributed to expand the Leasing portfolio.

Other Lending products represent 28.1% of the total Lending portfolio, with the equal contribution, which includes Hire Purchases, Loans granted based on Property Mortgages, Personal Guarantee & Fixed Deposits in line with the strategies adopted by the Management During the year.

Further the company focuses on diversifying the Lending portfolio by introducing new loan products and promoting Finance Leases on four Wheelers.

#### Asset Quality

Despite the challenging operating environment, the company was able to decrease the Gross & Net NPL Ratios by 243 bps and 221 bps respectively. The Company continued to focus on improving the asset quality by strengthening the recovery process. Further the regulations on Loan to Value Ratio will also contribute enhancing the asset quality in the future.

#### Cash & Treasury Assets

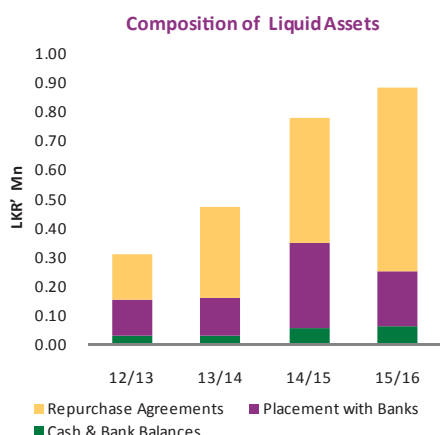
Cash and Treasury Assets consist of Cash in Hand, Current Account Balances with Banks, Securities purchased under Repurchase Agreements, Placements with Banks and Investments in Treasury Bonds. Cash and Treasury Assets grew by 11.75% to execute the immediate cash requirements of the depositors and emerging daily operations as well and to comply with the regulatory requirements of the Central Bank of Sri Lanka.

#### Financial Assets Held for Trading

Financial Assets Held for Trading amounted to LKR 6.91 Mn as at 31 March 2016 comprised company's investment in the public quoted shares in Banking & Finance, Hotels & Travels, Power & Energy, and diversified Holding Sectors. The company discouraged the investment in Assets Held for Trading due to high volatility of the share market prevailed during the previous year.

## INTERNAL CAPITAL FORMATION (Contd...) FINANCIAL CAPITAL

### Liquidity



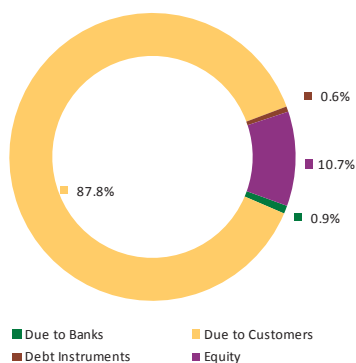
The Company maintained a balance between profitability and liquidity during the year and liquidity levels were kept well above the statutory requirement of the Central Bank of Sri Lanka. The company maintained liquid asset position in the form of Cash, Balances with Banks and Investments in Banks & short term Government Securities.

Total Liquid assets amounted to LKR 882.36 Mn recorded a 13.26% increase compared to previous year. The Company's Liquid Assets to Deposits & Borrowings was 19.21% which is well above the sector average of 9.87%. The Liquidity ratios as illustrated in the Risk Management Report are closely monitored by the ALCO & Risk Management Committee to ensure a proper management of liquidity position.

### Liabilities

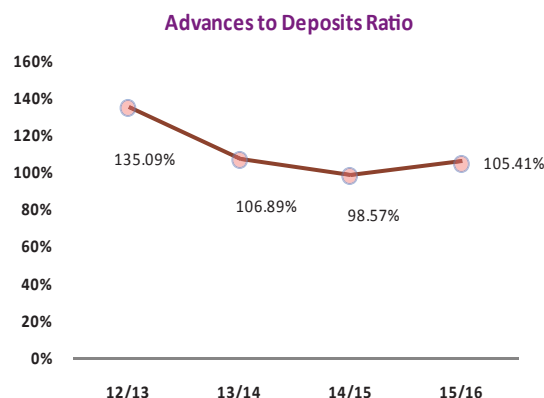
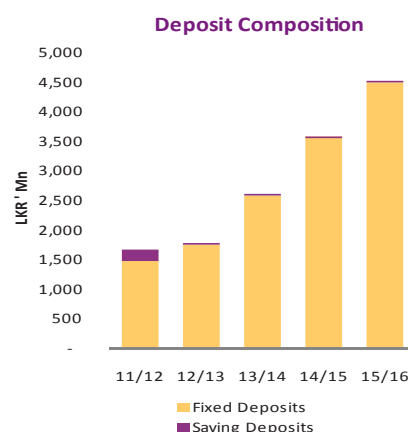
Indicator	31.03.2016 LKR '000	31.03.2015 LKR '000	Change %
Due to Banks	47,004	155,851	(69.84)
Due to Customers	4,539,362	3,591,961	26.38
Debt Instruments Issued and Other borrowed funds	31,111	-	100.00
Other Financial and Non Financial			
Liabilities	916,707	501,442	82.81
<b>Total Liability</b>	<b>5,534,184</b>	<b>4,249,254</b>	<b>30.24</b>

### Funding Composition 2015/16



Total Liabilities increased to LKR 5.53 Bn from LKR 4.25 Bn in the previous year demonstrating a growth of 30.24%. Increase in customer deposits mainly contributed for growth in total liabilities.

### Customer Deposits



Funds mobilized by Customer Deposits represented 87.81% of total funding portfolio with a value of LKR 5.54 Bn. The Customer Deposit base grew significantly by 26.38% compared to the previous year. Introduction of diversified deposit schemes have contributed to attract more Public Deposits. Growth in the Customer Deposit base was well above the industry average of 17.2% that manifests the customer loyalty for the Company.

The company's Loans to Deposit ratio stood at 105.4% as at 31 March 2016 compared to 98.57% in the previous year. The Lending portfolio has increased in line with the increase in the Deposit Base signifying optimum utilization of Deposit financing for Interest earning Assets.

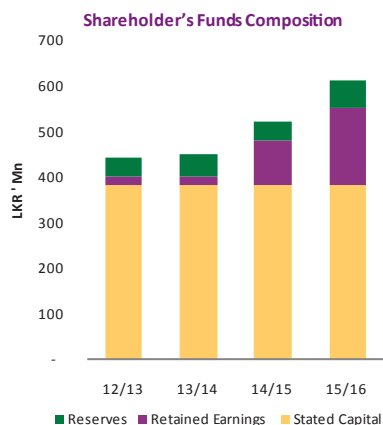
### Due to Banks and Other Borrowings

Funds obtained through Bank borrowings & issuing of Other Debt Instruments has declined by 49.88% in relation to the increase in Customer Deposit Base. Further the company did not obtained any term loan facility during the year.

## INTERNAL CAPITAL FORMATION (Contd...)

### FINANCIAL CAPITAL

#### Shareholder's Funds



Achievement of a satisfactory profit after tax, enhanced the Shareholders' Funds by 17.08% that amounted to LKR 614.52 Mn as at 31 March 2016, compared to LKR 524.87 Mn as at 31 March 2015.

#### Capital Adequacy

Finance Companies need to maintain stipulated level of Capital Adequacy, since they are highly leveraged institutions and depend on borrowed funds on minimal Capital. Abans Finance PLC maintained a core capital and a total capital ratio of 11.59% as at 31 March 2016, above the minimum statutory requirement of 5% and 10% respectively. The company has issued 7.4 Mn ordinary shares by way of a Rights Issue, raised LKR 185 Mn subsequent to the reporting date, thereby increasing the Stated Capital of the company to LKR.567.37 Mn to further strengthen the Capital base.

#### Cash Flow

The favourable balance of cash and cash equivalents stood at LKR 905.84 Mn as at 31 March 2016 compared to LKR 745.03 Mn as at 31 March 2015. Operating Activities and Investing Activities contributed positively by LKR 107.99 Mn and LKR 118.35 Mn respectively, whilst net cash used in financing activities amounted to LKR 65.53 Mn during the year.

## INTERNAL CAPITAL FORMATION (Contd...)

### FINANCIAL CAPITAL

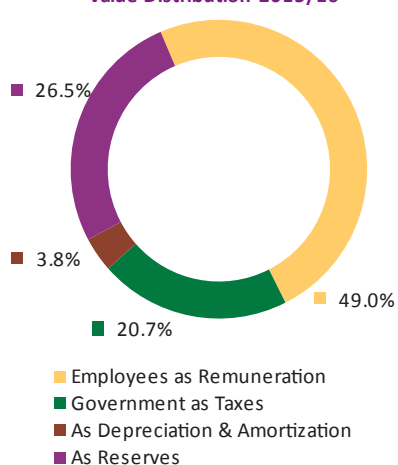
#### Economic Value Generated and Distributed

The Company continued to create value for itself for growth and to meet any unforeseen events. The created value will be distributed among multiple stakeholders while part of it will be retained within the business for future growth. The value created and distributed during the year under review and for previous year is depicted as follows:

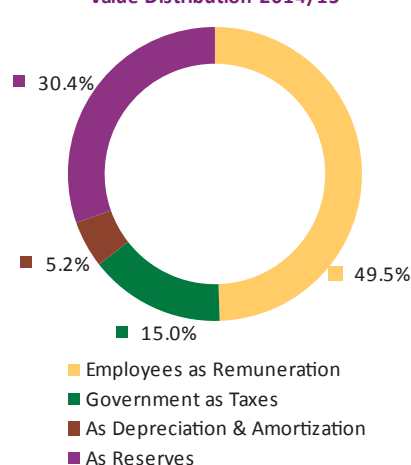
#### Value Addition and Distribution

For the year ended 31 March	2016 LKR '000	%	2015 LKR '000	%
<b>Value Added</b>				
Income earned by providing Financial Services	1,317,816		956,280	
Cost of Services	(750,899)		(602,883)	
<b>Value Added by Financial Services</b>	<b>566,917</b>		<b>353,397</b>	
Net gain / (loss) from trading	(582)		1,830	
Impairment	(225,840)		(115,593)	
<b>Total Value Added</b>	<b>907,412</b>		<b>239,634</b>	
<b>Value Allocated</b>				
Employees as Remuneration	166,917	49	118,588	49
Government as Taxes	70,545	21	35,832	15
Shareholders as Dividends	-	-	-	-
<b>Retained within the Business</b>				
- As Depreciation & Amortization	12,909	4	12,412	5
- As Reserves	90,125	26	72,802	30
<b>Total Value Allocated</b>	<b>340,495</b>	<b>100</b>	<b>239,634</b>	<b>100</b>

Value Distribution 2015/16



Value Distribution 2014/15



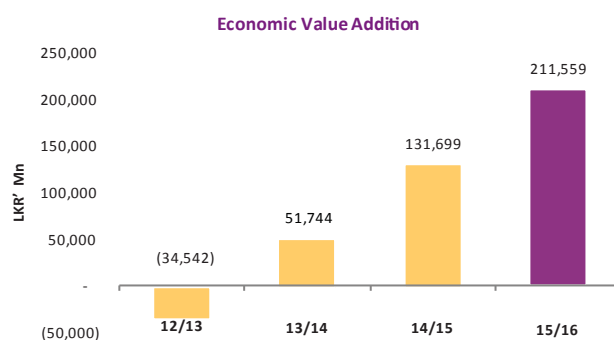
## INTERNAL CAPITAL FORMATION (Contd...)

### FINANCIAL CAPITAL

#### Economic Value Added (EVA)

One of the main objectives of the Company is to maximize Shareholders' wealth through economic value creation. The output achieved during the year under review and for the previous two years is as follows.

For the year Ended 31 March	2016 LKR '000	2015 LKR '000	2014 LKR '000
Shareholders' Funds	614,525	524,870	452,895
Accumulated Provision for Impairment charges	505,712	360,045	253,351
	1,120,237	884,915	706,246
<b>Profit Attributable to:</b>			
Shareholders	90,125	72,802	8,695
Add : Impairment Provision	225,840	115,593	115,722
	315,965	188,395	124,417
Economic Cost(Average treasury bill rate+2% Risk Premium)	9.32%	8.41%	10.29%
Economic Cost	104,406	74,421	72,673
<b>Economic Value Addition</b>	<b>211,559</b>	<b>113,974</b>	<b>51,744</b>



#### Sources and Utilization of Income

The following table demonstrates the income sources of the Company and how the income has been utilized during the year under review and during the previous year.

For the year ended 31 March	2016 LKR '000	%	2015 LKR '000	%
<b>Sources of Income</b>				
Loans & Advances	1,120,591	85.07	799,194	83.41
Government Securities	44,223	3.36	32,025	3.34
Other Financial Assets	24,465	1.86	22,553	2.35
Fee & Commission Income	111,587	8.47	91,787	9.58
Others	16,368	1.24	12,552	1.31
<b>Total</b>	<b>1,317,233</b>	<b>100.00</b>	<b>958,111</b>	<b>100.00</b>
<b>Utilization of Income to Employees</b>	166,917	12.67	118,588	12.38
Personnel Expenses				
<b>To Suppliers</b>				
Interest Paid	481,222	36.53	409,914	42.78
Other Expenses	269,677	20.47	192,971	20.14
Depreciation & amortization	12,909	0.98	12,412	1.30
Provision for Credit Losses	225,840	17.15	115,593	12.06
<b>To Government</b>				
Vat on Financial Services	30,188	2.29	11,124	1.16
Income Tax (Inclusive of Deferred Tax)	40,356	3.06	24,708	2.58
<b>To Shareholders</b>				
Dividends				
Retained Profit	90,125	6.84	72,802	7.60
<b>Total</b>	<b>1,317,233</b>	<b>100.00</b>	<b>958,111</b>	<b>100.00</b>

## INTERNAL CAPITAL FORMATION INSTITUTIONAL CAPITAL

Institutional capital, unlike financial capital, dwells in our business and is highly embedded to the core values of the Abans Finance corporate culture. It embraces the intangible aspects such as organizational knowledge, brand value, information systems etc.

### Organizational Knowledge

With the mission of maximizing the synergies of the Abans group, the company is in the process of structuring financial services with unique products in the competitive business environment. By focusing on the identified niche market and operating in it, the company has been able to raise new knowledge, strategies and values in order to compete with its competitors. Changes in the top management brought new blood to the company in a variety of aspects such as operational functions, Information technology, skills development, etc. The company is driving to the future through learning from its past experience, knowledge sharing and enhancing employee capabilities.

### Brand Value

As a financial service provider in the industry, Abans Finance has driven its strategies to accomplish the financial needs of individuals, corporate and community at large. Our marketing team has been continuously focusing on empowering our brand value through fulfilling the target customer needs, building beyond relationships and reinforces our customer base. We use our branch network to execute marketing campaigns.

### Business Ethics and Integrity

The management is keen to ensure that our customers are provided with valuable services with a high effectiveness coming from the commitment of staff of all levels of the organization. Therefore our workforce always complies with the company's code of ethics and organizational frameworks which encompasses sincerity, trustworthiness, faithfulness, transparency and core values of the company. We tend to maintain integrity to reflect our ethical behaviour towards the stakeholders. It monitors the workforces behaviour patterns when dealing with customers as well as with colleagues and senior management and finally our stakeholders.

### Information Technology

Being an emerging financial service provider in the industry, who has invested in information systems, is playing a crucial role in achieving organizational objectives. Expansion of the business activities facilitated the significance of having an upgraded the IT infrastructure in the company. Our business activities are widening day by day and decision making has become more challengeable due to the enhanced volume the company handles. Therefore, we have made many improvements in the MIS system with a view of deriving information in variety of forms in order to make decisions more strategically and tactically. Further, as in the past year, the IT objectives consider security policies to be strengthened to have a better control over data privacy.

### Systems and Procedures

The company has focused on resource optimization principles and building systematic functions based on these principles. While we have centralized key business functions such as Credit Administration and Disbursement Services, Payments, Human Resource Management, Finance and Treasury, authorization has been granted for Credit Approvals, Deposit Mobilization and other functions to the respective branch managers under the oversight of the head office. Procedures

and systems are up to date with the requirements and are in line with the market as well which are geared towards improving the efficiency of the systems.

### Corporate Culture

Corporate culture which is articulated by our core values and beliefs is an imperative element of winning customers, attracting investors and retaining employees. We are focusing on team work and performance based rewarding systems which motivate employees and it enables to share knowledge and increase the effectiveness. Abans Finance has introduced an excellent incentive scheme to inspire the employees who perform well. Employees' dedication to their responsibilities, accountability to duties and valued customer service are the driving forces of profitability growth and market growth in the past journey of the company.

## EXTERNAL CAPITAL FORMATION

The value generated through external relationships with stakeholders and commercial partnering with our customers is demonstrated by the external capital which comprises Investor Capital, Customer Capital, Employee Capital and Social and Environmental Capital. The way we deliver our business values to stakeholders today, will be the foundation for the enhancement of external capital in the future.

## INVESTOR CAPITAL

Return the company delivers to shareholders through investing their capital by managing the risks and controlling operational activities refer to as investor capital.

## Market Capitalization

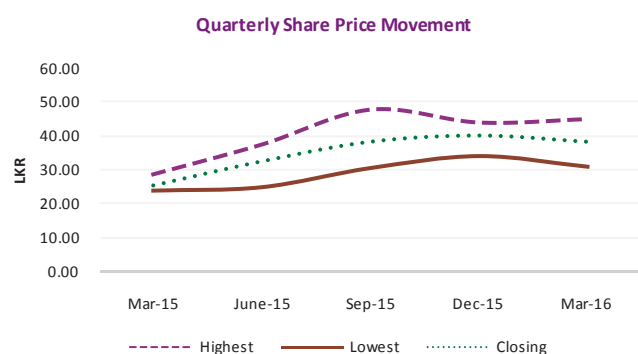
The Stated Capital of LKR 382.4 Mn comprises of 37 Mn ordinary shares. Market Capitalization of the company has improved considerably to LKR 1,413 Mn at a market price per share of LKR. 38.2 as at 31 March 2016. The Company's ordinary shares were listed with the Diri Savi Board of the Colombo Stock Exchange on 27 June 2011.

## Market Price of the shares

Market price recorded its highest of LKR 47.80 and LKR 25.00 as the lowest during the year under review. Market price has increased considerably in comparison to LKR 25.50 registered in 2015. A comparison of market prices is tabulated below.

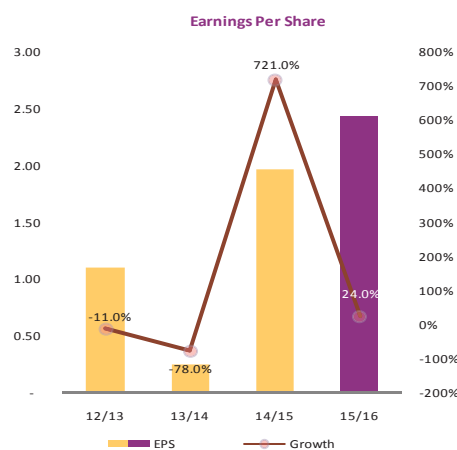
Market Price	2015/16 LKR	2014/15 LKR
Highest	47.80	32.70
Lowest	25.00	24.00
Price as at 31 March	38.20	25.50

A graphical analysis of quarterly movement of the share price during 2015 - 2016 is presented below.



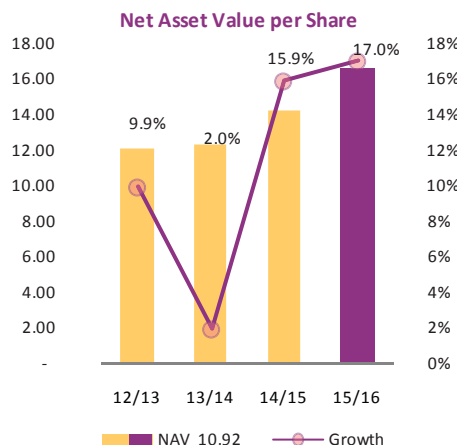
## Earnings

The company was able to deliver basic earnings per share (EPS) of LKR.2.44 to its investors which is 23.64% higher than the last year. The increase has been driven by a satisfactory increase in profit after tax which recorded LKR.90.12 Mn for the year. Movement of EPS from year 2012/13 to 2015/16 is depicted in the following graph.



## Net Asset Value per Share

In comparison to the previous year, Net Asset Value (NAV) per share has recorded a growth of 17.08% at the end of 2015/16 and stood at LKR 16.61. A graphical presentation of the movement of NAV for the last four years is given below.



## Public Shareholding

The Percentage of shares held by the public as at 31 March 2016 was 10.33%. The number of public shareholders stood at 677 as at 31 March 2016.

## EXTERNAL CAPITAL FORMATION (Contd...)

## INVESTOR CAPITAL

## Distribution of Shareholding

Distribution of Shareholdings as at the end of the financial year under review and as at the end of the previous year are as follows.

No. of shares held	31 March 2016				31 March 2015			
	No. of Shareholders		No. of Shares		No. of Shareholders		No. of Shares	
	No.	%	No.	%	No.	%	No.	%
1-1000	556	81.76	95,121	0.26	531	74.68	130,104	0.35
1001-5000	75	11.03	200,833	0.54	121	17.02	323,648	0.87
5001-10000	15	2.21	121,338	0.33	24	3.38	192,013	0.52
10,001-50,000	19	2.79	386,581	1.04	21	2.95	394,702	1.07
50,001-100,000	6	0.88	527,779	1.43	6	0.84	523,267	1.41
100,000-500,000	7	1.03	2,010,342	5.43	6	0.84	1,741,321	4.71
500,001-1,000,000	1	0.15	633,000	1.71	1	0.14	669,939	1.81
over 1,000,000	1	0.15	33,025,006	89.26	1	0.14	33,025,006	89.26
<b>Total</b>	<b>680</b>	<b>100.00</b>	<b>37,000,000</b>	<b>100.00</b>	<b>711</b>	<b>100.00</b>	<b>37,000,000</b>	<b>100.00</b>

## Individual/Institutional Shareholding

An analysis of Individual/Institutional Shareholding as at the end of the financial year under review and as at the end of the previous year are as follows.

No. of Shareholding	31 March 2016				31 March 2015			
	No. of Shareholders		No. of Shares		No. of Shareholders		No. of Shares	
	No.	%	No.	%	No.	%	No.	%
Individual	649	95.44	3,440,327	9.30	671	94.38	3,464,249	9.36
Institutional	31	4.56	33,559,673	90.70	40	5.62	33,535,751	90.64
<b>Total</b>	<b>680</b>	<b>100.00</b>	<b>37,000,000</b>	<b>100.00</b>	<b>711</b>	<b>100.00</b>	<b>37,000,000</b>	<b>100.00</b>

## Resident/Non Resident Shareholdings

An analysis of Resident/Non Resident Shareholding as at the end of the financial year under review and as at the end of the previous year are as follows.

No. of Shareholding	31 March 2016				31 March 2015			
	No. of Shareholders		No. of Shares		No. of Shareholders		No. of Shares	
	No.	%	No.	%	No.	%	No.	%
Resident	678	99.71	36,989,800	99.97	709	99.72	36,987,849	99.97
Non Resident	2	0.29	10,200	0.03	2	0.28	12,151	0.03
<b>Total</b>	<b>680</b>	<b>100.00</b>	<b>37,000,000</b>	<b>100.00</b>	<b>711</b>	<b>100.00</b>	<b>37,000,000</b>	<b>100.00</b>

## Director's Shareholdings

Directors Shareholdings as at the end of the year under review and as at the end of the previous year are as follows.

Name of the Director	31 March 2016		Name of the Director	31 March 2015	
	No of Shares	%		No of Shares	%
Mr. R Pestonjee	153,237*	0.41	Mr. R Pestonjee	147,887	0.40
Mr. C D Pathirana	NIL	NIL	Mr. C D Pathirana	NIL	0.00
Mr. K B Wanigasekara	NIL	NIL	Mr. K B Wanigasekara	NIL	0.00
Mr. V K Choksy	NIL	NIL	Mr. V K Choksy	NIL	0.00
Mr. A S Ratnayake	NIL	NIL	Mr. A S Ratnayake	NIL	0.00

\*This includes 20,000 shares Held Jointly

## EXTERNAL CAPITAL FORMATION (Contd...)

## INVESTOR CAPITAL

## Twenty Major Shareholders of the Company

The twenty largest shareholders of the company as at the end of the year under review and as at the end of the previous year are as follows.

Name of the Shareholder	31 March 2016		Name of the Shareholder	31 March 2015	
	No.of Shares	(%)		No.of Shares	(%)
Abans PLC	33,025,006	89.26	Abans PLC	33,025,006	89.26
Mr. P N Pestonjee	633,000	1.71	Mr. P N Pestonjee	669,939	1.81
Mr. K Kunenthiran	419,671	1.13	Mr. P K Pestonjee	370,100	1.00
Mr. P K Pestonjee	370,100	1.00	Mrs. H G S Chandrakanthi	370,000	1.00
Mrs. H G S Chandrakanthi	370,000	1.00	Mr. K Kunenthiran	370,000	1.00
Mrs. C V Sumanadasa	370,000	1.00	Mrs. C V Sumanadasa	370,000	1.00
Mr. B Pestonjee	214,000	0.58	Mrs. S Dubash	133,334	0.36
Mrs. S Dubash	133,334	0.36	Mr. R Pestonjee	127,887	0.35
Mr. R Pestonjee*	153,237	0.41	Ab Securitas (Pvt) Ltd	100,000	0.27
A B Cold Storage (Pvt) Ltd	100,000	0.27	Cleantech (Pvt) Ltd	100,000	0.27
AB Securitas (Pvt) Ltd	100,000	0.27	A B Cold Storage (Pvt) Ltd	100,000	0.27
Cleantech (Pvt) Ltd	100,000	0.27	Mrs. K S Rodrigo	90,000	0.24
TKS Finance Ltd/ K Jayakodi	94,512	0.26	Mrs. Aban Pestonjee	66,667	0.18
Mrs. A Pestonjee	66,667	0.18	Mrs. H I Salgado	66,600	0.18
Mrs. H I Salgado	66,600	0.18	British American Technologies (Pvt) Ltd	39,146	0.11
TKS Finance Ltd/S T Selvi	40,640	0.11	Mr. G C Goonetilleke	39,034	0.11
Mr. G C Goonetilleke	40,000	0.11	People'S Leasing & Finance PLC	27,300	0.07
TKS Finance Ltd/L S Vithya	28,951	0.08	Dr. K Poologasundram	25,000	0.07
Mr. K Poologasundram	25,000	0.07	Mr. Abdul Rahuman Ibrahim	20,906	0.06
Mrs. W G S D Chandrathilaka	21,710	0.06	Mr. N W G Tissa Chandrasiri	20,000	0.05
	36,372,428	98.30		36,130,919	97.65
<b>OTHERS</b>	627,572	1.70	<b>OTHERS</b>	869,081	2.35
<b>TOTAL</b>	<b>37,000,000</b>	<b>100.00</b>	<b>TOTAL</b>	<b>37,000,000</b>	<b>100.00</b>

\*This includes 20,000 shares Held Jointly

## Communication with Shareholders

Annual General Meeting (AGM) and Extra Ordinary General Meetings (EGMs) are the prescribed fora for shareholders to exchange views with the company. The Chairman of the Board, Executive Directors, Non- Executive Directors (NEDs) and Company's External Auditors are available to answer questions from shareholders at these meetings. The company at all times is ready to provide timely and precise information regarding its business strategies, operations and financial performance.

Our website, [www.abansfinance.lk](http://www.abansfinance.lk) functions as an additional channel for communication with shareholders and other stakeholders. Further, Corporative Disclosures and other news releases / price sensitive information are communicated, initially, to Colombo Stock Exchange for the information of Shareholders.

## EXTERNAL CAPITAL FORMATION (Contd...)

## INVESTOR CAPITAL

## Compliance Report in Terms of Section 7.6 - Contents of the Annual Report in Terms of the Listing Rules of the Colombo Stock Exchange.

The table below summarizes the Company's degree of compliance with section 7.6 of the Listing Rules issued by the Colombo Stock Exchange;

Rule No.	Disclosure Requirements	Section Reference	Page No.
7.6 (i)	Names of persons, who during the financial year were Directors of the Entity.	Report of the Board of Directors.	78
7.6 (ii)	Principal activities of the entity and its subsidiaries during the year and any changes therein.	Company does not have any Subsidiary. Refer Notes to the Financial Statements - Note 1.2	89
7.6 (iii)	The names and the number of shares held by the 20 largest holders of voting and non-voting share and the percentage of such shares held.	Management Discussion and Analysis – External Capital Formation – Investor Capital.	24
7.6 (iv)	The Public Holding percentage.	Management Discussion and Analysis – External Capital Formation – Investor Capital.	22
7.6 (v)	A Statement of each Director's holding and Chief Executive Officer's holding in shares of the Entity at the beginning and end of the financial year.	Report of the Board of Directors.	79
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity.	Risk Management Report.	62
7.6 (vii)	Details of material issues pertaining to employees and industrial relations of the Entity.	Management Discussion and Analysis – External Capital Formation – Employee Capital, Social and Environment Capital.	26-28 & 32
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Notes to the Financial Statements -Note 28	104
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Notes to the Financial Statements -Note 36	109
7.6 (x)	A distribution schedule of the number of holders in each class of equity securities, and the percentage of their total holdings.	Management Discussion and Analysis – External Capital Formation – Investor Capital (Page 25).	24
7.6 (xi)	Ratios and Market Price Information		
	- Dividend per Share	Company have not declared any dividend for the year under review and hence it is not applicable	N/A
	- Dividend Pay Out		
	- Net Asset Value per Share	Management Discussion and Analysis – External Capital Formation – Investor Capital.	22
	- Market Value Per Share		
7.6 (xii)	Significant changes in the Entity's or its subsidiaries' fixed assets and the market value of land, if the value differs substantially from the book value.	Not Applicable	N/A
7.6 (xiii)	Details of funds raised through Public Issues, Right Issues and Private Placement during the year.	The Company has not raised funds through public/right issues and private placements during the year under review.	N/A
7.6 (xiv)	Information in respect of Employee Share Option / Purchase Scheme	The Company does not have an Employee Share Option / Purchase Scheme.	N/A
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.	Corporate Governance Report (Section – Three) and this report satisfies the requirements .	50
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the Total Assets whichever is lower.	Note No. 46 to the Financial Statements discloses the transactions with related parties.	128

## EXTERNAL CAPITAL FORMATION (Contd...)

## EMPLOYEE CAPITAL

"Great vision without great people is irrelevant."

Jim Collins, Good to Great



As a company who invest in Human Resource, better know that the respect and honour with which employees are treated by their companies of paramount important. Fairness in the workplace helps to determine their attitudes towards the job as well as it has a positive impact on their productivity.

Therefore, Abans Finance HR team in connection with the Abans Group of Companies make sure that they are doing everything they possibly can, to provide a fair working environment to our employees that will sustain and grow towards the success by ensuring the company vision and mission intact and with compliances industry practices.

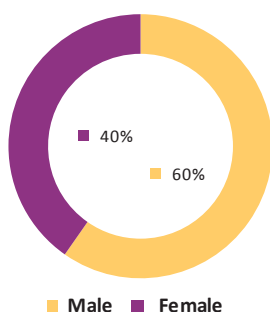
## Employee Strength &amp; Value

Diversity is about valuing our employees as individuals. For this, we always ensure that we value our people a one-size-fits-all approach. Therefore, we recognize different approaches that are required for our people in respect of needs, values and beliefs. Some strategies that we are using for value people are as follows:

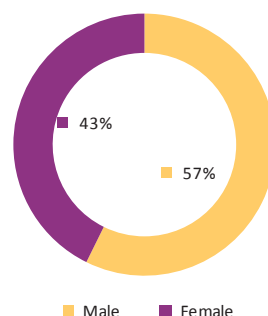
- In guiding our new young blood we pay closer attention to their individual talents, values and practices.
- Our HR team is always open-minded in their approach and understands resistance to help people to achieve individual goals and convey this belief to our staff so they can work according to their personal strength be to in line with the entity vision.
- By examining time-to-time company's existing policies, practices and procedures regularly to ensure that there are no adverse impact on any individual or any group, unless any changes are required to clear the direction towards the company mission and vision.

Abans Finance is armed with 355 numbers of highly motivated employees (At the reporting date) who are well focused on the success of the company. The staff strength was increased by 33% (from 267 to 355 employees) during the year under review. Also, we ensure that no employee is subject to any sort of discrimination based on gender on any other way. The overall gender balance is in an acceptable region and 60% of the total employees are males and 40% are females.

## Gender Composition - 31 March 2016



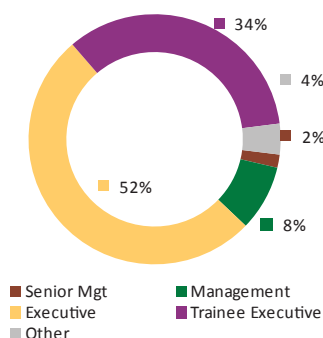
## Gender Composition - 31 March 2015



## Employee Category

Out of 355 employees presenting, over 52% of the total employees falls under the executive category, mainly spread among Head Office Branches, & KIOSKS.

## Employee Category



As at the year end, the total employee comprises of 122 Trainee Executives whereas 30 staff are at management level and further 6 are in the Senior Management Level. The balance 14 employees are below Trainee Executive Level.

## Work Force by Gender &amp; Grade

Gender & Grade	31 March 2016			31 March 2015		
	Male	Female	Total	Male	Female	Total
Senior Mgt	6	0	6	6	0	6
Management	25	5	30	19	5	24
Executive	96	87	183	50	55	105
Trainee Executive	72	50	122	73	53	126
Other	13	1	14	5	1	6
<b>Total</b>	<b>212</b>	<b>143</b>	<b>355</b>	<b>153</b>	<b>114</b>	<b>267</b>

## Composition of Work Force by Gender &amp; Location

We, Abans Finance always ensure that we provide equal job opportunities for all the people of the country regardless of their Age, Religion or Culture. We cover all regions by recruiting our staff and always ensure that they are up any task.

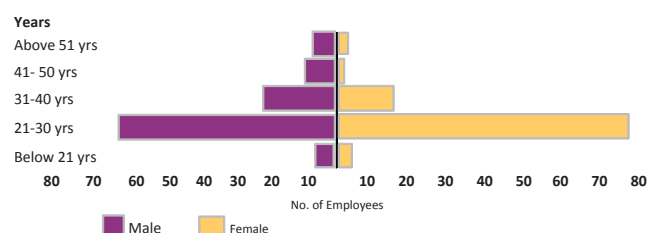
Graphs demonstrate the work force based on Gender distributed geographically across the country.

## EXTERNAL CAPITAL FORMATION (Contd...)

## EMPLOYEE CAPITAL

Gender & Province	31 March 2016			31 March 2015		
	Male	Female	Total	Male	Female	Total
Central	43	21	64	19	10	29
North Central	16	5	21	10	7	17
North Western	9	3	12	12	4	16
Nothern	9	4	13	3	0	3
Sabaragamuwa	9	7	16	10	7	17
Southern	13	5	18	17	10	27
Uva	16	3	19	8	2	10
Western	95	95	190	70	73	143
Eastern	2	0	2	4	1	5
<b>Total</b>	<b>212</b>	<b>143</b>	<b>355</b>	<b>153</b>	<b>114</b>	<b>267</b>

## Age Analysis

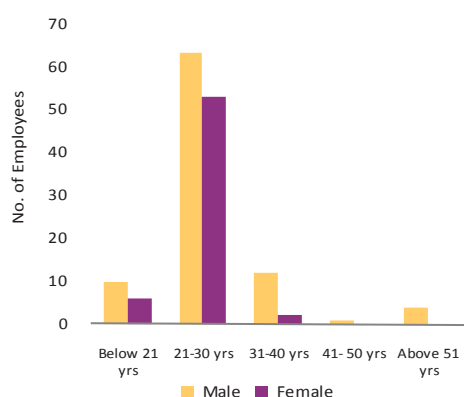


## Recruitment &amp; Retention

Abans Finance PLC recruited 151 new employees during the period under review and we ensure that we recruit dynamic and motivated individuals that fit to the company requirements by analyzing their individual skills and competences to perform the duty well. For this purpose, we rely on referrals and online advertising for recruitments. We always follow a transparent procedure for all staff recruitments and we follow best industry practices for retaining our staff that we recruited.

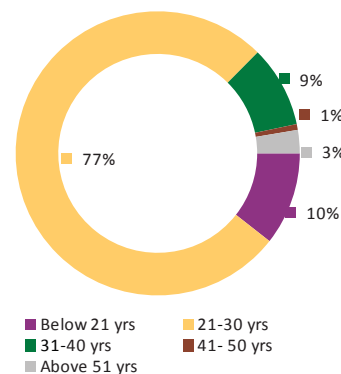
Gender & Grade	Male	Female	Total
Executive	17	16	33
Management	6	0	6
Others	6	1	7
Trainee Executive	61	44	105
<b>Total</b>	<b>90</b>	<b>61</b>	<b>151</b>

## Recruitment based on Age - 2015/16

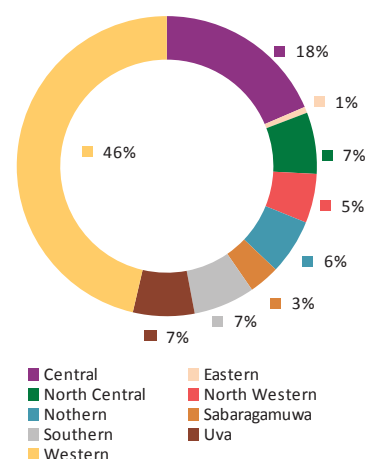


116 employees of the new recruitments represent the 21-30 years category which falls under the young, dynamic individuals that serve the company as new individuals.

## Recruitment based on Age - 2015/16



## Recruitment based on Location - 2015/16



## Retention

A total of 60 staff have left the company during the year under review and the total expenditure on salaries has increased from Rs. 84Mn to Rs. 122Mn when compared with 2014/2015 and it is a 46% increase when compared with the last year.

Abans Finance retention strategy focuses on remuneration, rewards and recognition, benefits and effective labour relations. The compensation offered by Abans Finance is either on par or above the NBF sector. Permanent employees are entitled to various benefits in addition to their remuneration. These benefits include;

- Performance related incentives
- Vehicle and fuel allowances for middle and top management.
- Reimbursement of fuel and other expenses on business promotions
- Contribution to EPF, ETF, and Gratuity payment upon completion of 5 years (on termination)
- Staff loans at concessionary rates
- Medical Benefits include OPD claims, Personal accident cover etc.
- Reimbursement of professional membership fees.

## EXTERNAL CAPITAL FORMATION (Contd...)

## EMPLOYEE CAPITAL

## Training and Development

The quality of employees and their development through training and education are major factors in determining long-term profitability.

Training and developing of our pool of employees are a key aspect in developing their individual performances. During the period under review, 83 employees have participated in 34 programmes and company has invested LKR 672,756/- to provide a total 282.45 hours of training across all categories of staff.

Employee training needs are identified through analysis of individual training requirements (during staff appraisal), discussions with department heads, line managers and the directions from the Corporate Management and Board of Directors. Depending on the needs, employees are provided with suitable training through internal programmes (arranged within the Company) such as, orientation programmes for new recruits, job rotation and on the job training and external programmes (organized by professional bodies).

## Defined Benefits Plans

The Company contributes to Employees' Provident Fund and Employees' Trust Fund and details of contributions are as follows.

## Contribution to EPF

- Contribution by the employee - 8%
- Contribution by the employer - 12%

## Contribution to ETF

- Contribution by the employer - 3%

Permanent employees who have completed five years of services based on the Payment of Gratuity Act No. 12 of 1983 are eligible to receive Gratuity from the company. In order to ascertain the liability arising from this, the Company obtains an actuarial valuation from Actuarial Management Services (Pvt) Ltd, a professional Actuary. According to the actuarial valuation, the gratuity liability as at 31 March 2016 is LKR 15,249,338/-

## Work- Life Balance

Special programmes were conducted for the employees of the company to balance their work-life. Annual get-together along with the Christmas party and some religious ceremonies to gain a successful balance life. A well balanced work environment is in place including a flexible leave system to encourage the independence required to balance work responsibilities with their personal lives.

## EXTERNAL CAPITAL FORMATION (Contd...)

### CUSTOMER CAPITAL

Abans Finance PLC is a member of the prestigious Abans Group of Companies. The Company's Principal Lines of Business include, acceptance of Time and Savings Deposits and the investment of funds mobilized, in lending instruments in Finance Leasing, Hire Purchase, Mortgage Loans, Revolving Loans, Business Loans and Personal Loans. The Company offers tailor - made financial solutions which are of high quality that satisfy needs of our customers.

Composition of Customer Base



### PRODUCT PORTFOLIO

#### Finance Leasing and Hire Purchase

The company provides special packages with flexible payment schemes to suit the customer requirements which include, Finance Leases on brand-new and reconditioned Motor Vehicles and Plant and Machinery.

Abans Finance PLC focused more on the provision of Finance Leases on two wheelers by making the optimum use of the strong credentials and resources of the Abans Group.

#### Hero Leasing

Abans Finance has been able to penetrate the market on two wheelers from the time of the introduction of the Hero motorcycle product. The company is confident that with the additional features applicable to the product through an additional premium coupled with the utilization of Hero Two Wheeler Network of the Abans Group, the Company can further strengthen the product performance, significantly in the future.

#### Loans

The Company offers a range of loan products to cater to various customer needs. The Company's loan facilities include the following.

- Personal Loans
- Mortgage Loans
- Real Estate Loans
- Revolving Loans
- Business Loans

#### Deposits

The Company promotes Fixed and Saving Deposits as its major funding source. A significant achievement has been made in the deposit base as indicated earlier. The Company offers Fixed Deposits with flexible maturity period, such as One Month, Three Months, Six Months, Twelve Months, Fifteen Months, Twenty Four Months, Thirty Six Months, Forty Eight Months and Sixty Months. Interest on fixed deposits is offered on a monthly basis and on maturity depending on the customer requirements.

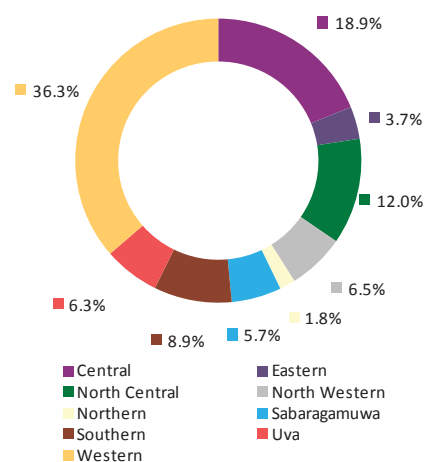
### CUSTOMER SATISFACTION

The Company continuously monitors and provides solutions on customer complaints, queries and customer requests. Abans Finance encourages its customers to provide their feedback and suggestions on the service provided to them. All customer feedback and complaints received are forwarded to relevant divisions for immediate solutions.

#### Branch Network

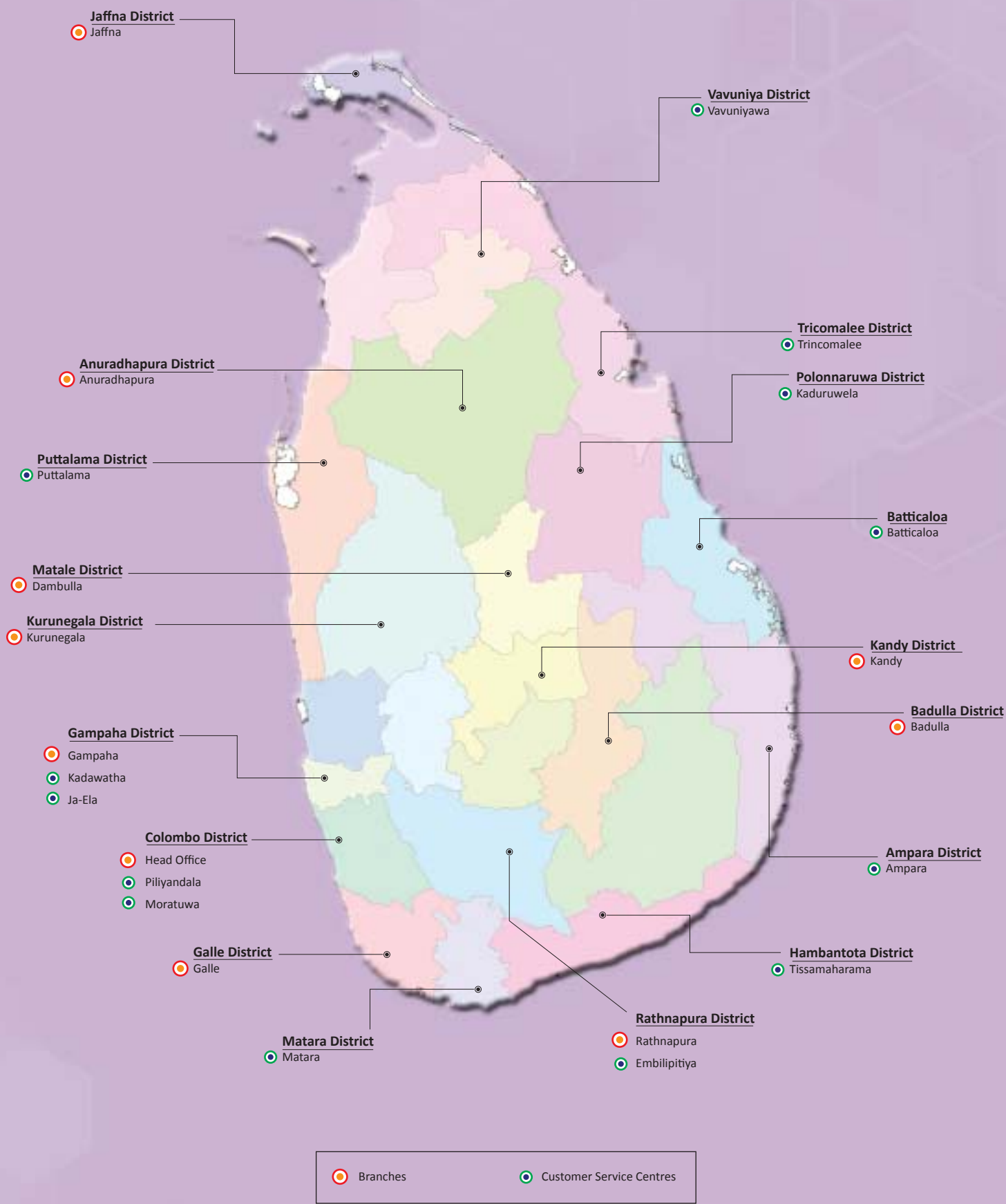
The Company continued to enhance efficiency and effectiveness in operations in the Branch Network through its competent operational management and other experienced staff. As such, branch network of the company provides an excellent service to the customers scattered over the country to fulfill their financial needs while contributing a notable percentage to the company's total lending portfolio. Further, during its eleventh year, Abans Finance has expanded its operations to Nine Branches, Nine Customer Centres and Four Kiosks in addition to the Head Office.

Composition of Customers by Provinces



CUSTOMER CAPITAL (Contd...)

OPERATING LOCATIONS



## Branch Network

## Head Office

No 456, R.A.De Mel Mawatha,  
Colombo 03.  
☎ : 011-2208888  
☎ : 011-2375517  
✉ : finance@abansgroup.com

## Badulla

No. 30, Anagarika Dharmapala Mawatha,  
Badulla.  
☎ : 055-3557730/055-2228180  
☎ : 055-2222101  
✉ : afslbdu@abansgroup.com

## Gampaha

No. 118, Colombo Road,  
Gampaha  
☎ : 033-3438602/033-3555450  
☎ : 033-2234970  
✉ : afslgam@abansgroup.com

## Anuradhapura

No 348/A, 348/B,  
Maithripala Senanayaka Mawatha  
Anuradhapura  
☎ : 025-3856947/025-3244969  
☎ : 025-2234557  
✉ : afslapr@abansgroup.com

## Dambulla

Sujatha Building  
Kurunegala Junction  
Dambulla  
☎ : 066-3669876/066-3925777  
☎ : 066-2285000  
✉ : afslbam@abansgroup.com

## Kandy

1st Floor, Arpico Building  
No.123, D S Senanayaka Veediya  
Kandy  
☎ : 081-3827710/081-3842720  
☎ : 081-2205675  
✉ : afslkdy@abansgroup.com

## Galle

No. 02, Malwatta Road,  
Kaluwella,  
Galle  
☎ : 091-3907720/091-2235888  
☎ : 091-2227122  
✉ : afslgal@abansgroup.com

## Jaffna

No 221, Power House Road,  
Jaffna  
☎ : 021-3207686  
☎ : 021-2217022  
✉ : afslchu@abansgroup.com

## Kurunegala

No. 19 Bauddhaloka Mawatha,  
Kurunegala  
☎ : 037-3877888/037-3616655  
☎ : 037-2222611  
✉ : afslkrg@abansgroup.com

## Rathnapura

Zeena Building, No 139/1 Main Street, Rathnapura.  
☎ : 045-3457777/045-3608060 ☎ : 045-2226873 ✉ : afslrtp@abansgroup.com

## Customer Service Centres

## Ampara

No. 19, D.S. Senanayaka Veediya  
Ampara  
☎ : 036-2224747  
☎ : 036-2224747  
✉ : afslamp@abansgroup.com

## Batticaloa

No.175B, Trinco Road  
Batticaloa  
☎ : 065-3063336  
☎ : 065-2229799  
✉ : afslbtl@abansgroup.com

## Embilipitiya

No.847/F, 847/C  
Panamura Rd, Udagama, Embilipitiya  
☎ : 047-3220400/ 047-3220401  
☎ : 047-2262261  
✉ : afslomb@abansgroup.com

## Ja-ela

No 17. Negambo Road,  
Ja-ela  
☎ : 011-3144338  
☎ : 011-2240228  
✉ : customercenter@abansgroup.com

## Kadawatha

No. 172/12/E, Kandy Road  
Kadawatha  
☎ : 011-2926811  
☎ : 011-2926811  
✉ : customercenter@abansgroup.com

## Kaduruwela

No.16, Near Police Station  
Kaduruwela  
☎ : 066-3062444  
☎ : 027-2223323  
✉ : afslkdw@abansgroup.com

## Matara

No.402/1, Galle Road,  
Paburana,Matara  
☎ : 041-3021980 / 041-3021981  
☎ : 041-2238440  
✉ : afslmtr@abansgroup.com

## Moratuwa

No. 486, Galle Road  
Rawathawatttha, Moratuwa  
☎ : 011-3052200  
☎ : 011-2649177  
✉ : customercenter@abansgroup.com

## Piliyandala

No. 82, Saranapala Mawatha,  
Piliyandala.  
☎ : 011-3034200  
☎ : 011-2609310  
✉ : customercenter@abansgroup.com

## Puttalam

No. 138, Kurunegala Road,  
Puttalam  
☎ : 032-3295105  
☎ : 032-2267667  
✉ : afslptl@abansgroup.com

## Tissamaharama

No.18, Pahala Veediya  
Tissamaharama  
☎ : 047-3220240/047-3220241  
☎ : 047-2237937  
✉ : afslthissa@abansgroup.com

## Trincomalee

No.36/C,Sumethagama,  
Stage 02, Kandy Road,  
Trincomalee  
☎ : 026-3207334/026-3207333  
☎ : 026-2054849  
✉ : afsltinco@abansgroup.com

## Vauniya

No.24, Second Cross Street, Vauniya.  
☎ : 024-2228222/ 024-3200222 ☎ : 024-2228222 ✉ : afslvav@abansgroup.com

## SOCIAL & ENVIRONMENTAL CAPITAL

A business has its own social environment. It's Internal Social Environment is simply the customs, beliefs, practices and behaviors within the confines of the business. A business has much more control over its internal social environment than it does with its external social environment.

Abans Finance has its own organizational values, norms, customs and practices. We have many of these values, norms and beliefs that will mirror the external social environment, but some will be unique to the organization.

We aim to practice our own values through synergies available by focusing on the CSR activities in the following manner. `

### WORK PLACE

We have created an environment for our team to become enthusiastic and energetic to play a dynamic role in the company where they can perform their roles in an efficient manner that in turn will accomplish the mission and realize company's vision through goals and objectives. Further, we ensure that we always follow professional practices, ethical guidelines and legal provisions.

In order to be in line with the 'health & safety' requirement standard, we focus more on the following critical areas.

### Health & Safety

We shall provide, and strive to maintain the environment by providing a better place to work. For this purpose, we always ensure that following facts always cover the business environment.

- Assess risks, identify what could cause harm in the workplace, who could be harmed and how by assessing the building and its surroundings.
- Involve our employees and communicate, so that everyone develops positive attitudes and behaviors on their safety.
- Always train and develop our employees to possess competencies to carry out their work.
- Assess risks that have to be controlled when achieving individual's goals.
- Revisit our plans and policy documents periodically, to ensure that they are well focused towards employees' health and safety.

### Management of Health and Safety



Source: Health and Safety Executives

### MARKET PLACE

#### Customers

Customer satisfaction is the best indicator of how likely a customer will obtain a service in the future. Abans Finance will always ensure that its customers are satisfied to an extent when they come back to receive the same or a different service provided by the company.

The business of finance is always competitive. They repeatedly compete for good customers. Therefore, we always ensure customer satisfaction as a key differentiator in the business we operate.

#### Environment

We monitor and ensure the impact on the environment and performance across every category within the organization by:

- Adopting practices that will benefit on resource efficiency, low energy consumption, emissions and waste minimization.
- Retain customers who have contributed positively to the environment.
- Make our employees feel that they work in an environmentally-friendly company. In order to positively display the employers' contribution, we make use of an established re-cycling and waste management project of a sister company of the Abans Group

### Community

To maintain the corporate image and attract new clients, a company must understand its corporate responsibilities towards the public. For this purpose, we always ensure that we serve the community within its reach. Some of the key community activities of the company are providing training and development opportunities to young school leavers and undergraduates. The provision of trainings has assisted these students to obtain employment in corporate entities and to be successful in their careers. There are lists of such successful students in the finance field.

Abans Finance has also trained university graduates and exposed them to the requirements of the private sector that assist them to enhance their career prospects. The Company as a part of its obligations has identified the importance of providing practical training to fulfill their aspirations in training, as an when job opportunities arise in the Company and in the group.

# Corporate Stewardship

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59	Remuneration Committee Report
60	Integrated Risk Management Committee Report
61	Nomination Committee Report
62	Risk Management Report

## BOARD OF DIRECTORS

### MR. RUSI PESTONJEE - CHAIRMAN NON EXECUTIVE DIRECTOR

Appointed as a Director and Chairman with effect from 1 January 2012. A member of the Remuneration Committee and the Chairman of the Nomination Committee of the company. A Director of Abans PLC. (formally Abans (Pvt) Ltd). He is an alumnus of the executive management programmes at the Indian School of Business, focusing on strategy and managing family businesses. He supports relationship building with key international partners and has been instrumental in implementing several new strategic growth initiatives. He also holds directorships within Abans Group of Companies.

### MR. KITHSIRI WANIGASEKARA MANAGING DIRECTOR

Appointed to the Abans Finance PLC Board as Executive Director on 1 June 2009. Assumed duties as Managing Director / CEO on 1 January 2012 and held the position until 02 May 2016. He continues to hold the position of Managing Director. A member of the Related Party Transaction Review Committee and Integrated Risk Management Committee. Functioned as Chairman & Managing Director / CEO of Sinhaputhra Finance Ltd., from December 1990 to September 2007. Counts more than 35 years of service in the financial services sector out of which 28 years of service had been as a Director and 22 years as Managing Director / CEO. A finalist of the Chartered Institute of Management Accountants, UK and holds a Masters Degree in Business Administration. Chairman of the Finance Houses Association of Sri Lanka (FHASL) in the years 1998, 1999 and 2000 and a member of the Committee of the Ceylon Chamber of Commerce during the same period. A Past Council Member of the Sri Lanka Institute of Credit Management. He has been serving as a member of the Council of Management of the FHASL for the last several years.

Past Chairman of the Kandy Hotels Co. (1938) Ltd., owners of "Hotel Suisse" and "Queen's Hotel" from 1994 to 2001. A member of the PSRE 17 Group of Sri Lankan Entrepreneurs to Japan in 2003 sponsored by The Association of Overseas Technical Scholarships of Japan. One of the three Sri Lankan nominees of the United States - Sri Lanka Fulbright Commission for the Hubert H. Humphrey North - South Fellowship Program for Mid-Career Professional Study in the USA on Finance and Banking for the Academic year 2006-07.

He has been awarded with the following :

\*Central Provincial Chamber of Commerce- "Silver Award" winner for the most Outstanding Entrepreneur of the Central Province in 2000.

"Sri Lankan Entrepreneur of The Year 2005" Organized by the Federation of Chamber of Commerce of Sri Lanka (FCCSL).

#### Extra Large Category -

\* Central Province – " Silver Award Winner"

\*National – " Bronze Award Winner"

### MR. CHANNA DILHAN PATHIRANA NON - EXECUTIVE DIRECTOR

Appointed to the Board on 26 November 2007. A member of the Related Party Transaction Review Committee and the Chairman of the Integrated Risk Management Committee (IRMC). A Deputy Director of Abans PLC., authorized distributor for LG electronics in Sri Lanka since 2002. Heads the Hero Motor Cycle retail operation of the Abans Group. Counts 23 years of experience in Sales, Marketing, Leasing and Hire Purchase in Multi National / Local organizations. Prior to his appointment to Abans Group he has extensive experience related to Sales and Marketing of Consumer electronics in a Multi-National Company. He has a Master of Business Administration having qualified as a Marketer from the Chartered Institute of Marketing (UK).

### MR. AJITH S. RATNAYAKE FCA, FCMA (UK), ACCA, CMA, FCMI, FCMA, CGMA INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed to the Board on 16 May 2014. Chairman of the Audit Committee and the Related Party Transaction Review Committee. He is also a member of the Remuneration Committee.

Mr. Ajith S. Ratnayake is the founder Director General of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), where he served for 15 years. He was responsible for setting up its monitoring process for financial reporting and auditing of public interest entities in Sri Lanka and building its technical capacity.

As the Director General of SLAASMB, he served in the Advisory Council of the International Forum of Audit Regulators (IFIAR), Consultative Advisory Committees of the International Auditing and Assurance Standards Board (IAASB) and the Ethics Standards Board for Accountants (IESBA), Intergovernmental Group of Experts on International Standards on Accounting and Reporting (ISAR) serviced by the United Nations Conference on Trade and Development (UNCTAD), and in the working group on Commercial Forests of the International Valuations Standards Council (IVSC).

Prior to setting up SLAASMB, Mr. Ratnayake served in a number of private sector enterprises in Sri Lanka and in multinational companies abroad in diverse positions, including as CEO and CFO, over a period of more than 15 years after qualifying as a Chartered Accountant. In his last assignment before SLAASMB, he headed the setting up of the Finance Division of a joint venture of Vodafone (UK) established in Fiji. He has extensive experience and expertise in revival of underperforming enterprises and in acting as a catalyst for growth in profitability.

### MR.VISHTASP KAIRSHASP CHOKSY INDEPENDENT NON-EXECUTIVE DIRECTOR (SENIOR DIRECTOR)

Appointed to the Board on 15 March 2011. He became the senior Director with effect from 1 January 2012 in terms of the Finance Companies (Corporate Governance) Direction No 3 of 2008. An Attorney-at-Law by profession. Possesses twenty two years of legal practice and has been specializing in Civil Law with particular emphasis in Commercial, Business and Industrial Law. The Chairman of the Remuneration Committee of the Company, a member of the Audit Committee and the Nomination Committee. Provides specialized legal advice to the Company on key business related issues.

## CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Stakeholder,

It is my pleasure to present to you the Corporate Governance Report on behalf of the members of the Board of Directors of Abans Finance PLC for 2015/2016. We are committed to strong governance which we believe is the key to maintaining the trust that our stakeholders place in us. We believe that good corporate governance results in quantifiable and sustainable long term growth. Our past performance track record in creating value for shareholders and other stakeholders bears testimony to this. The Company will continue with its efforts in evaluating its governance practices in response to evolving best practices globally and the changing needs of the Company.

The responsibility for Good Governance rests with the Board, and is supported by an effective governance framework which, the Board believes as appropriate to the requirements of Finance Business. The Corporate Governance framework of Abans Finance is guided by the regulations, laws, voluntary practices and internal policies adopted by the Board of Directors.

During the year under review, the Board focussed more on improving its effectiveness towards governance and the Board and the Board Sub Committee evaluation process provided an opportunity for further improvements to effective application of best practices. The Board of Directors also formed Related Party Transactions Review Committee as a Board Sub-Committee to assist the Board on Related Party Transactions in conformity with Listing Rules of the Colombo Stock Exchange. Going forward, we will ensure that we commit to further improvements in transparency, accountability and reporting.

The dynamic roles played by the Board Sub Committees namely, Audit Committee, Remuneration Committee, Nomination Committee, Related Party Transaction Review Committee and Integrated Risk Management Committee which are chaired by Non-Executive Directors to sustain transparent governance practices have been immense. These Sub-Committees have been constituted with written terms of reference and the Board delegates certain functions to the Sub-Committees without diluting Board's authority. The contribution of Independent Directors' towards implementation of good governance is vital to sustain governance practices.

The Corporate Governance Report on pages 36 to 56 contain comprehensive governance arrangements as required under the regulations and details on the extent of the company's compliance with the provisions set out in the regulations.

I wish to extend my appreciation to the Board members who have been supportive and committed in their efforts in implementing a strong governance culture within the Company.



**Rusi Pestonjee,**  
Chairman / Non-Executive Director.  
27<sup>th</sup> June 2016

Overview

Management Discussion and Analysis

Corporate Stewardship

Financial Reports

Supplementary Information

## CORPORATE GOVERNANCE

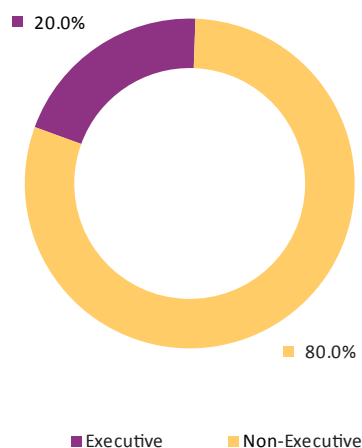
### Introduction

The Corporate Governance framework at Abans Finance PLC places emphasis on adhering to Good Governance norms that are essential for maximizing shareholder wealth, enhancing transparency and integrity in all transactions to deliver sustainable value and to maintain investor confidence. In pursuit of the highest standards of corporate governance encapsulates regulatory, legal requirements and voluntary practices which aim at a high level of business ethics for safeguarding the interests of stakeholders. The effective implementation of the Company's Governance practices is supported with an efficient Board of Directors which comprises of Non Executive, Independent Non Executive and Executive Directors. The separation of the Board's supervisory role from the management and the structure based on Board Sub Committees, which are chaired by Non Executive Directors and Independent Non Executive Directors, strengthens corporate governance framework.

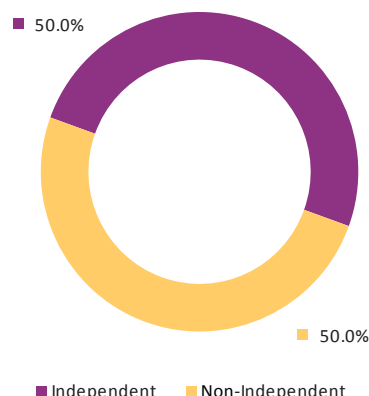
### Board Composition and Balance

Strong governance is dependent upon a board of directors that is cohesive, independent in nature, fully engaged and committed to the role and, as a result, operates effectively. The Board reflects a balance between financial, sector specific and general business skills, with a highly experienced team leading the business in both executive and non-executive roles. The major role of the Board includes overseeing the risk profile of the Company, monitoring the integrity of its business and control mechanisms, ensuring expert management and maximizing the interest of all stakeholders. The Board of Directors currently has 5 members; two Non Executive (Non-Independent) including the Chairman, two Independent Non Executive Directors one of whom is designated as the Senior Director and an Executive Director who is the Managing Director. The Board comprises of individuals with appropriate abilities, skills and competencies. Each Director provides the Company the knowledge, experience and skills for effective performance of the Board and they allocate adequate time to discharge their responsibilities. A list of the individual directors and their profiles including dates of appointment to the Board and their Committee memberships are set out in the Directors' profile.

### Executive Vs. Non Executive Directors



### Non Executive Directors - Independent vs. Non Independent



### Division of Responsibilities - Chairman and CEO

The role of Chairman and CEO is segregated and there are clear and documented divisions of accountability and responsibility. The Chairman is accountable to shareholders for the effectiveness of the Board and that it builds a sustainable business through consistent, profitable growth, while taking account of the interests of wider stakeholders. The Chairman leads the Board and chairs its meetings, having agreed on a balanced agenda covering business performance, strategy, risk, compliance and people. He ensures that the directors receive accurate, timely and relevant information for deliberations and high-quality decision-making and that their time is allocated constructively.

The CEO is the apex executive-in-charge of the day to day management of the Company's operations and business and is accountable to the Board. This includes developing business strategies for the approval of Board and timely and effective implementation whilst managing risks. The CEO provides the leadership and environment within the Company to implement the Board's policies and the achievement of the Company's objectives.

### Appointment and Re-election

Directors are elected by the shareholders at the Annual General Meeting (AGM) except for casual vacancies arising during the year filled by the Board of Directors until the next AGM (Article 26 (5) of the Article of Association addresses this). Accordingly, all directors are subject to election by shareholders at the first AGM following their appointment, and to re-election thereafter at intervals of no more than three years in compliance with the Code of Best Practice on Corporate Governance 2013. Mr. C.D. Pathirana and Mr. R. Pestonjee retired at the last AGM in conformity with the above code and were re-elected by the shareholders with the unanimous support of the other Directors. The Directors who are nominated for re-election submit affidavits and declarations and obtain prior approval from the Director, SNBFI of Central Bank of Sri Lanka in compliance with the Finance Companies (Assessment of fitness and propriety of Directors and Officers performing executive functions) Direction No. 03 of 2011.

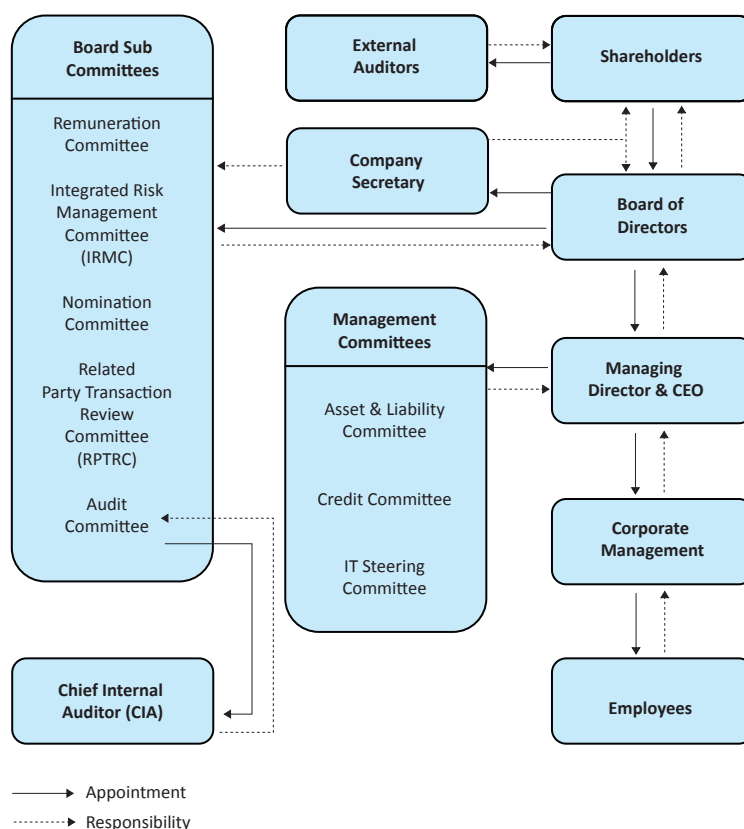
### Determination of Independence of Non-Executive Directors

The Board evaluates annually whether each of the Non-Executive Directors is independent. The Non-Executive Directors submit declarations on their independence in terms of rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange to facilitate the Board to decide on their independence. The Board further considers criteria for independence set out in the Finance Companies (Corporate Governance) Direction No. 03 of 2008, Listing Rules of the Colombo Stock Exchange and Code of Best practice on Corporate Governance – 2013 to determine the Director's Independence. The board has concluded that Mr. V. K. Choksy and Mr. Ajith S. Ratnayake are independent and Mr. C. D. Pathirana and Mr. R. Pestonjee are non-independent.

## CORPORATE GOVERNANCE

### Board Sub Committees

The Board has established Board Sub Committees such as Audit Committee, Remuneration Committee, Nomination Committee, Integrated Risk Management Committee and Related Party Transaction Review Committee. Each committee plays a vital role in helping the Board to discharge its duties and to ensure that high standards of Corporate Governance are maintained throughout the Company. The Committees are governed by Board approved Terms of Reference which are reviewed periodically. Each Sub Committee's Minutes are forwarded to the Board and the Chairman of each sub Committee provides the Board with a summary of key issues considered at the meetings of the Sub Committees. The diagram below illustrates the Organization's Governance Structure.



### Board and its Sub Committees' Effectiveness

An effective Board is crucial to the success of the Company. To assess the performance of the Board, its Sub Committees and individual Directors, the Company conducted a rigorous performance evaluation during the year. The process was led by the Chairman and supported by the Secretaries. As part of the evaluation, the Directors performed a self-evaluation (separate set of questionnaire for Board and Board Sub Committees such as Audit Committee, Remuneration Committee, Nomination Committee and Integrated Risk Management Committee) which were summarized by the Secretaries for the evaluation of the Board and its Sub Committees as a whole. Further, the Board has carried out the evaluation of each individual Director which was led by the Chairman in the absence of the Director whose performance was evaluated. The evaluation of the Chairman is led by the Senior Director. Secretary to the Board / Board Sub-Committee maintains the records of evaluations. Following this review, the Board is satisfied that the Board and its Sub Committees are performing effectively and that there is the appropriate balance of skills, experience, independence and knowledge to enable the Directors to discharge their respective duties and responsibilities, effectively. The Board is also satisfied that the members of the Board, in particular the Non Executive Directors, have sufficient time to undertake their roles at Board and Sub Committee level with the Company, so as to be able to discharge their responsibilities.

### Management of Conflicts of Interest

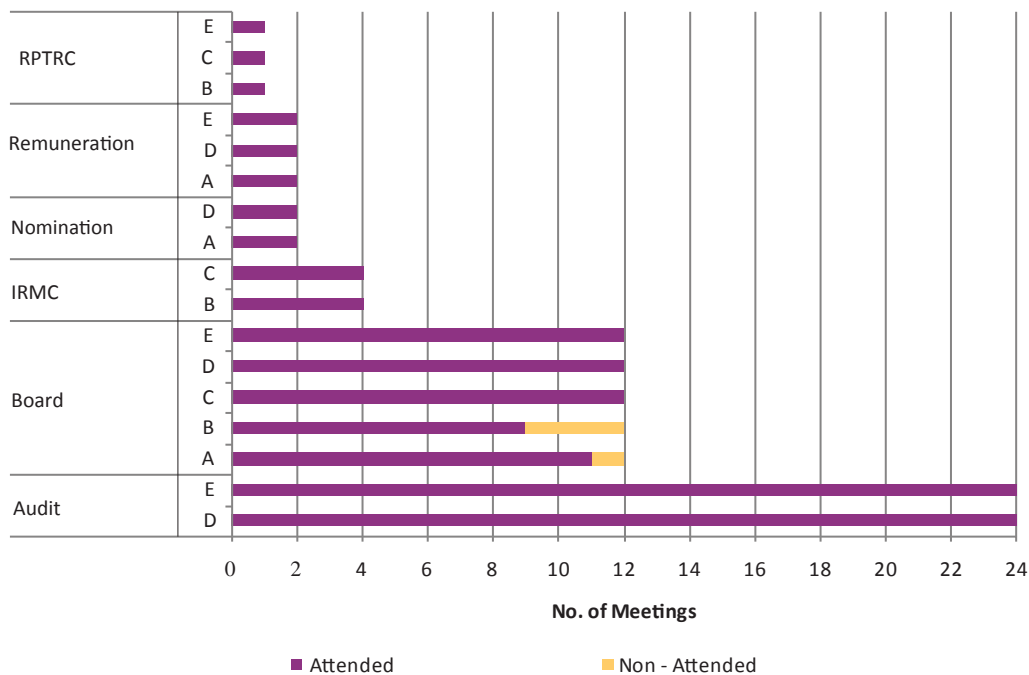
A conflict of interest arises when a board member has a personal interest that conflicts with the interests of the Company. The Company has adopted a Board Approved policy on Management of Conflicts of Interests which specifies the procedures to be followed to manage conflicts. Accordingly, any Director who has a conflict of interest on a matter will not participate in the deliberations except to disclose material facts and to respond to questions and abstain from voting thereon which are duly recorded by the Company Secretary in the minutes of the meetings.

### Board and Board Sub Committee Meetings and Attendance

The Directors meet regularly and receive accurate, timely and relevant information for the meetings so that they can maintain full and effective oversight of strategic, financial, operational, compliance and governance issues. The following chart shows the number of Board and Sub Committee meetings held during the year and the attendance by individual Directors.

## CORPORATE GOVERNANCE

## Board &amp; Board Sub Committee



A - R. Pestonjee  
 B - C. D. Pathirana  
 C - K. B. Wanigasekara  
 D - V. K. Choksy  
 E - A. S. Ratnayake

## Management Committees

The management committees operate under the guidance of the Managing Director and the Chief Executive Officer to focus on designing, implementing and monitoring best practices in their respective functions. These committees implement the policies and strategies determined by the Board and manage the business and affairs of the Company with the main objective of improving sustainable growth. Management Committees includes Asset and Liability Committee (ALCO), Credit Committee and IT Steering Committee. The scope of the Credit Committee is to review and makes recommendations on Credit Policy and procedures, portfolio delinquency management and Credit evaluation process, whilst the scope of the ALCO is to monitor and manage liquidity risks, interest rate risks, pricing and capital planning. The function of the IT Steering Committee is to ensure that the Company's information technology needs and objectives are being adequately addressed and IT strategy is aligned with the strategic goals of the Company.

## Degree of Conformity with Corporate Governance Regulations

The extent of compliance with the regulations on Corporate Governance is presented under three sections as given below.

Section One – The level of Compliance with the Listing Rules - Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

Section Two – The level of compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008 and subsequent amendments thereto issued by the Central Bank of Sri Lanka.

Section Three – The level of Compliance with the Code of Best Practice on Corporate Governance 2013, issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka.

## CORPORATE GOVERNANCE

## SECTION ONE - LISTING RULES - SECTION 7.10 ON CORPORATE GOVERNANCE FOR LISTED COMPANIES ISSUED BY THE COLOMBO STOCK EXCHANGE

The Listing Rules – Section 7.10 of the Colombo Stock Exchange (CSE) mandates companies listed to publish a table in the Annual Report, confirming that as at the date of the annual report they comply with the Corporate Governance rules. The rules addresses areas such as Non-Executive Directors, Independent Directors and Disclosures relating to Directors, Remuneration Committee and Audit Committee.

The Company's level of compliance with the Listing Rules (Section 7.10) is tabulated below.

Section	Rule	Extent of Compliance
<b>7.10.1 NON EXECUTIVE DIRECTORS</b>		
7.10.1 (a)	Two or one third of the Directors, whichever is higher, should be Non-Executive Directors	The extent of compliance with this requirement is disclosed on page No. 36 under "Board Composition and balance"
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.	The Board comprised of five Directors as at the conclusion of the immediately preceding Annual General Meeting and the requirement under 7.10.1 (a) is complied throughout the year.
7.10.1 (c)	Any change occurring to this ratio shall be rectified within ninety (90) days from the date of the change.	There were no changes to the Board of Directors during the year and hence complied with the requirements.
<b>7.10.2 INDEPENDENT DIRECTORS</b>		
7.10.2 (a)	Two or one third of Non-Executive Directors, whichever is higher, should be independent.	The extent of compliance with this requirement is disclosed on page No. 36 under "Board Composition and balance"
7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format.	The extent of compliance with this requirement is disclosed on page No. 36 under "Determination of Independence of Non-Executive Directors"
<b>7.10.3 DISCLOSURES RELATING TO DIRECTORS</b>		
7.10.3 (a)	The Board shall make determination of Independence / Non Independence annually and Names of Independent Directors should be disclosed in the Annual Report	The extent of compliance with this requirement is disclosed on page No. 36 under "Determination of Independence of Non-Executive Directors"
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 is of the opinion that the Director is nevertheless independent, it shall specify the basis of the determination in the Annual Report.	No such determination was required since all Independent Directors have qualifying requirements.
7.10.3 (c)	A brief resume of each Director should be published in the Annual Report including the areas of expertise.	Please refer page 34 for the profiles of the Board of Directors to the Annual Report.
7.10.3 (d)	A brief resume of any new Director appointed to the Board should be provided to the Exchange for Dissemination to the public.	There were no new appointments to the Board of Directors during the year under review.
<b>7.10.4 CRITERIA FOR DETERMINATION OF INDEPENDENCY OF DIRECTORS</b>		
7.10.4 (a-h)	Requirements for meeting criteria to be independent	All Independent Directors of the Company met the criteria for independency specified in this rule.

## CORPORATE GOVERNANCE

Section	Rule	Extent of Compliance
<b>7.10.5 REMUNERATION COMMITTEE</b>		
7.10.5 (a)	A listed company shall have a Remuneration Committee. The remuneration committee shall comprise; of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher.	Remuneration Committee comprised of three Directors and out of which two of them are Independent Non Executive Directors.  Refer the Remuneration Committee Report on page 59
7.10.5 (b)	Functions of Remuneration Committee shall be to recommend the remuneration of the Chief Executive Officer and the Executive Directors.	Refer the Remuneration Committee Report on page 59 for details.
7.10.5 (c)	The Annual Report shall set out; (i) The names of the Directors that comprise the Remuneration Committee;	Refer the Remuneration Committee Report on page 59 for details.
	(ii) A statement of remuneration policy;	Refer the Remuneration Committee Report on page 59 for details.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors.	Refer the Note No. 12 of the Audited Financial Statements
<b>7.10.6 AUDIT COMMITTEE</b>		
7.10.6 (a)	The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher.	Audit Committee comprised of two Directors and both of them are Independent Non-Executive Directors and hence complied with the requirements.
	One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board.	Mr. Ajith S. Ratnayake (Independent Non- Executive Director) functions as the Chairman of the Board Audit Committee.
	The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings.	Chief Executive Officer and Chief Financial Officer attend the meetings regularly by invitation.
	The Chairman or one member of the Committee should be a member of a recognized professional accounting body.	The Chairman is a fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants of U.K. Please refer page 34 for the complete profile of Mr. Ajith S. Ratnayake.
7.10.6 (b)	The functions of the Audit Committee shall be as set out in section 7.10 of the Listing Rules.	Please refer Audit Committee Report on pages 57 to 58 of the Annual Report for description of its functions.
7.10.6 (c)	Annual Report shall set out;	
	(i) The names of the Directors who comprise the Audit Committee.	Please refer Audit Committee Report on pages 57 to 58 for the composition of the Audit Committee.
	(ii) The Audit Committee shall make a determination of the independence of the auditors and disclose the basis for such determination.	Please refer Audit Committee Report on pages 57 to 58 for required disclosures.
	(iii) A report by the Audit Committee setting out the manner of compliance of the function set out in section 7.10 of the listing rules.	Please refer Audit Committee Report on pages 57 to 58 for the Board Audit Committee Report.

## CORPORATE GOVERNANCE

## SECTION TWO - FINANCE COMPANIES (CORPORATE GOVERNANCE) DIRECTION NO. 03 OF 2008 AND SUBSEQUENT AMENDMENTS THERETO ON CORPORATE GOVERNANCE FOR LICENSED FINANCE COMPANIES IN SRI LANKA

The Central Bank of Sri Lanka has issued the Direction on Corporate Governance in order to improve and sustain the Corporate Governance processes and practices of the Licensed Finance Companies in Sri Lanka. This Direction is identified as the Finance Companies (Corporate Governance) Direction No. 03 of 2008 and the amendments are referred to as Finance Companies (Corporate Governance – Amendment) Direction No. 04 of 2008 and Finance Companies (Corporate Governance – Amendment) Direction No. 06 of 2013. The above Directions comprise of nine fundamental principles, namely the responsibilities of the Board, Meetings of the Board, Composition of the Board, Criteria to assess the fitness and

propriety of Directors, Management functions delegated by the Board, The Chairman and the Chief Executive Officer, Board appointed Committees, Related party transactions and Disclosures.

The Company's level of compliance with the Corporate Governance Directions is tabulated below.

Section	Rule	Degree of Compliance
<b>2. THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS</b>		
<b>2 (1)</b>	<b>Strengthening the safety and soundness of the Company</b>	
	(a) Approve, oversee and communicate the strategic objectives and corporate values	Board approved Strategic objectives and Corporate values have been derived from company's vision and mission and it has been communicated throughout the company.
	(b) Approve the overall business strategy, including the overall risk policy and risk management	The Company's strategic plan was approved by the Board for three years covering the period from 2015/16 to 2017/18.  The above strategic plan includes the overall risk management policy, procedures and mechanisms with measureable goals.  The business strategy is reviewed by the Board on a regular basis with management updates at Board meetings on the execution of the agreed strategy.
	(c) Identifying and managing risk	Integrated Risk Management Committee identifies risks related to credit, market, liquidity and operations and ensures that appropriate actions are taken to manage risks. The Committee submits a Risk Assessment Report to the Board within seven days of each meeting. The Risk Management Report on pages 62 to 69 provides further information.
	(d) Communication policy with all stakeholders	A Board approved communication policy is in place and ensures the effective internal and external communication of corporate information with all stakeholders including depositors, creditors, shareholders and borrowers of the Company.
	(e) Integrity of the internal control system and management information system.	Audit Committee of the Company has reviewed the integrity of the Company's internal control system and the management information system on behalf of the Board of Directors. Based on internal audit reports submitted by the Internal Auditors of the Company, Committee is satisfied with integrity of internal control and the management information system. Minutes of the Audit Committee are forwarded to the Board of Directors.  The Board of Directors is in the process of reviewing the adequacy of the Management Information System.
	(f) Identifying and designating Key Management Personnel.	The Board of Directors identified and designated the Key Management Personnel as Members of the Board including Managing Director, Chief Executive Officer, General Manager, Chief Operating Officer, Head of Finance, Head of Credit & Recoveries, Head of Deposits, Head of Branches, Manager-Risk & Compliance / Compliance Officer, Manager-Corporate affairs and Manager- IT.

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Section	Rule	Degree of Compliance
	(g) Authority and responsibilities of the Board and Key Management Personnel.	The Board of Directors of the Company has defined the duties and responsibilities of the Key Management Personnel. Article 28 of the company's Articles of Association contains provisions pertaining to the authority of the Board of Directors and the Board of Directors has approved delegated authority limits applicable to Management Staff.
	(h) Oversight of affairs of the Company by Key Management Personnel.	Oversight of the affairs of the Company by its Key Management Personnel takes place at the Board meetings and Sub-committee meetings and Key Management Personnel make regular presentations to the Board on matters under their purview.
	(i) Periodically assess the effectiveness of its governance practices, including: (i) selection, nomination, and election of directors and appointment of KMP  ii) management of conflicts of interest  iii) determination of weaknesses and implementation of changes where necessary.	Board has delegated the functions of selection, nomination and election of Directors and appointment of Key Management Personnel to Nomination Committee which is a Board Sub-Committee.  The extent of compliance with this requirement is disclosed on page No. 37 under " Management of Conflicts of Interest "  The Board and the Board Sub Committees have a formal self-evaluation process annually in order to identify and rectify the weaknesses.
	(j) Succession plan for Key Management Personnel.	The Company has a Board approved one to one succession plan in place for the Key Management Personnel.
	(k) Regular meetings with the Key Management Personnel.	Key Management Personnel participate in discussions at the Board and its Sub-committee meetings when a need arises to explain matters relating to their area of responsibilities.
	(l) Understanding Regulatory environment.	The Board of Directors closely monitors regulatory compliances at monthly Board meetings by means of a regular monthly board paper on compliance. Further, the Compliance Officer presents to the Board new Directions and any other necessary information issued from time to time by the regulators.
	(m) Hiring and oversight of External Auditors	Hiring of external auditors is carried out by the Board with the recommendation of the Board Audit Committee and it is approved by shareholders at the Annual General Meeting (AGM).
2 (2)	Appointment of the Chairman and the Chief Executive Officer and define and approve functions and responsibilities.	The Board has appointed the Chairman and the Chief Executive Officer (CEO) and there is a clear division of the functions and responsibilities of the Chairman and CEO.
2 (3)	Directors' ability to seek independent professional advice.	The Directors are able to obtain independent professional advice as and when necessary at Company expense and a Board approved procedure is in place. However, no such instances have occurred during the year.
2 (4)	Dealing with conflicts of interest.	The extent of compliance with this requirement is disclosed on page No. 37 under " Management of Conflicts of Interest "
2 (5)	Formal schedule of matters specifically reserved for the Board Decision	A Board approved formal schedule of matters specifically reserved for the Board is in place which ensures that the direction and control of the Company is firmly under its authority.
2 (6)	Situation on insolvency.	No such situation has arisen during the year and we do not envisage such a situation in the foreseeable future.
2 (7)	Publish corporate governance report in the Annual Report.	Annual corporate governance report has been published in the Annual Report 2015/16. This report from pages 36 to 56 satisfies this requirement.
2 (8)	Annual self-assessment by the Directors and maintenance of such records.	The extent of compliance with this requirement is disclosed on page No. 37 under "Board and its Sub Committees' effectiveness".
<b>3. Meetings of the Board</b>		
3 (1)	Regular Board meetings and circulation of written or electronic resolutions	The Board has conducted 12 meetings during the year. The consent of the Board is usually obtained at meetings with due notice given with

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
		Board papers. Consent obtained through circulations have been kept at minimal and submitted to the Board subsequently.
3 (2)	Arrangements for Directors to include matters and proposals in the agenda.	A formal procedure has been implemented to enable all directors to include matters and proposals in the agenda for regular board meetings.
3 (3)	Notice of meetings.	An annual calendar of Board meetings has been issued at the beginning of the year. It was ensured that prior notice of at least 7 days was given to Board members. There were no special meetings held during the period.
3 (4)	Directors' attendance at Board meetings	All Directors have attended at least two thirds of the meetings and non attendance of consecutive three meetings did not arise. Refer Page 38 for details on Directors attendance at Board meetings.
3 (5)	Appointment of a Company Secretary to handle the secretarial services to the Board	The Board has appointed Varners International (Pvt.) Ltd., Level 14, World Trade Centre (West Tower), Colombo – 01 as Secretaries to the Company. The Company Secretaries advise the Board and ensure that matters concerning the Companies Act, Board procedures and other applicable rules and regulations are followed.
3 (6)	Responsibility of preparation of agenda for a Board meeting.	The Chairman has delegated to the Company Secretaries the function of preparing the Agenda for Board Meetings and for circulation to the Board.
3 (7)	Directors' access to advice and services of the Company Secretaries	A formal procedure has been implemented and all Directors have access to the Company Secretaries for advice and services where necessary.
3 (8)	Maintenance of Board minutes.	The Company Secretaries maintain and circulate the minutes to Board members and provide certified copies of the Minutes at any time at the request of any director of the Company. A formal procedure is in place to enable directors to inspect the minutes.
3 (9)	Recording of Minutes of Board meetings in sufficient detail.	The Company Secretaries record the contributions made by each member and the decisions / resolutions made in sufficient detail to satisfy the requirements of the direction.
<b>4. Composition of the board</b>		
4 (1)	The number of directors	The extent of compliance with this requirement is disclosed on page No. 36 under " Board Composition and Balance "
4 (2)	Period of service of a Director	The extent of compliance with this requirement is disclosed on page No. 36 under " Board Composition and Balance "
4 (3)	Board balance	The extent of compliance with this requirement is disclosed on page No. 36 under " Board Composition and Balance "
4 (4)	Independent Non-Executive Directors and the criteria for independency.	The extent of compliance with this requirement is disclosed on page No. 36 under " Board Composition and Balance " and on page No. 36 under "Determination of independence of Non-Executive Directors"
4 (5)	Appointment of Alternate Directors	No alternate directors were appointed during the year 2015/16.
4 (6)	Skills and experience of Non-Executive Directors.	Appointments to the Board are made with the recommendation of the Nomination Committee. The Directors are eminent persons with the required knowledge, expertise and experience to bring an independent judgment and their profiles are given on pages 34
4 (7)	More than half the quorum of Non-Executive Directors in Board meetings.	All Board meetings held during the Financial Year were duly constituted with one half of the number of Directors present and one half of the number of Directors constituting the quorum being non-executive Directors.

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Section	Rule	Degree of Compliance
4 (8)	Express identification of the Independent Non-Executive Directors in corporate communications and disclosing the details of Directors.	Please refer the profiles of Board of Directors on Page 34 and report of Board of Directors on Pages 78 to 80
4 (9)	Procedure for the appointment of new Directors and for the orderly succession of appointments to the Board.	The new appointments to the Board are based on the recommendations made by Nomination Committee and there is a procedure in place for the succession of appointments to the Board.
4 (10)	Directors appointed to fill a casual vacancy to be re-elected at the first general meeting after their appointment.	The extent of compliance with this requirement is disclosed on page No. 36 under "Appointment and Re-election of Directors"
4 (11)	Communication of reasons for removal or resignation of Directors.	Appointment, removal or resignation of Directors are informed to shareholders, with immediate notification to the Colombo Stock Exchange (CSE). Prior approval is obtained from the Central Bank of Sri Lanka (CBSL) on such circumstances.
<b>5. CRITERIA TO ASSESS THE FITNESS AND THE PROPRIETY OF DIRECTORS</b>		
5 (1)	The age of a Director shall not exceed 70 years.	All the Directors were below the age of 70 years during the year under review
5 (2)	Directors shall not hold office as a Director of more than 20 Companies / Societies / Corporate bodies including Associate and Subsidiary Companies.	There were no directors who held directorships in more than twenty (20) companies / entities/ institutions inclusive of subsidiaries or associates during the year under review.
<b>6. DELEGATION OF FUNCTIONS</b>		
6 (1)	Delegation of work to the Management.	In terms of Articles of Association, the Board may delegate its powers to a committee of directors or to a director or employee upon such terms and conditions and with such restrictions as the Board may think fit. However, all delegations are made in a manner that it would not hinder the Board's ability to discharge its functions.
6 (2)	Periodical evaluations of the delegation process.	The Board periodically reviews the powers delegated to ensure that they remain relevant to the needs of the company.
<b>7. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER</b>		
7 (1)	Division of responsibilities of the Chairman and Chief Executive Officer	The roles of Chairman and Chief Executive Officer were held by two (02) individuals separately.
7 (2)	Chairman preferably an Independent Non-Executive Director and if not appoint a Senior Director.	Chairman is a Non-Executive Director of the Company.  Since the Chairman is not an Independent Non-Executive Director, the board has designated an Independent Non-Executive Director as a Senior Director and the terms of reference have been documented. The designation of the Senior Director has been disclosed by the Company in the Annual Report on Page 34.
7 (3)	Disclosure of the identity of the Chairman and the Chief Executive Officer and any relationship with the Board Members	The Board has adopted a formal procedure to identify and disclose the relationships between the CEO and the Chairman and among other Directors. Accordingly, the Board has declared that there are no material relationships [including financial, business, family or other material / relevant relationship(s)] between the Chairman and Chief Executive Officer and among the members of the Board which will impair their respective roles. Details of the Chairman and Chief Executive Officer are disclosed in the Annual Report on page 34.
7 (4)	Chairman to; (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and	Functions and responsibilities of the Chairman approved by the board include the requirements stipulated.  The annual self-assessment of the Board includes a criterion that

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
	(c) ensure that all key and appropriate issues are discussed by the Board in a timely manner.	evaluates the effectiveness of the Chairman in facilitating the Board's discharge of its responsibilities.
7 (5)	Responsibility of the agenda lies with the Chairman or may be delegated to the Company Secretary.	The Chairman has delegated this function to Company Secretaries, to prepare the agenda of Board Meetings.
7 (6)	Ensure that all Directors are properly briefed on issues and receive adequate information in a timely manner.	The Chairman ensures, that all Directors are properly briefed on issues arising at Board Meetings by submission of the agenda and Board papers with sufficient time prior to the meetings.
7 (7)	Encourage all Directors to actively contribute and ensure they act in the best interest of the Company.	The Chairman ensures that all Directors make a full and active contribution to the Board's affairs and the Board acts in the best interests of the Company.
7 (8)	Facilitate effective contribution of Non-Executive Directors and relationships between Executive and Non-Executive Directors.	The Chairman ensures that the relationship among the Directors provides an opportunity to all Directors to actively participate in the Board's affairs. This process is further strengthened through the annual self-evaluation of the Board and Board Sub Committees where views of all Directors are canvassed in respect of the performance of the Board and / Sub Committee as a whole.
7 (9)	Refrain from direct supervision of Key Management Personnel or executive duties.	The Chairman does not directly involve in the supervision of Key Management Personnel or any other executive duties.
7 (10)	Maintain effective communication with shareholders.	The AGM of the Company is the main forum where the Board maintains effective communication with shareholders. Further, the Board approved communication policy evidences the Company's process in this regard.
7 (11)	Chief Executive Officer functions as the apex executive-in-charge of the day-to-day operations and businesses.	In terms of Duties and Responsibilities of the CEO, he is the apex executive of the Company who is responsible for day-to-day operations of the Company with the assistance of Key Management Personnel and is accountable to the Board to recommend the Company's strategy for approval and implementation, to ensure that appropriate internal controls are in place to assess and manage risks.
<b>8. BOARD APPOINTED COMMITTEES</b>		
8 (1)	Establishing Board committees, their functions and reporting.	<p>The following Board Sub-committees have been appointed by the Board and each Committee is required to report to the Board,</p> <ul style="list-style-type: none"> <li>(a) Audit Committee</li> <li>(b) Integrated Risk Management Committee</li> <li>(c) Remuneration Committee</li> <li>(d) Nomination Committee</li> <li>(e) Related Party Transaction Review Committee</li> </ul> <p>Each Committee has a Secretary, and the Secretary arranges its meetings, maintains minutes and carries out other secretarial functions under the supervision of the Committee Chairman and minutes of the Sub-Committees are submitted to the Board.</p> <p>The Company has presented a report on the performance, duties and functions of each Board Sub-Committee on pages 57 to 61</p>
8 (2)	<b>Audit Committee</b>  (a) The Chairman to be a Non-Executive Director with relevant qualifications and experience	The Chairman of the Audit Committee, Mr. Ajith S. Ratnayake is an Independent Non- Executive Director. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka and Chartered Institute of Management Accountants of U.K. Please refer page 34 for the complete profile of Mr. Ajith S. Ratnayake.

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Section	Rule	Degree of Compliance
	(b) All members of the Committee to be Non-Executive Directors	All members of the Audit Committee are Non-Executive Directors.
	(c) Functions of the committee include; (i) The appointment of the External Auditors (ii) The implementation of the Central Bank Guidelines. (iii) The application of the relevant accounting standards; and (iv) The service period, audit fee and any resignation or dismissal of the Auditor;	The Audit Committee has recommended; i. the re-appointment of M/s. Ernst & Young, Chartered Accountants as External Auditors for Audit Services ii. the implementation of guidelines issued by Central Bank of Sri Lanka to auditors from time to time iii. the application of Accounting Standards in consultation with the Chief Financial Officer and External Auditors. iv. the service period, audit fees, resignation or dismissal of an auditor, re-engaging the audit partner in line with the regulatory requirements. No resignation or dismissal of the auditor has taken place during the year under review.
	(d) Review and monitor the External Auditors' independence, objectivity and effectiveness of the audit processes.	Company's External Auditors M/s Ernst & Young, Chartered Accountants have provided a declaration of their independence to the Audit Committee. The Audit Committee has reviewed and monitored the external auditor's independence, objectivity and effectiveness of the Audit processes in compliance with applicable standards and best practices.
	(e) Develop and implement a policy on the engagement of an External Auditor to provide non-audit services while considering; (i) skills and experience of the Auditor (ii) threat to the independence (iii) Fee for the non-audit services and independency	Audit Committee with the approval of the Board of Directors developed and implemented a policy for engagement of Auditors to provide non-audit services in order to ensure that the non-audit services do not impair the independence and objectivity of the External Auditors. The said policy addresses the skills and experience of the auditor, threat to the independence and fee for the non-audit services and independency.
	(f) Determines the nature and the scope of the External Audit.	The Audit Committee met with External Auditors, M/s. Ernst and Young and discussed the Audit Plan, nature and scope before the commencement of the Audit.
	(g) Review the financial information of the Company.	The Audit Committee periodically reviews the financial information in order to monitor major judgmental areas, changes in accounting policies, significant audit judgments in the financial statements, going concern assumption and compliance with Accounting Standards and other legal requirements. The Audit Committee reviews and recommends the Interim Financial Statements and Audited Financial Statements before submission thereof to the Board.
	(h) Meeting of External Auditors to discuss issues and problems of Interim and Final audits in the absence of Key Management Personnel (if necessary)	The Audit Committee has met the External Auditors twice, without Key Management Personnel during the year under review.
	(i) Reviewing of the External Auditors' management letter and the response thereto.	The Audit Committee has reviewed the Management Letter issued by the External Auditors with the responses of the Management.
	(j) Review of the Internal Audit Function, - Review scope, function and resources  - Review of Internal Audit Program  - Review of Internal Audit Department  - Recommendations on Internal Audit Functions  - Apprise the resignation of Senior staff of Internal Audit and any outsourced service providers.	The Audit Committee has reviewed the information provided in the risk based audit plan and concluded that scope, functions and resources of the Internal Audit Dept. is sufficient to carry out its functions.  The Audit Committee has reviewed and approved the Internal Audit Program.  The Audit Committee has carried out a performance appraisal of the Internal Audit division.  The Audit Committee has recommended and with the approval of the Board appointed M/S BDO Partners to conduct Information Systems Audits.  Circumstances to this effect have not arisen during the year under review.

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Section	Rule	Degree of Compliance
	- Independence of Internal Audit Functions	The Committee ensured the independence of the Internal Audit Function.
	(k) Consideration about the internal investigations and management's responses.	The need for an internal investigation on major findings has not arisen during the year.
	(l) Attendees of Audit Committee meeting with Corporate Management and External Auditors.	The Committee met twice with the External Auditors without the presence of the Executive Directors and Key Management Personnel. Head of Finance / CFO and Chief Internal Auditor normally attend the meetings. The MD, CEO and other members of the Key Management Personnel also attend meetings by invitation.
	(m) Explicit authority, adequate resources, access to information and obtain external professional advice where ever necessary.	The Audit Committee is empowered by Board approved terms of reference which set out the authority and responsibility of the Committee.
	(n) Regular meetings	The Audit Committee met 24 times during the financial year under review. Please refer page 38 for details of the attendance of the committee members.
	(o) Disclosures in the Annual Report.	The "Board Audit Committee" report on pages 57 to 58 include the details of activities of the Audit Committee. Please refer page 38 for details of attendance of the committee members.
	(p) Maintain minutes of meetings	The Company Secretaries act as the Secretary to the Audit Committee and maintain the minutes of the meetings.
	(q) Whistle Blower Policy	On the recommendation of Board Audit Committee, the Board has adopted a Whistle Blower policy for employees, in confidence to report violations of laws, rules, regulations or unethical conduct to the Audit Committee.
8 (3)	<b>Integrated Risk Management</b>	
	(a) The composition of IRMC	The Integrated Risk Management Committee is chaired by a Non-Executive Director and comprises of Managing Director, CEO and Other Key Management Personnel who supervise the broad risk categories such as Credit, Market, Liquidity, Operational and Strategic risks.
	(b) Periodical risk assessment	The Committee has a process to assess risks, such as Credit, Market, IT, Operational and Liquidity through appropriate risk indicators and management information.
	(c) Review and measurement of management level committee risk.	Asset and Liability Committee and Credit Committee review the adequacy and effectiveness in addressing the specific risks and managing risks. However, the committee is in the process of reviewing specific quantitative and qualitative risk limits.
	(d) Corrective action to mitigate the risk	The risk indicators introduced have been reviewed and corrective action has been taken to mitigate risks. Further, the Company is in the process of reviewing the risk limits to identify the factors which have exceeded the specified limits.
	(e) Frequency of meetings	The Committee has met four times on a quarterly basis during the year.
	(f) Actions against the officers responsible for failure to identify risks and take prompt corrective actions.	No such matters have arisen during the year. Further, the Committee is in the process of documenting the formal procedure.
	(g) Risk assessment report to the Board	Risk assessment reports have been submitted to the Board within the specified time frame.
	(h) Establishment of a compliance function	A Compliance Officer (Manager - Risk & Compliance) selected from Key Management Personnel has been appointed to carry out the Compliance

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Section	Rule	Degree of Compliance
		function. Compliance Unit reviews the Company's compliance with laws, regulations guidelines and rules on a regular basis and reports non-compliances, if any, to the Board. The Audit Committee reviews adequacy of the Internal Control mechanism of the Company in order to maintain the independence and objectivity of the Internal Audit function.
<b>9. RELATED PARTY TRANSACTIONS</b>		
9 (2)	Avoid conflicts of interest that arise from transactions of the Company with related parties.	The Board has approved a Related Party Transaction Policy where the categories of persons considered as "Related Parties" have been identified. Further, the Company does not involve in any transaction, which gives favourable treatment to such parties.
9 (3)	Related party transactions.	The Related Party transaction policy of the Company addresses all the transactions with related parties irrespective of their nature and value. Related Party Transaction Review Committee further ensures that the transactions with related parties are on an arm's length basis.
9 (4)	Monitoring of related party transactions defined as more favorable treatment including, (a) Granting accommodation in excess of prudent percentage of regulatory capital (b) Charging lower rate than the best rate on accommodation and paying upper rate compared to unrelated counterparty (c) Allowing preferential treatment compared to unrelated parties in the normal course of business (d) Providing or obtaining services without proper evaluation (f) Maintaining reporting lines and information flows that may give benefits to related parties other than performance of legitimate duties.	The Company has established a Board approved documented procedure to monitor the Related Party Transactions in order to avoid more favourable treatment to such parties. The Company is in the process of implementing, monitoring and reporting the process through the IT system.
<b>10. DISCLOSURES</b>		
10 (1)	Publish Interim and Annual Financial Statement based on applicable accounting standards and published in Sinhala, Tamil and English newspapers.	The audited financial statements and periodical financial statements were prepared in accordance with the formats prescribed by regulatory and supervisory authorities and applicable accounting standards, and have been published in an abridged form in Sinhala, Tamil and English languages.
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. (b) A report by the Board on the Finance Company's internal control mechanism. (c) The External Auditors' certification on the effectiveness of the internal control mechanism. (d) Details of directors and the transactions	Compliance with applicable Accounting Standards and regulatory requirements have been reported under "Directors' responsibility for Financial Reporting" on page 81.  Directors' Statement on the Internal Control system over financial reporting is given on page 82.  The Company has obtained an assurance report from the External Auditors on the effectiveness of the Internal Control Mechanism.  This is disclosed under "Report of the Board of Directors" on pages 78 to 80.

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Section	Rule	Degree of Compliance
	<p>(e) Fees / remuneration paid by the Finance Company to the directors in aggregate.</p> <p>(f) Total net accommodation and the net accommodation outstanding to the related parties as a percentage of the capital funds.</p> <p>(g) The aggregate values of remuneration paid and the value of transactions with the Key Management Personnel.</p> <p>(h) A report confirming compliance with prudential requirements, regulations, laws and internal controls.</p> <p>(i) Non-Compliance reporting</p> <p>(j) The External Auditors' certification of the compliance with the corporate governance direction.</p>	<p>Fees and remuneration paid is disclosed under note No. 12 to the Financial Statements.</p> <p>There were no outstanding accommodations as at the year end.</p> <p>The aggregate value of remuneration paid to KMPs (as defined by CBSL) is Rs. 35,687,200. The aggregate value of transactions of the Company with KMPs (as defined by CBSL), Loans and Advances – Rs. 4,766,660 Deposits – Rs. 28,134,443 This is disclosed under “Report of the Board of Directors” on pages 78 to 80</p> <p>There are no significant lapses which require to be disclosed to the public.</p> <p>The Company has obtained a certificate from External Auditors over the compliance with corporate governance direction.</p>

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## CORPORATE GOVERNANCE

## SECTION THREE - CODE OF BEST PRACTICE ON CORPORATE GOVERNANCE 2013, ISSUED JOINTLY BY THE SECURITIES AND EXCHANGE COMMISSION OF SRI LANKA AND THE INSTITUTE OF CHARTERED ACCOUNTANTS OF SRI LANKA

The Corporate Governance Code issued initially, in 2008 that was revised and updated in 2013, comprises of seven fundamental principles such as Directors, Directors' Remuneration, Relations with Shareholders, Accountability and Audit, Institutional Investors, Other

Investors and Sustainability Reporting. The Company's adherence with the Code of Best Practice on Corporate Governance is tabulated below.

Section	Rule	Degree of Compliance
<b>A. DIRECTORS</b>		
<b>A.1</b>	<b>The Board –</b> The Company should be headed by an effective Board of Directors, which should direct, lead and control the company. The Board comprises of professionals with required professional competence, skills and experience to lead and control the Company. The Board gives leadership in setting the strategic direction and create a sound environment for the successful functioning of the Company.	
A.1.1.	Board meetings – The Board should meet at least once in every quarter	The Board usually meets monthly and special meetings are convened when necessary. During the year, the Board met 12 times. Please refer page 38 for the details of attendance at Board meetings held during the year.
A.1.2	Board's responsibilities – <ul style="list-style-type: none"> <li>- Formulation and implementation of a sound business strategy</li> <li>- CEO, Executive Directors and Senior Management team possess the skills, experience and knowledge</li> <li>- CEO and Key Management Personnel (KMP) succession planning</li> <li>- Implementing security and integrity of information, internal controls, business continuity and risk management</li> <li>- Ensuring compliance with laws, regulations and ethical standards</li> <li>- Ensuring all stakeholder interests are considered in corporate decisions</li> <li>- Recognizing sustainable business development.</li> <li>- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate Accounting Policies</li> <li>- Fulfilling other Board functions is vital, given the scale, nature and the complexity of the organization.</li> </ul>	<p>The Board engages in providing direction in formulating strategic direction for the development of strategy which is aimed at the long term success of the Company. The Company's strategic plan was approved by the Board for three years covering the period from 2015/16 to 2017/18.</p> <p>The Managing Director, CEO and other Key Management Personnel possess extensive skills, knowledge and experience.</p> <p>The Company has a Board approved one to one succession plan in place for the Key Management Personnel.</p> <p>The Board reviews the Internal Control Procedure and Compliance with laws and regulations with the assistance of the Audit committee and IRMC on a continuous basis. The Asset and Liability management policy and procedures were approved by the Board.</p> <p>The Board has established a separate Compliance Unit to ensure that the Company has complied with the relevant laws, regulations and ethical standards.</p> <p>The Board considers the stakeholder interests in the decision making process.</p> <p>The Board recognizes the importance of sustainable development in corporate strategy and business development.</p> <p>The Company's accounting policies are reviewed annually so as to be current with new developments, changing business requirements and best practices.</p> <p>The Board has attempted to fulfill the obligations towards all stakeholders during the year.</p>
A.1.3	Compliance with laws and access to independent professional advice.	<p>The Board collectively and individually recognizes its duty to comply with the laws of the country. The Board ensures that policies and procedures are in place to comply with applicable laws and regulations.</p> <p>The Board has approved a procedure to seek Independent Professional advice by Directors at the expense of the Company. No such advice has been taken during the year under review.</p>

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Section	Rule	Degree of Compliance
A.1.4	All Directors should have access to the services and advice of the Company Secretary.	A Board approved policy is in place to enable all Directors to have access to the Company Secretaries. Directors are authorized to access the Company Secretaries to obtain advice and services as and when required on any matter relating to the Board procedures and all applicable rules and regulations.
A.1.5	Independent judgment of Directors	All Directors exercise independent judgment in the decisions made by the Board on issues of strategy, performance, resources and conduct of business.
A.1.6	Every Director should dedicate adequate time and effort to the matters of the Board and the Company	All Directors of the Company dedicated adequate time and attention to the affairs of the Company. The Company has circulated the Board papers and relevant information with adequate notice in order for them to review before the Board / Board Sub Committee meetings. The number of Board / Board Sub Committee meetings held and attendance is presented on page 38.
A.1.7	Every Director should receive appropriate training	Every Director is provided with appropriate induction with regard to the affairs, rules and regulations of the Company and subsequent training on latest trends and issues facing the Company and the industry in general.
<b>A.2</b>	<b>Chairman and Chief Executive Officer –</b>  There should be a clear division of responsibilities at the head of the Company, which will ensure balance of power and authority, so that no one individual has unfettered power of decisions.	
A.2.1.	If CEO and Chairman is one person justification in the Annual Report	Since CEO's and Chairman's roles are segregated, a specific disclosure is not made.
<b>A.3</b>	<b>Chairman's Role –</b>  The Chairman's role in preserving good corporate governance is crucial. As the person responsible for running of the Board, the Chairman should preserve order and facilitate the effective discharge of the Board.	
A.3.1	Chairman's role	The Chairman conducts Board proceedings in a proper manner and ensures that Board members discharge their responsibility effectively to make a contribution to Board's affairs. Agenda for meetings and matters to be taken up at Board Meetings are duly scheduled.
<b>A.4</b>	<b>Financial Acumen –</b>  The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	
A.4.1	Financial Acumen	The Board is comprised with sufficient number of directors with financial acumen who provide guidance to the Board on matters relating to finance. Please refer page 34 of the Annual Report for the profile of the Directors.
<b>A.5</b>	<b>Board Balance –</b>  It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group can dominate the Board's decision taking.	

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
A.5.1	Board should include at least two Non- Executive Directors or one-third of total Directors, whichever is higher	The extent of compliance with this requirement is disclosed in page No. 36 under " Board Composition and balance"
A.5.2	Two or one-third of Non- Executive Directors whichever is higher should be independent.	The extent of compliance with this requirement is disclosed in page No. 36 under " Board Composition and balance"
A.5.3	Evaluation of independence of Non- Executive Directors	The extent of compliance with this requirement is disclosed in page No. 36 under "Determination of Independence of Non-Executive Directors"
A.5.4	Signed declaration of Independence by the Non- Executive Directors	
A.5.5	Determination of the independence and non-independence of each Non- Executive Directors annually.	
A.5.6	Alternate Directors to meet the criteria for independence / Non Executive status of the appointer.	No alternate Directors were appointed during the year under review.
A.5.7	Senior Independent Director (SID)	Even though a Senior Independent Director's role was not necessary under this section, Mr. V. K. Choksy has been appointed as Senior Director (Independent Non- Executive) in compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008, since the Chairman is not an Independent Director.
A.5.8	Confidential discussion with other Directors by the Senior Independent Director	The Terms of Reference adopted by the Board for the Senior Independent Director requires him to make himself available for any confidential discussion with Non-Executive Directors. However, no such situation has arisen during 2015/16.
A.5.9	Meetings held by the Chairman with Non-Executive Directors	Chairman did not conduct any meetings with Non-Executive Directors during the year under review.
A.5.10	Recording of concerns of Directors in Board minutes where they cannot be unanimously resolved.	Concerns raised by Directors at Board Meetings and the final decisions are recorded in the Minutes of the meetings.
<b>A.6</b>	<b>Supply of Information –</b> The Board should be provided with timely information in a form and of quality appropriate to enable it to discharge its duties.	
A.6.1	Management should provide timely information to the Board	The management ensured that Board has been provided with timely and accurate information that is circulated within the prescribed period. Key Management personnel make themselves available to respond to any queries raised at the meetings and for the provision of additional information.
A.6.2	Adequate time for effective Board meetings.	In order to facilitate an effective Board Meeting the minutes, agenda and Board papers are circulated to the Directors prior to 7 days of the Board Meeting.
<b>A.7</b>	<b>Appointments to the Board –</b> There should be a formal and transparent procedure for the appointment of new Directors to the Board.	
A.7.1	Nomination Committee	Nomination Committee makes recommendations to the Board on all new appointments to the Board. Refer page 61 for the details of the Nomination Committee.
A.7.2	Assessment of Board composition by the Nomination Committee	Nomination Committee reviews the new appointments and re-elections to the Board with strategic direction of the Company to attract and retain Board members with relevant experience and qualifications.
A.7.3	Disclosure requirements when appointing new Directors to the Board	Details of new Directors are disclosed to shareholders when appointed, with immediate notification to the Colombo Stock Exchange along with a brief resume of such Director.  Further, prior approvals for such appointments are obtained from Central Bank of Sri Lanka in terms of regulations applicable to Finance Companies.

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
<b>A.8</b>	<b>Re Election –</b> All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.	
A.8.1 – A.8.2	Re-election of Directors	The extent of compliance with this requirement is disclosed in page No. 36 under " Appointment and Re-election"
<b>A.9</b>	<b>Appraisal of Board Performance -</b> The Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged	
A.9.1 - A.9.3	Appraisal of Board Performance  Annual self-evaluation by the Board members and of its committees  Disclosure of evaluation process	The extent of compliance with this requirement is disclosed in page No. 37 under "Board and its Sub Committees' effectiveness".
<b>A.10</b>	<b>Disclosure of information in respect of Directors</b> Shareholders should be kept advised of relevant details in respect of Directors.	
A.10.1	Annual Report disclosure in respect of Directors (Name, Qualifications, etc.)	Profiles of the Board of Directors are given on page 34.
<b>A.11</b>	<b>Appraisal of Chief Executive Officer (CEO)</b> The Board should require at least annually to assess the performance of the CEO	
A.11.1	Targets for CEO at the commencement of each fiscal year	CEO's performance targets are aligned with business strategies of the Company. Targets are set at the beginning of every financial year by the Board which is in line with the short, medium and long term objectives of the Company.
A.11.2	Evaluation of the performance at the end of each fiscal year	At the end of each financial year the Board evaluates the set targets and the actual performance.
<b>B. DIRECTORS' REMUNERATION</b>		
<b>B.1</b>	<b>Remuneration procedure</b> The Company has 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 remuneration.	
B.1.1	Setting up of Remuneration Committee	The committee determines the compensation and benefits of the Executive Directors and ensures no director is involved in determining his own remuneration. Further, the committee is responsible for deciding the overall remuneration structure of the Company.
B.1.2	Composition of Remuneration Committee	Remuneration Committee is comprised of Non-Executive Directors. Refer the Remuneration Committee report on page 59.
B.1.3	Disclosure in the Annual Report about the Remuneration Committee members	Remuneration Committee report is given on page 59.
B.1.4	Remuneration of Non-Executive Directors	The Non-Executive Directors (Independent) receive fees for attending meetings of the Board and Board Sub-committees.
B.1.5	Consultation of the Chairman/CEO/MD and other Executive Directors and access to the professional advice	Chairman of the Board is a member of the Remuneration Committee and the Directors are empowered to seek appropriate professional advice inside and outside the Company as and when it is deemed necessary by the Committee.
<b>B.2</b>	<b>The level and make up of Remuneration</b> Level of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors' to run the company successfully. A proportion of Executive Director's remuneration should be structured to link rewards to co-operate and individual performance.	

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
B.2.1 B.2.9	<p>Level and make up of remuneration of Executive Directors including performance element in pay structure</p> <ul style="list-style-type: none"> <li>- Remuneration packages in line with industry practices</li> <li>- Executive share option</li> <li>- Non Executive Directors' remuneration</li> </ul>	<p>The Remuneration Committee gives due consideration to the provisions of these sections and arrives at final recommendations as specified.</p> <p>Remuneration committee ensures that remuneration packages are in line with the industry practices.</p> <p>The Company does not have an executive share option scheme</p> <p>The Non-Executive Directors (Independent) receive a fee for attending meetings of the Board and additional fee whenever they serve on Board Sub-committees.</p>
<b>B.3</b>	<p><b>Disclosure of Remuneration</b></p> <p>Annual Report of the Company should contain a statement of remuneration policy and details of remuneration of the Board as a whole.</p>	
B.3.1	<p>Disclosure in the Annual report about the</p> <ul style="list-style-type: none"> <li>(a) Remuneration Committee members</li> <li>(b) statement of remuneration policy</li> <li>(c) aggregate remuneration paid</li> </ul>	Please refer the Remuneration Committee report on page No. 59 and Note No. 12 to the Financial Statements.
<b>C. RELATIONS WITH SHAREHOLDERS</b>		
<b>C.1</b>	<p><b>Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings.</b></p> <p>Board should use the AGM to communicate with shareholders and should encourage their participation.</p>	
C.1.1	Use of proxy votes	The Company has recorded all proxy votes for each resolution prior to the General Meeting.
C.1.2	Separate resolution for separate issues	Separate resolutions are placed before shareholders for business transactions at the AGM.
C.1.3	Arrangement made by the Chairman of Board that all Chairmen of sub-committees make themselves available at the AGM	The Chairman of the Board ensures that the Chairmen of the Board sub-committees are present at the AGM unless under exceptional circumstances.
C.1.4	Adequate notice for the AGM to the shareholders	Annual Report including Financial Statements and the notice of the meeting are sent to shareholders at least 15 working days prior to the date of the AGM.
C.1.5	Procedure of voting at general meeting	A summary of the procedure is set out in the Proxy form itself sent to each shareholder.
<b>C.2</b>	<p><b>Communication with Shareholders</b></p> <p>The Board should implement effective communication with shareholders.</p>	
C.2.1	Channel to reach all shareholders to disseminate timely information	The Board approved communication policy addresses this matter.
C.2.2	Policy and methodology of communicating	The Annual General Meeting of the Company is the main forum where the Board maintains effective communication with the shareholders. Hence all shareholders are encouraged to participate at the AGM. Further, the Company's website, corporate disclosures and other news releases to the Colombo Stock Exchange function as additional communication channels.
C.2.3	Implementation of the methodology	Refer the comment on principle C.2.2
C.2.4	Contact person	Shareholders may contact the Head of Finance for queries, if any.
C.2.5	Awareness of Directors on major issues and concerns of shareholders	The Company Secretaries maintain records of all correspondence received from shareholders and direct the same to appropriate channels for resolution.

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
C.2.6	Contact person for shareholders	The Company Secretaries can be contacted for any queries of shareholders, whose details are given below, Varners International (Pvt.) Ltd., Corporate Secretaries, Level 14, West Tower, World Trade Centre, Echelon Square, Colombo – 01.
C.2.7	Process for responding to shareholders	Refer the comment on principle C.2.5
<b>C.3</b>	<b>Major and material transactions</b> Directors should disclose all proposed corporate transactions which would materially alter the net asset base of the Company.	
C.3.1	Disclosure of major and material transactions	The Company did not enter into major transactions during the year.
<b>D. ACCOUNTABILITY AND AUDIT</b>		
<b>D.1</b>	<b>Financial Reporting</b> The Board should present a balanced and an understandable assessment of the Company's financial position and prospects.	
D.1.1	The Board should present interim and other price sensitive information to the public and reports to regulators	The Company has reported the Audited Financial Statements as at 31st March, 2016 and the Interim Financial Statements at the end of each quarter of the financial year which has complied with the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the directions made there under and in conformity with the Sri Lanka Accounting Standards. This information is initially uploaded to the Colombo Stock Exchange website in order to maintain the information equity as required by Listing Rules of the CSE.
D.1.2	Directors' Report in the Annual Report	Refer the Report of the Board of Directors on pages 78 to 80.
D.1.3	Annual Report disclosure stating Board's and Auditors' responsibility	Directors Responsibility for Financial Reporting is given on page 81.
D.1.4	Management discussion and analysis	Management Discussion and Analysis is given on pages 13 to 32.
D.1.5	Directors' assumption of the going concern of the business	Please refer the Report of the Board of Directors on pages 78 to 80.
D.1.6	Serious loss of Capital	This situation has not arisen during the year and the likelihood of such a situation is remote.
D.1.7	Disclosure of related party transactions	Refer the Note No. 47 to the Audited Financial Statements and Report of the Board of Directors on pages 78 to 80.
<b>D.2</b>	<b>Internal control</b> The Board should maintain a sound system of internal control to safeguard shareholders' investments and Company assets.	
D.2.1	Evaluation of internal controls by the Board	The Audit Committee, with the assistance of the Internal and External Auditors reviews the effectiveness of the internal control procedures and takes corrective action where necessary.
D.2.2	Internal Audit function	The Company's Internal Audit Function is carried out by the Chief Internal Auditor of Abans Group. Findings together with appropriate recommendations are discussed at Audit Committee Meetings. Please refer the Audit Committee Report on pages 57 to 58 for more details.
D.2.3	Evaluation of the process and effectiveness of risk management and internal controls.	The Internal Audit Division regularly reviews and reports to the Audit Committee on Risk Management measures and internal control system. The Audit Committee on behalf of the Board monitors and takes corrective action where necessary on the said controls and risk management measures.
D.2.4	Responsibilities of Directors in maintaining a sound system of internal control and statement of internal control	Refer Directors' Statement on Internal Control over Financial Reporting on page 82.

## CORPORATE GOVERNANCE

Section	Rule	Degree of Compliance
D.3	<b>Audit Committee</b> The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintain an appropriate relationship with the Company's Auditors.	
D.3.1	Composition of the Audit Committee	The Audit Committee comprises two Independent Non-Executive Directors. Please refer Audit Committee Report on pages 57 to 58.
D.3.2	Reviewing the scope and results of the audit and its effectiveness and independence and objectivity of the Auditors	The Audit Committee monitors and reviews the External Auditor's independence, objectivity and the effectiveness of the Audit process, considering the relevant regulatory requirements.
D.3.3	Terms of reference of the Audit Committee	The Audit Committee is guided by Terms of reference approved by the Board which outlines its authority and responsibility.
D.3.4	Disclosure made in the Annual Report about the Audit Committee.	Refer the Audit Committee Report on pages 57 to 58.
D.4	<b>Code of Business Conduct and Ethics</b> Company must adopt a Code of Business Conduct and Ethics for Directors and members of the Senior Management team. Any non-compliance with the said Code should be promptly disclosed.	
D.4.1	Code of business conduct and ethics	The Company has in place a code of conduct and ethics which is applicable to Directors and Employees.
D.4.2	Chairman's confirmations for any violation of code of conduct and ethics	Refer the Chairman's Statement on Corporate Governance on page 35.
D.5	<b>Corporate Governance disclosures</b> The Board should include this in the Annual Report setting out the manner and extent for it to be complied.	
D.5.1	Disclosure of corporate governance compliance	This requirement is met through presentation of this report
E. INSTITUTIONAL INVESTORS		
E.1	<b>Shareholder voting</b> Institutional shareholders are required to make considered use of their votes and encouraged to ensure that 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	Annual General Meeting is a forum to have an effective dialogue with shareholders.
E.2	<b>Evaluation of Governance disclosure</b> Institutional investors are encouraged to give due weight to all relevant factors in the Board structure and composition.	
F. OTHER INVESTORS		
F.1	<b>Investing / Divesting Decisions</b>	
F.1	Individual shareholders' investment decisions	Individual shareholders investing directly in the Company are encouraged to seek independent advice on their investment holding or divesting decisions.
F.2	<b>Shareholder Voting</b>	
F.2	Individual shareholder voting	Individual shareholders are encouraged to participate at the Annual General Meeting and to exercise their voting rights. Notices of the meetings are dispatched to all shareholders within the prescribed time period.
G. PRINCIPLES OF SUSTAINABILITY REPORTING		
G.1.1	Economic Sustainability	Refer Pages 13 to 20 to the Annual Report
G.1.2	The Environment	Refer Page 32 to the Annual Report
G.1.3	Labour Practice	Refer Pages 26 to 28 to the Annual Report
G.1.4	Society	Refer Page 32 to the Annual Report
G.1.5	Product Responsibility	Refer Page 29 to the Annual Report
G.1.6	Stakeholder identification, engagement and effective communication	Refer Page 12 to the Annual Report
G.1.7	Sustainable reporting and disclosure should be formalized.	Refer Pages 09 to 32 to the Annual Report

## AUDIT COMMITTEE REPORT

### TERMS OF REFERENCE

The Audit Committee assists the Board of Directors in its general oversight of financial reporting, internal control and internal audit functions. Recommendations of the Audit Committee are discussed and appropriate measures are taken by the management or the Board on a continuous basis. The Terms of Reference of the Audit Committee are reviewed periodically by the Board of Directors. The company has derived the requirements relating to the composition and the terms of reference of the Audit Committee from the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka, Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Corporate Governance - 2013 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

### COMPOSITION OF THE AUDIT COMMITTEE

The Composition of the Audit Committee is as follows;

- **Mr. Ajith S. Ratnayake** - Chairman, Independent Non-Executive Director
- **Mr. V. K. Choksy** - Independent Non-Executive Director/ Senior Director

The Chairman of the Committee is the retired founder Director General of the Sri Lanka Accounting and Auditing Standards Monitoring Board. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of the Chartered Institute of Management Accountants (UK) and a Member of the Association of Chartered Certified Accountants.

### RESPONSIBILITIES OF THE AUDIT COMMITTEE

Responsibilities include;

- Overseeing the internal control systems and reviewing their effectiveness.
- Reviewing and monitoring the systems adopted by the management to control impairment of receivables.
- Reviewing and monitoring the effectiveness of the internal audit function.
- Review of accounting policies, practices and the financial statements.
- Monitoring the integrity of the financial statements.
- Advising the Board on appointment of the External Auditors and the remuneration of the External Auditor.

### MEETINGS

The Audit Committee met twenty four times during the year. The attendance of committee members at meetings is given below.

Name of the Directors	No. of Meetings held	No. of Meetings Attended
Mr. A. S. Rathnayake	24	24
Mr. V.K. Choksy	24	24

The Managing Director, General Manager, Chief Internal Auditor, Head of Finance, Manager Risk and Compliance/ Compliance Officer, Head of Credit and Recoveries, and Head of Branches and other officers attended meetings by invitation based on the items under discussion during the year under review. The Audit Committee met the External Auditors without the presence of the management on two occasions during the year to facilitate their independence and maintenance of the scope of the audit. The Committee also met the Internal Auditors without the presence of the management.

### FINANCIAL REPORTING

The Audit Committee assists the Board of Directors in its oversight on the preparation and presentation of the financial statements in order to show a true and fair view of the financial position and performance in compliance with Sri Lanka Accounting Standards (SLFRSs). In accordance with the mandates mentioned above, committee reviews the following.

- The adequacy and the effectiveness of the internal control systems and procedures to provide reasonable assurance that all transactions are monitored and recorded in the books of account.
- The company's financial statements and accounting policies and practices.
- Effectiveness of the financial reporting systems in place to ensure reliability of the information provided to the stakeholders.
- The processes by which the company ensures compliance with Sri Lanka Accounting Standards (SLFRSs) relating to financial reporting.
- The Annual Financial Statements for the year and the Interim Financial Statements.

### RISK AND INTERNAL CONTROL

The committee reviews the effectiveness of the company's internal control systems over financial reporting and other relevant operations. The committee also recommended systems and procedures to reduce risks identified.

### SYSTEMS TO CONTROL IMPAIRMENT

A review of the financial statements indicated that systems and procedures to control impairment is critical to prevent erosion of the earnings of the company. Therefore the Audit Committee, with the approval of the Board, monitored the design, implementation and maintenance of systems and procedures to control impairment during the year. The continuous improvement of these systems and procedures were also regularly monitored by the Audit Committee.

### MANUAL INTERVENTION IN INFORMATION SYSTEMS

Manual intervention in information and control systems leads to internal control weaknesses. Therefore, at the request of the Board, the Audit Committee reviewed the systems of the company, and monitored the reduction in manual intervention in information and control systems.

### INTERNAL AUDIT

The Internal Audit plan of the company was reviewed and approved by the committee. The committee regularly reviews the internal audit reports and their findings. Detailed discussions are conducted with the management at committee meetings to improve procedures to prevent or reduce recurrence of adverse findings.

## AUDIT COMMITTEE REPORT

## EXTERNAL AUDIT

The committee met the External Auditors to discuss the management letter of the auditors relating to the previous year's audit and to monitor action taken by the management. The committee reviews and monitors implementation of the required improvements.

## DETERMINATION OF INDEPENDENCE

The Audit Committee evaluated the independence and objectivity of the External Auditors, Messrs Ernst & Young, Chartered Accountants. The Committee reviewed the non-audit services provided by the Auditors to ensure that the provision of these services does not impair their independence.

The Audit Committee monitors and reviews the External Auditors' independence, and the objectivity and effectiveness of the audit process considering relevant regulatory requirements.

The committee obtained a declaration of independence from the External Auditors, and assessed their independence. Non-audit services provided by the External Auditors were reviewed by the committee to ensure that they are not likely to impair the independence and objectivity of the External Auditors.

## ETHICS AND GOOD GOVERNANCE

The Company's Whistle Blowing Policy serves as a mechanism to manage risks pertaining to corporate fraud. There is a provision under this policy for any staff member, who has a legitimate concern on an existing potential "wrong doing" committed by any person within the Company, to bring such concerns in confidence to the notice of the Chairman of the Audit Committee. A process is also in place for such concerns to be investigated, while maintaining identity of the whistle-blower confidential. The Committee is empowered under their Terms of Reference to monitor this procedure.

On behalf of the Audit Committee



**Ajith S. Ratnayake**  
Chairman- Audit Committee  
27<sup>th</sup> June 2016

## RELATED PARTY TRANSACTION REVIEW COMMITTEE REPORT

The Board of Directors appointed the Related Party Transaction Review Committee (RPTRC) as a Sub-Committee of the Board with effect from 1 January, 2016. The Committee comprises Executive, Non-Executive (Non-Independent) and Independent Non-Executive Directors as follows,

**Mr. Ajith S. Ratnayake** - Independent Non-Executive Director  
**Mr. Channa Pathirana** - Non Executive Director (Non-Independent)  
**Mr. Kithsiri Wanigasekara** - Managing Director

Mr. Ajith S. Ratnayake, Independent Non-Executive Director functions as the Chairman of the Committee. Secretaries of the Company function as the Secretary to the Committee.

## The Role of the Committee

The Committee is entrusted with the responsibility to assist the Board

- To ensure that every related party transaction is conducted in a manner that will protect the Company from conflict of interest which may arise between the Company and its Related Parties;
- That the interest of shareholders as a whole are taken into account by the Company when entering into transactions with Related Parties;
- To ensure proper review and approval may be obtained from the Committee either prior to the transaction being entered into or if the transaction is expressed to be conditional on such approval, prior to the completion of the transaction;
- To recommend the Board of Directors to obtain the shareholder approval by way of special resolution prior to the concerned transaction being entered into in conformity with Section 9.1 and 9.4 of the Listing Rules;
- To ensure that the objective and the economic and commercial substance of the Related Party Transactions should take precedence over the legal form and technicality, and
- To monitor disclosure of transactions between the Company and any of its Related Party/ies as required in compliance with legal and / or regulatory requirements stipulated by the Listing Rules of the Colombo Stock Exchange, Central Bank of Sri Lanka and Sri Lanka Financial Reporting Standards.

## MEETINGS

The Committee meets once a quarter to discuss related party transactions issues. A special meeting may be convened if required. The quorum for a meeting is two members and both of them should be Non-Executive Directors. During the year under review the Committee met once and the attendance of the Committee Members at that meeting is given in the Corporate Governance Report on page 38 of the Annual Report. The Chief Executive Officer, General Manager, Chief Operating Officer, Head of Finance, Manager - Risk and Compliance attended the meeting by invitation. The minutes of the meeting were reported to the Board of Directors.

## ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR

The Committee discussed existing transactions with related parties, and recommended the procedure to be followed for future transactions. The Committee is in the process of developing policies and procedures to identify related parties prior to transactions, seek approval where necessary and to report in compliance with regulatory and / or legal requirements.

On behalf of the Related Party Transactions Review Committee



**Ajith S. Ratnayake**  
Chairman.  
30<sup>th</sup> May 2016

## REMUNERATION COMMITTEE REPORT

### THE COMPOSITION

The Remuneration Committee comprises of two Independent Non-Executive Directors and a Non-Executive Director. Details of the members of the committee during the year is as follows.

**Mr. V. K. Choksy**

Chairman

(Independent Non Executive Director/ Senior Director)

**Mr. Rusi Pestonjee**

Non-Executive Director

**Mr. Ajith S. Ratnayake**

Independent Non-Executive Director

### THE ROLE OF THE COMMITTEE

The Committee is entrusted with the responsibility to evaluate, assess and recommend to the Board of Directors on any matters that may affect the remuneration structure of the company including the following;

- The determination of remuneration and other benefits of Key Management Personnel and the establishment of performance parameters.
- The determination of the remuneration of CEO and the Independent Non - Executive Directors while ensuring that no Director is involved in setting his/her own remuneration.
- To introduce policies and parameters of the remuneration structure for all staff members of the Company and monitor the implementation thereof.
- Review of information related to remuneration of staff members from time to time in order to ensure that the remuneration payable by the company is in par or above the industry norms and align remuneration to market rates to ensure the retention of the Key Management Personnel.
- Evaluation and recommendation on the promotion of the Management grade staff.  
  
Evaluation of performance of the Managing Director, CEO and the Key management personnel.
- Approval of annual increments, profit share and incentives.

### REMUNERATION POLICY

The company rewarding strategies and remuneration structure is designed to attract motivate and retain high competent staff at all levels of the organization. Accordingly salaries and other benefits are reviewed periodically taking into account the performance of the employee and comparison with the group companies. The qualifications, competence and experience are considered to determine the remuneration. Further the employees who are directly related to the performance of the company are rewarded with a variable payment based on the performance that he or she demonstrated.

Principles that strengthen the Company's remuneration strategy are,

- The reward focus is on the creation of an appropriate balance between the fixed and variable pay.
- Individual performance appraisals identify talents at all levels of the organization, enabling fair and competitive remuneration.
- There is no discrimination against employee based on diversity or physical differences.
- Remuneration is commensurate with each employee's expertise and contribution and it is aligned with the business performance and long term shareholders returns.

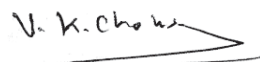
### MEETINGS

The committee held two meetings during the financial year. The attendance by members is given in the Corporate Governance Report on page 38 of the Annual Report.

The proceedings of the Committee meetings have been reported to the Board of Directors during the year.

### DIRECTORS' REMUNERATION

The total of Directors' remuneration paid during the year under review is set out in Note 12 to the Financial Statements. This comprises fees for all the committees of the company that serves on.



**V. K. Choksy**

Chairman- Remuneration Committee.

27<sup>th</sup> June 2016

## INTEGRATED RISK MANAGEMENT COMMITTEE REPORT

The Integrated Risk Management Committee (IRMC) functions as a Board Sub-Committee in compliance with Sections 8 of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 with board approved terms of reference. The IRMC is entrusted with the responsibility to assist the Board to oversee the Risk Management framework of the Company, set the risk appetite and to determine the appropriate tolerable limits, monitor the limits continuously for effective risk management and to overlook the Compliance Function of the Company.

### COMPOSITION OF THE COMMITTEE

The Committee comprised of the following members,

- Mr. Channa Pathirana – Chairman (Non Executive Director)
- Mr. Kithsiri Wanigasekara – Managing Director
- Mr. Roshan Nanayakkara – Chief Executive Officer (appointed w.e.f. 28 June, 2016)
- Mr. M. K. Nambiyarooran – General Manager (relinquished office w.e.f. 31 May, 2016)
- Mr. J.A.P.Fernando – Chief Operation Officer (appointed w.e.f. 28 June, 2016)
- Mr. Chaminda Sugathadasa – Head of Branches
- Mr. Aruna Somasiri – Head of Credit and Recoveries
- Mr. Gemunu Gunawardena – Head of Deposits
- Mr. Kamal Roshan – Head of Finance
- Mr. Mahadevan Suthakar – Manager-Risk and Compliance / Compliance Officer
- Mr. Manura Rajakaruna – Manager-IT
- Ms. Mahika Rajakaruna – Manager-Corporate Affairs

### COMMITTEE MEETINGS

The Committee held four meetings during the year under review and the attendance of the Committee members at meetings is given on page 38 of the Annual Report. The Committee assesses all key risks of the Company and discussions and conclusions reached at meetings are recorded in the minutes of the meetings and a Risk Assessment Report is circulated within a week to the Board of Directors for information and appropriate action.

### DUTIES AND RESPONSIBILITIES OF THE COMMITTEE

The main responsibility of the Committee is to assess risks faced by the company such as credit risk, market risk, liquidity risk, operational risk and strategic risk. In fulfilling its duties, the Committee covers the following areas,

- Review the quality of the credit portfolio including delinquency monitoring and adequacy of the allowances for impairment.
- Review the Credit and Funding Concentrations Risks.
- Review financial performance and the Capital Adequacy of the Company
- Review the Asset and Liability Management Policy including the specific risk limits and monitoring the compliance.
- Review progress on operational risk throughout the Company.
- Review of Business Continuity and Disaster Recovery Plan related issues.
- Assess adequacy and effectiveness of Management Committees, namely Credit Committee and Asset and Liability Committee (ALCO)
- Review the Company's Compliance with laws and regulations
- Propose appropriate measures for corrective action as part of the risk mitigation process.

On behalf of the Integrated Risk Management Committee,



**Channa Pathirana**

Chairman

Integrated Risk Management Committee

28<sup>th</sup> June 2016

## NOMINATION COMMITTEE REPORT

The Nomination Committee comprises of two Non Executive Directors and plays a vital role to assist the Board to review the structure, size, composition and competencies of the Board. It implements an effective succession plan for Members of the Board and recommends the appointment of Directors while assessing fit and proper requirements. The nomination of Directors for re-election also comes within the purview of the Committee. The following Directors served on the Nomination Committee during the year,

**Mr. Rusi Pestonjee** - Chairman (Non – Executive Director)

**Mr. V.K Choksy** - Independent Non-Executive Director / Senior Director

Brief profiles of the members are given on page 34 to the annual Report. The Managing Director attends the meetings by invitation and the Company Secretary functions as the secretary to the committee. The Committee is entrusted with the board approved terms of reference and its role and responsibilities are in conformity with the provisions stipulated in the Code of Best Practice on Corporate Governance - 2013 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

### MEETINGS & MINUTES

The Committee held two meetings during the year and the attendance of Committee Members at each of these meetings is given in page 38 to the Annual Report. The Committee reports to the Board of Directors on its activities and the minutes of the meetings are tabled at the Meetings of the Board of Directors.

### ACTIVITIES OF THE COMMITTEE DURING THE FINANCIAL YEAR

During the year under review the Committee evaluated the current Board Structure, Size and Composition of the Board and is satisfied with the current structure and composition in particular, the combined knowledge, skills and experience (with special reference to Non-Executive Directors) that matches the strategic demand required to bring an objective judgment to bear on issues of strategy, performance and resources to make recommendations. The Committee endorses that Non-Executive Directors have sufficient time to undertake their roles at Board and Board Sub Committee level within the Company, so as to be able to discharge their responsibilities effectively.

The Committee evaluated the total service period of each Non Executive Director for Compliance with Finance Companies (Corporate Governance) Direction No. 03 of 2008. The Committee also evaluated the terms of retirement by rotation and re-election of Directors in terms of the above Code of Best Practice. The Committee assisted the Board to determine the independence of Non Executive Directors in terms of rule 7.10.2(b) of the Listing Rules of the Colombo Stock Exchange.

On behalf of the Board Nomination Committee,



**Rusi Pestonjee**  
Chairman  
Nomination Committee  
28<sup>th</sup> July 2016

## RISK MANAGEMENT REPORT

## OVERVIEW

The role of risk management is to evaluate, respond to and monitor risks that arise in the day to day businesses. Financial Institutions have to find an appropriate balance between the level of risk the firm is willing and able to take and the level of return it seeks to attain, without undermining its overall financial soundness and viability. Risk management can be regarded as an active, strategic, and integrated process that encompasses both the measurement and the mitigation of risk, with the ultimate goal of maximizing the value of a Company, while minimizing the risk of bankruptcy.

While the types and degree of risks a Financial Institution may be exposed to depend on a number of factors such as its size, complexity business activities, volume etc, it is believed that generally, financial institutions face Credit, Market, Liquidity, Operational, Compliance / Legal / Regulatory and Reputational risks. Accordingly, Abans Finance too, is exposed to above risks with the prevalent uncertainties in today's business environment.

## RISK GOVERNANCE

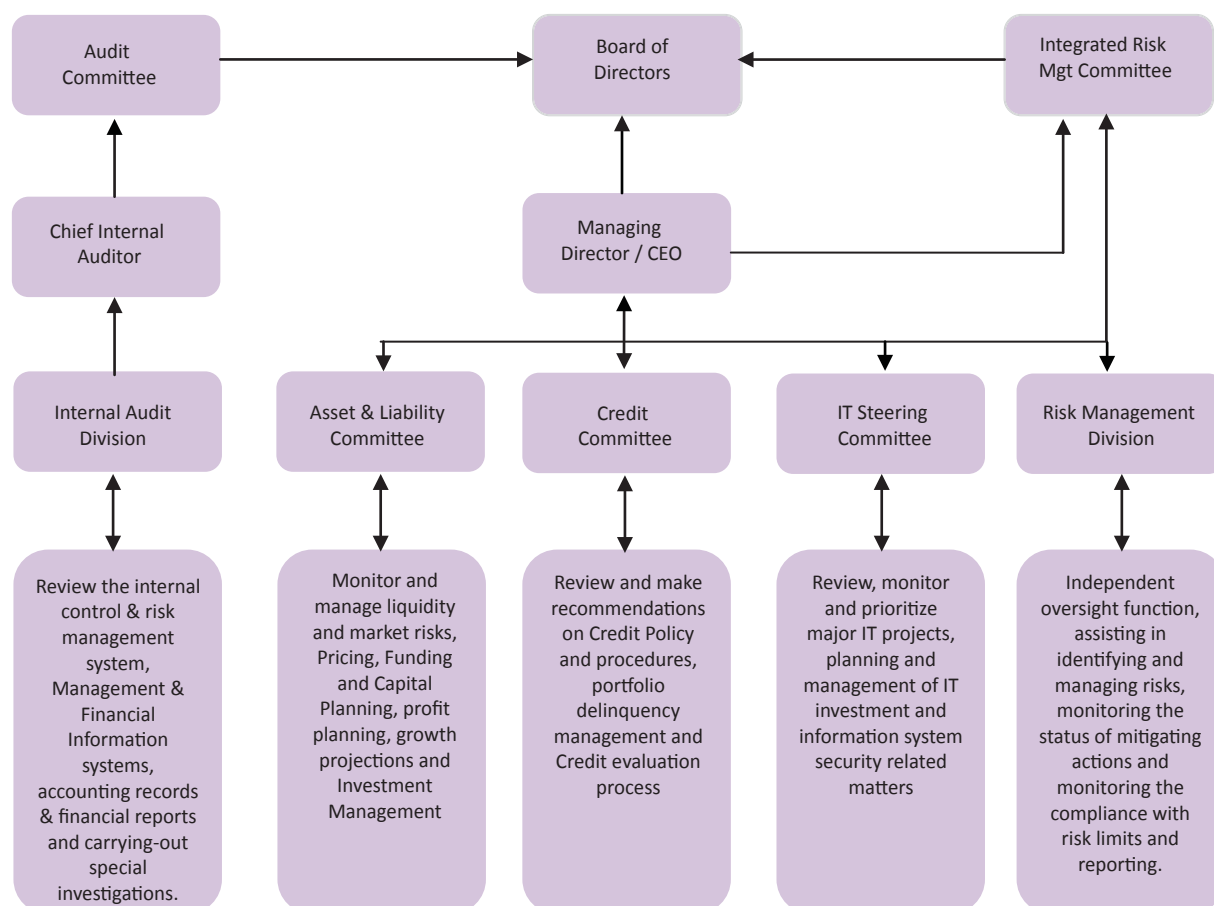
We believe that effective Risk Management begins with effective risk governance. The Company has an established risk governance structure with an active and engaged Board of Directors supported by an experienced management team. The Board of Directors, either directly or through Integrated Risk Management Committee ensures that decision-making is aligned with the Company's strategies. The Board receives regular updates on the key risks of the Company.

The Integrated Risk Management Committee (IRMC) plays a catalytic role in formulating and recommending relevant policy framework to the Board in conformity with the Directions issued by the regulator on Risk Management to ensure the safety and financial soundness of the company.

The Board of Directors is the ultimate authority on the business strategy, the risk appetite and for the delegation of authority to the Managing Director, CEO and Management level committees to hold them accountable. IRMC is entrusted with the responsibility by the Board to have in place a well structured and effective risk policy and framework.

The Corporate Management and the assigned Risk Manager assist in providing Management Information to the IRMC to address specific Risks with quantitative and qualitative Risk measures that are supported by Risk indicators. The Risk related framework is carried out with the aid of the Credit Committee, the Asset and Liability Committee (ALCO) and the IT Steering Committee. These Committees monitor defined Risks on a continuous basis and assume responsibility for the effective implementation of decisions related to Risk Management. The Board places heavy emphasis on the regulatory concerns and relevant changes were made during the year to address such issues.

Risk Governance Structure of the Company can be summarized as follows,



## RISK MANAGEMENT REPORT

### Integrated Risk Management Committee (IRMC)

The Board has appointed the IRMC in compliance with the Finance companies (Corporate Governance) Direction No. 3 of 2008. The IRMC is entrusted with the responsibility to identify Risks related to Credit, Market, Operations, Liquidity, Strategy and recommend to the Board, specific action to be initiated to mitigate these risks.

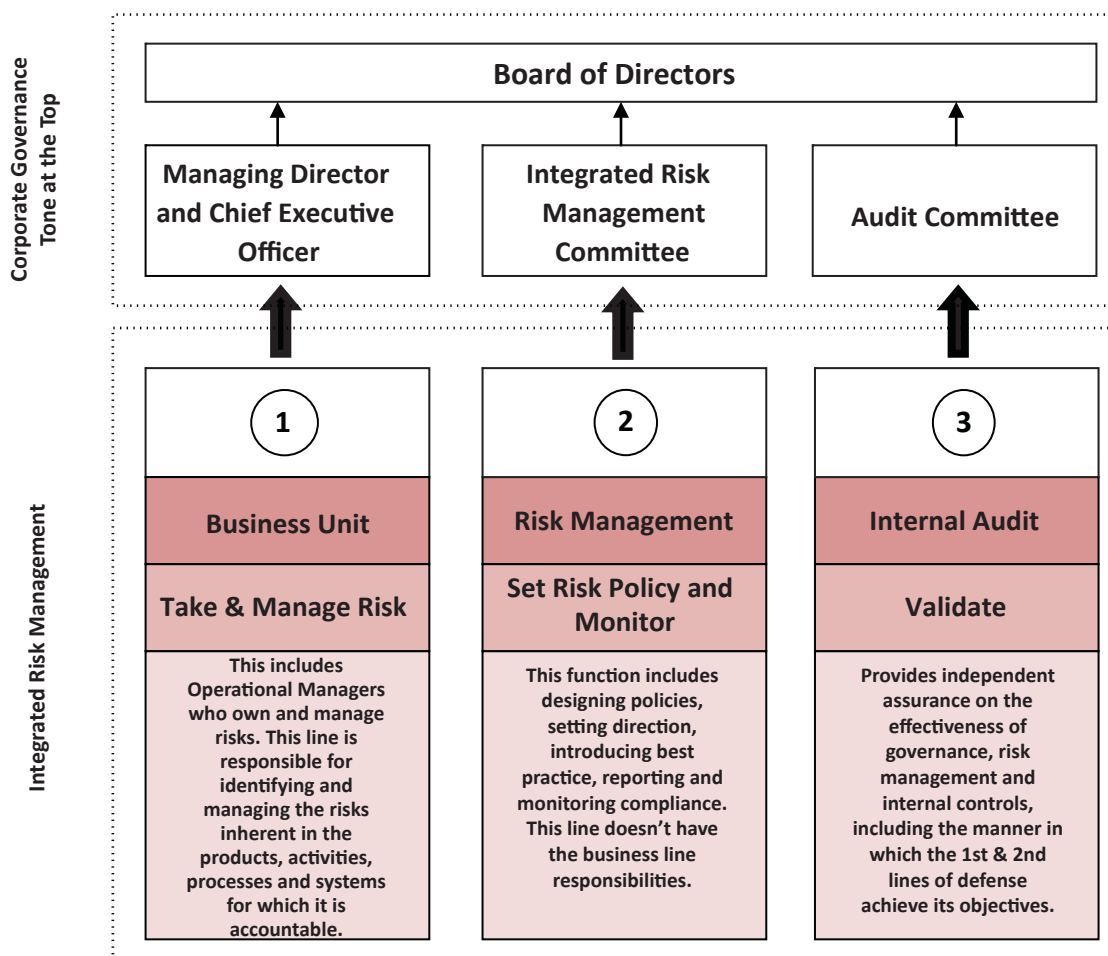
### Management Committees

The Credit Committee, ALCO and the IT Steering Committee are the key Management Committees that meet periodically

and provide complete, timely, relevant and accurate information with a critical analysis of qualitative and quantitative measures.

### Three lines of defence

The Company's three lines of defence model make a distinction among functions owning and managing risks, functions overseeing risks and functions providing independent assurance as given below.



### RISK MANAGEMENT CULTURE

Abans Finance believes that effective risk management requires a strong and robust risk management culture. Business lines are responsible for the development and execution of business plans that are aligned with the Company's risk management framework, and are accountable to manage risk. Understanding and managing these risks is a fundamental element of each business plan. Business units work closely with the Risk Management division to ensure that risks arising from their business are thoroughly evaluated and appropriately addressed.

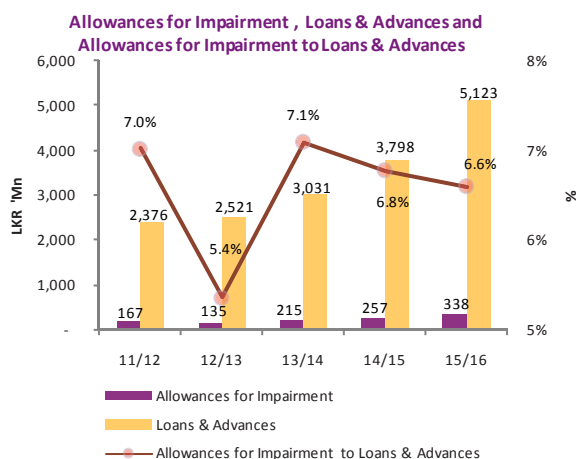
Decision making on various risk related issues is centralized. The Key management and management committees are responsible for the review, approval and monitoring of transactions and the related risk exposures. The information flows keep key management well informed of the risks the Company faces, and ensures that transactions and risks are aligned with the Company's risk appetite.

## RISK MANAGEMENT REPORT

## CREDIT RISK

Credit Risk is the risk of loss resulting from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. Credit Risk arises in the Company's direct lending operations, and investment activities where counterparties have repayment or other obligations to the Company. The Credit Risk Management of lending operations and investment activities are the responsibilities of the Credit Committee and the Asset & Liability Committee, two key management committees. The Board of Directors monitors the performance of these management committees with the assistance of the Integrated Risk Management Committee.

Credit Risk Management has as its priority, the maintenance of the Asset quality of the company's credit portfolio in relation to industry norms. The Company conducts impairment tests collectively as well as individually in accordance with IFRSs. The Impairment charges are included in Income Statements as a cost for Asset quality deterioration.

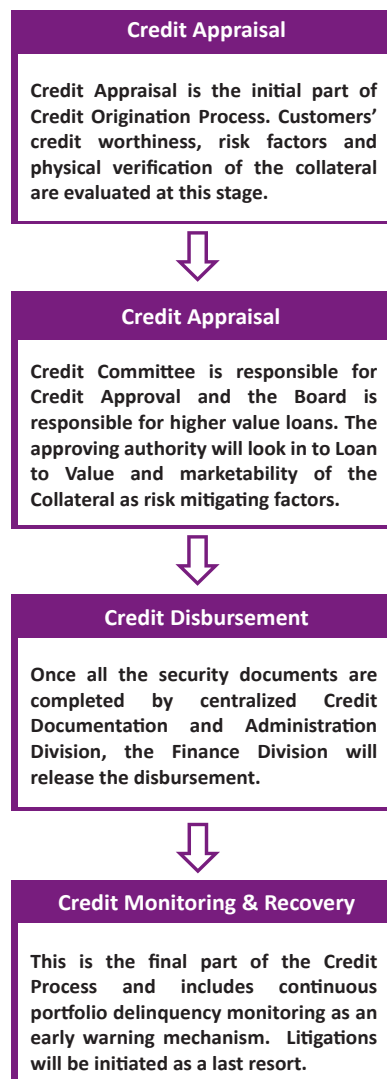


## Credit Process

Many credit problems reveal basic weaknesses in the credit origination and monitoring processes. The Company has established a sound, well-defined credit origination criteria within its risk appetite to approve credit in a safe and sound manner. The Credit origination criteria looks into the purposes for credit and the source of repayment, integrity and reputation of the borrower, risk profile of the borrower, borrower's repayment history, legal capacity, business expertise, proposed terms and conditions including adequacy and enforceability of the collateral or guarantees.

The Company has developed and implemented an early-warning system and strong credit monitoring to lower the credit losses. The monitoring system is critical to mitigate both single loan level and overall portfolio level. The monitoring and early-warning system facilitate to reduce the probability of customer defaults, maximize the collateralization for sectors or customers on watch list to reduce the average losses and the exposure at default of defaulting customers.

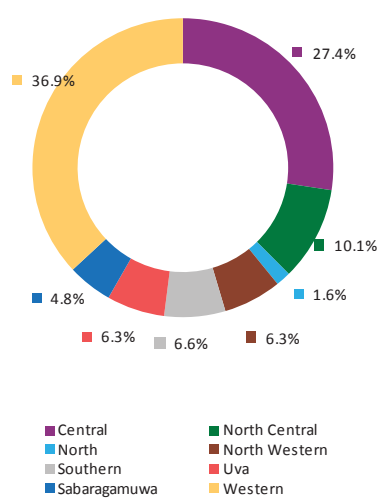
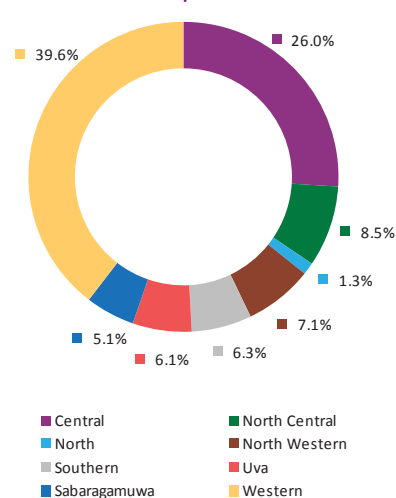
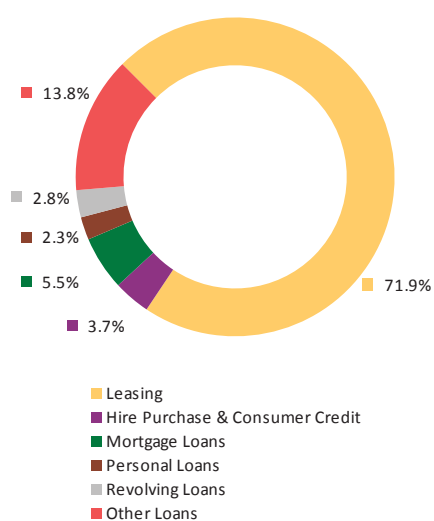
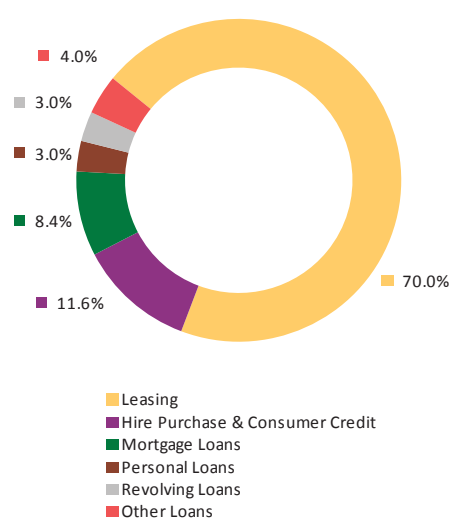
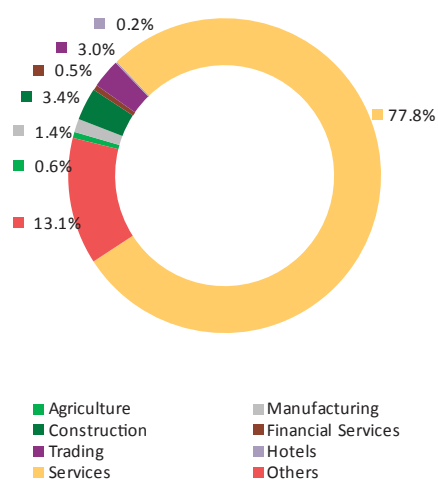
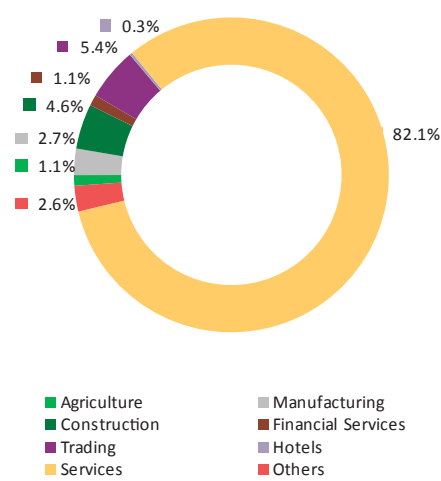
The Company has implemented a well defined credit process in order to avoid or mitigate the credit risk by a strong internal credit process. The following figure defines the process,



## Credit Concentration

Consistent with the Board-approved exposure limits, borrower limits are set within the context of established lending criteria and guidelines for individual borrowers, particular industries, and certain types of lending, to ensure that the Company does not have excessive concentration in any single borrower, or related group of borrowers, particular industry sector or geographic region. By diversifying the credit concentration, the Company would be able to maintain a safety cushion as any unfavourable movement in one concentration criteria could be offset by the favourable movement of the other.

## RISK MANAGEMENT REPORT

Geographical Concentration  
2015/16Geographical Concentration  
2014/15Product Concentration  
2015/16Product Concentration  
2014/15Sector Concentration  
2015/16Sector Concentration  
2014/15

Overview

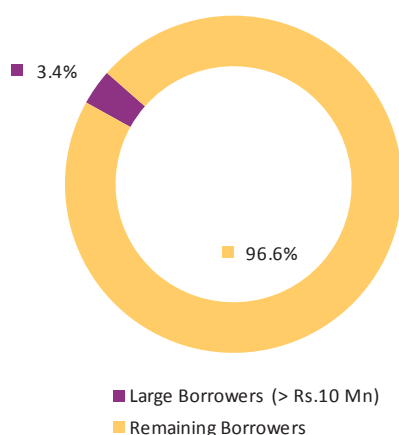
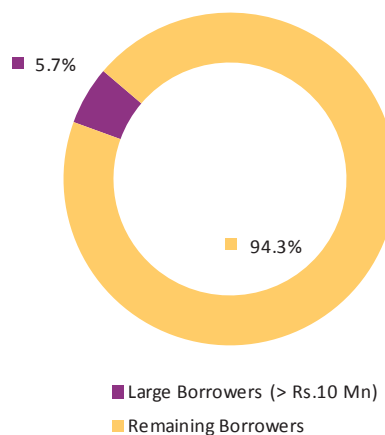
Management Discussion and Analysis

Corporate Stewardship

Financial Reports

Supplementary Information

## RISK MANAGEMENT REPORT

Exposure to Large Borrowers  
(> LKR 10Mn) 2015/16Exposure to Large Borrowers  
(> LKR 10Mn) 2014/15

## Impairment Stress Test

The Company conducts a regular stress tests to assess the impact to Capital Adequacy due to increase in impairment charges with identified stress scenarios, in order to ensure that the Company runs with adequate capital.

Stress Scenario - Impairment Charge increasing by stressed amounts (increase in Allowances for Impairment to Gross Loans & Advances Ratio) impacting Company's Capital Adequacy Ratio

Current Capital Adequacy Ratio (Core Capital as a % of Total Risk Weighted Assets) - 11.59%		
Scenario	Magnitude of the Shock (Increase in Allowances for Impairment to Gross Loans & Advances Ratio)	Impact to Capital Adequacy Ratio (%)
1	1%	-0.89%
2	2%	-1.80%
3	3%	-2.73%

Allowances for Impairment to Gross Loans & Advances Ratio as at 31/03/2016 is 6.60%

Stress Scenario – Top 20 customers falling into delinquent category impacting Company's Capital Adequacy Ratio

Current Capital Adequacy Ratio (Core Capital as a % of Total Risk Weighted Assets) - 11.59%		
Scenario	Magnitude of the Shock (Top Customers falling into delinquent category)	Impact to Capital Adequacy Ratio (%)
1	Top 5	-0.88%
2	Top 10	-1.07%
3	Top 20	-1.34%

## MARKET RISK

Market risk refers to the risk to an institution resulting from movements in market prices, in particular, changes in interest rates, foreign exchange rates, equity and commodity prices. The company is exposed to Market risk that may arise as a result of values of assets and liabilities or revenues being adversely affected by changes in market conditions. This includes interest rates, equity prices and commodity prices (vehicle / collateral prices) in relation to our company.

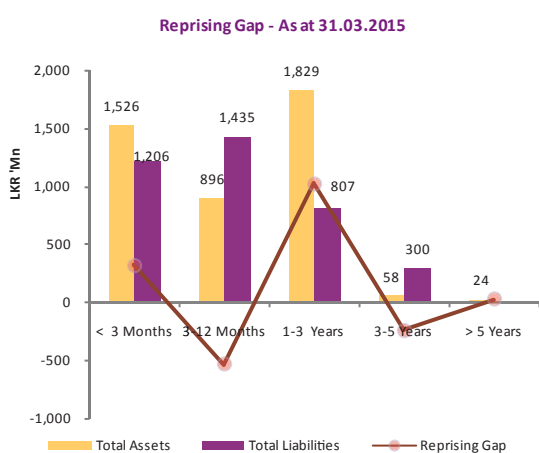
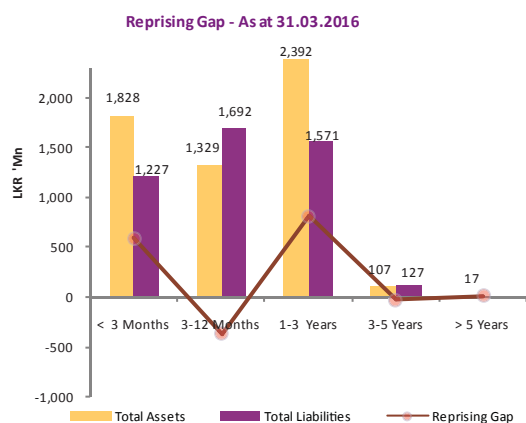
## Interest Rate Risk

Interest rate risk management in finance business has assumed such importance during the last decades in relation to the interest rate volatility. Interest rate risk is the risk that changes in market rates will adversely affect the financial institution's net worth and earnings. The Company's major line of business is the financial intermediation function and the impact of interest rate risk is mainly on interest earnings.

The Asset and Liability Committee (ALCO) monitors and reviews the company's net interest income that ultimately affects the performance in financial terms. For the purpose of proper mitigation of risks in this area, ALCO takes into account the proper maintenance of the interest spread and net interest margin for the company, principally through the minimization of gaps between rate sensitive assets and rate sensitive liabilities.

The changes in interest rates in the market place from time to time requires the company to assess its assets and liabilities portfolio with particular attention to re-pricing of both. In order to ensure that the interest spread and net interest margin are maintained, ALCO conducts monthly reviews and re-prices the assets and liabilities, where necessary.

## RISK MANAGEMENT REPORT

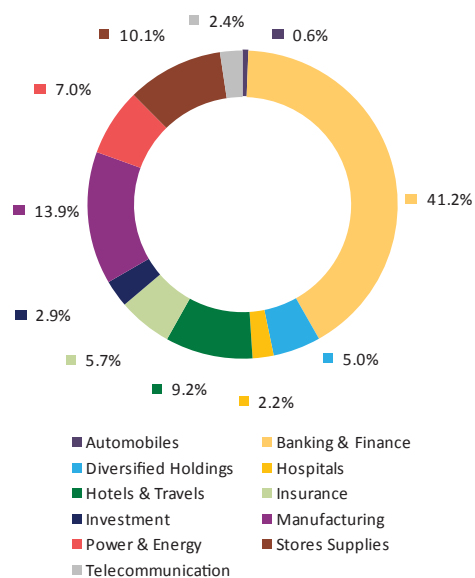


The proper re-pricing of Assets and Liabilities and minimizing of mismatches on a continuous basis assists the company to mitigate Interest Rate risk.

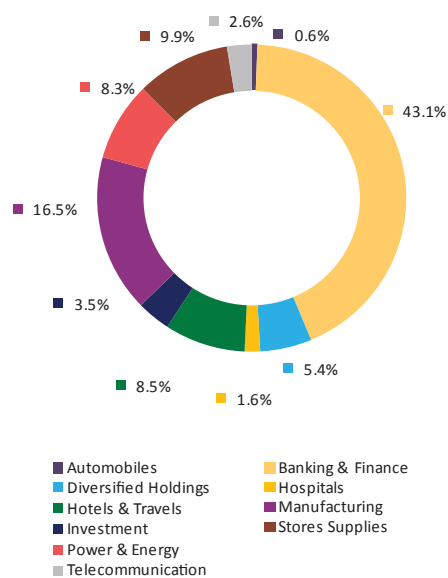
#### Equity Price Risk

This is the risk associated with volatility in stock prices. Abans Finance is exposed to equity price risk as a result of our investments in marketable equity securities. ALCO regularly reviews the impact from adverse movement in the equity investments held by the Company. However, the Company holds a relatively small portion of investments in equities and maintains a diversified portfolio.

**Equity Investment  
Sector Concentration - 2015/16**



**Equity Investment  
Sector Concentration - 2014/15**



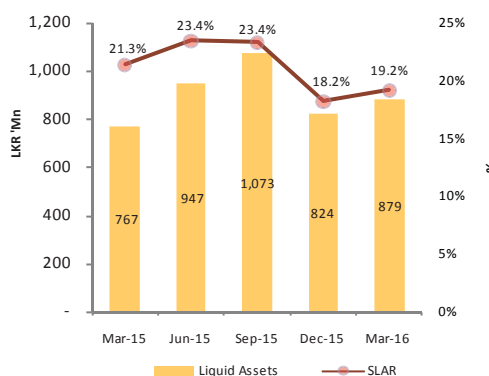
## RISK MANAGEMENT REPORT

## LIQUIDITY RISK

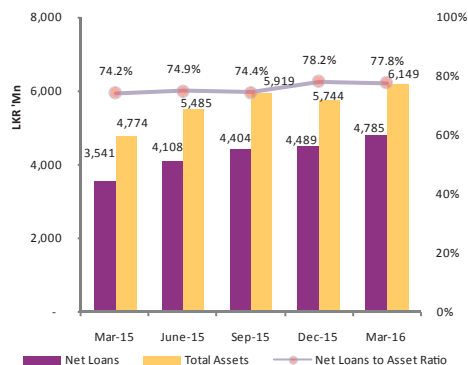
Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due to suppliers, settlement of borrowings and lending and investment commitments. Effective liquidity risk management is crucial in order to maintain the confidence of depositors and counterparties, manage the funding cost and to enable the core businesses to continue to generate revenue even under adverse circumstances.

The objective of liquidity risk management is to ensure that sufficient funding is available at all times irrespective of cyclical fluctuations in the market. The company analyses periodically liquidity requirements with the assistance of the ALCO in order to ensure a satisfactory liquidity status at all times. The ALCO uses the Statutory Liquid Asset Ratio, Net loans to total assets ratio, Deposit renewal ratio and Funding Mix to evaluate the liquidity position on a regular basis. ALCO also considers the Funding / Deposits concentration risk on a regular basis. During the year under review the Company maintained a pool of high liquid, unencumbered assets that can be readily sold or pledged to secure any borrowings.

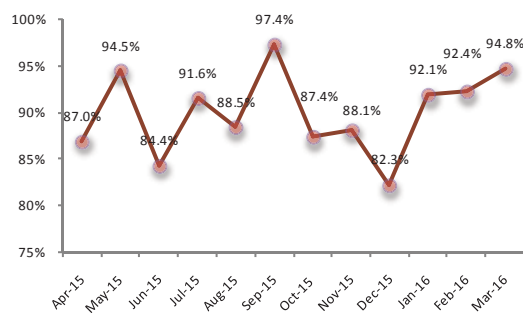
Liquid Asset and Statutory Liquid Asset Ratio



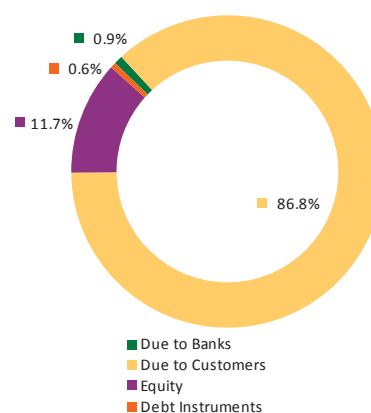
Net Loans to Total Assets Ratio



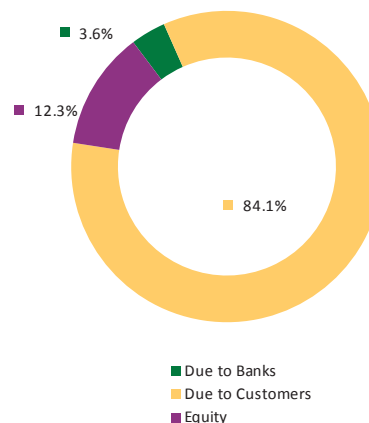
Deposit Renewal Ratio



Funding Mix - 2015/16



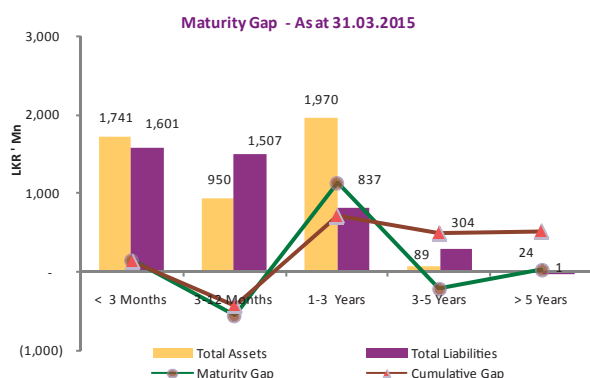
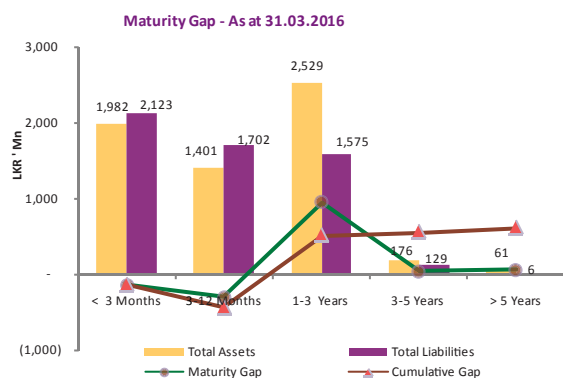
Funding Mix - 2014/15



## Gap Management

The company which engages in finance business assesses on a continuous basis how vulnerable is liquidity and solvency related issues that arise mainly due to mismatches in its assets and liabilities. ALCO monitors the Maturity Gap Statement on a monthly basis to reduce the mis-matches as much as possible in each of the time frames. Maturity Gap represents the ratio of assets to liabilities maturing or having a scheduled amortization in a given time frame. This Gap represents the estimated cash flows of the month end Financial Position.

## RISK MANAGEMENT REPORT



## Contingency Funding Plan

The Company maintains a Contingency Funding Plan (CFP) that specifies the approach for analyzing and responding to actual and potential liquidity requirements. The CFP outlines an appropriate governance structure for the management and monitoring of liquidity events (company specific triggers as well as systemic triggers), processes for effective internal and external communication, Severity Levels and Responses including identification of potential counter measures to be considered at various stages of an event.

Integrated Risk Management Committee and the Board of Directors continuously review the liquidity position of the Company and the contingency funding sources.

## Liquidity Stress Test

The ALCO performs liquidity stress tests to assess the possible impact of exceptional but plausible stress scenarios on the liquidity position. This helps ALCO to assess and determine the buffers against potential liquidity shocks.

Stress Scenario – Unexpected fall in Deposit Base impacting statutory liquid assets ratio.

Statutory Liquid Asset Ratio - 19.21%			
Scenario	Magnitude of the Shock (Fall in Deposit Base)	Impact to Liquid Asset Ratio (%)	Impact to Liquid Asset Ratio after adjusting Contingent Funds
1	5%	(4.25)	1.44
2	7.5%	(6.55)	(0.71)
3	10%	(8.98)	(2.97)

## OPERATIONAL RISK

Operational risk is the risk of loss, whether direct or indirect, to which the Company is exposed to inadequate or failed internal processes or systems, human error, or external events. Operational risk includes legal and regulatory risk, business process and change risk, fiduciary or disclosure breaches, technology failure, financial crime and environmental risk. It exists in some form in every Company's business and function. Operational risk can not only result in financial loss, but also regulatory sanctions and damage to the Company's reputation. The Company is very successful in managing operational risk with a view to safeguarding client assets and preserving shareholder value.

The Company has developed policies, processes and assessment methodologies to ensure that operational risk is appropriately identified and managed with effective controls. The governing principles include the three lines of defence model which helps to ensure proper accountability and clearly define the roles and responsibilities for operational risk management. The individual business units are accountable for management and control of significant operational risks to which they are exposed.

The Company has a governance and organizational structure through which operational risk is managed. As a pre-requisite to management of Operational Risk the Company defined the areas of responsibility for key management including separation of duties between key functions. The system has as its priorities to find out errors/frauds or other aspects on mismanagement, to prevent errors or frauds or other related aspects, monitoring of operational procedures, assisting in resolving issues for the purpose of control, guiding human resources in the execution of businesses and providing a favourable business environment with good governance. Further, an independent internal audit division is responsible for verification of significant risks identification and assessment, and for testing controls to ensure that overall risk is at an acceptable level. The internal audit division is also responsible for auditing and assessing the Company's operational risk management framework and its design and effectiveness.

## STRATEGIC RISK

Strategic risk is the risk that the Company's business strategies are ineffective, being poorly executed, or insufficiently resilient to changes in the business environment. The Board of Directors is ultimately responsible for oversight of strategic risk, by adopting a strategic planning process and approving, on a regular basis. The Key Management Team meets regularly to evaluate the effectiveness of the Company's strategic plan, and consider what amendments, if any, are required and recommends to the Board for final approval. The Company's three year strategic plan is in the final stage and it describes the overall business plan for the next three years with clearly defined risk limits.

## REPUTATIONAL RISK

Reputational risk is the risk that negative publicity about the Company's conduct, business practices, whether true or not, will adversely affect its revenue, operations or customer base, or require costly litigation or other defensive measures. Negative publicity about Company's practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk is managed and controlled throughout the Company by codes of conduct, governance practices and risk management programs, policies, procedures and training. All directors, officers and employees have a responsibility to conduct their activities in accordance with the Guidelines for Business Conduct, and in a manner that minimizes reputational risk.

## HEAD OFFICE RE-LOCATION

# Abans Finance PLC

The company relocated the Head Office premises to No. 456, R. A. de Mel Maw., Colombo 03 on 23 September 2015 to expand Business Operations and to provide Customers with conveniences.

Highlights of the event held on the occasion of the relocation of the Head Office, which was graced by Mrs. Aban Pestonjee, Chairperson, Abans Group of Companies as the Chief Guest.



Mr. P.N. Pestonjee, Mr. Tito Pestonjee, Group Managing Director, Mr. Rusi Pestonjee, Group Director and Chairman, Abans Finance PLC and Dr. Mrs. Saroshi Dubash, Group Director, and Advisor to the Board were present as special guests. Mr. V.K. Choksy, Mr. Channa Pathirana and Mr. Ajith Ratnayake, Directors of the company also attended as special invitees, in addition to the members of the Group Management and other distinguished invitees.



# Events Diary

## APRIL & MAY 2015

### KADURUWELA & EMBILIPITIYA CUSTOMER CENTRES

Customer Centres were opened in Kaduruwela and Embilipitiya to promote Finance Leasing business on two Wheelers in the Polonnaruwa and Ratnapura districts. Kaduruwela and Embilipitiya Customer Centres come within the purview of Dambulla and Ratnapura Branches, respectively.



## JUNE & JULY 2015

### AMPARA , PUTTLAM AND BATTICALOA CUSTOMER CENTRES

The company commenced business operations from 3 new Customer Centres in Ampara, Puttlam and Batticaloa during the period. The operations of Ampara and Puttlam Customer Centres are coordinated by Kandy and Kurunegala Branches. Batticaloa Customer Centre comes within the supervision of the Dambulla Branch.

## AUGUST & SEPTEMBER 2015

### RELOCATION OF KANDY BRANCH

The Kandy Branch was relocated to a more spacious building at No. 26, Hill Street, Kandy with the intention of enhancing business volumes and for the provision of conveniences to Customers in the Kandy Region. The Branch premises is also catering to the requirements of Marketing and Recovery Officers of Ampara, Mahiyangana and Dehiat-takandiya areas.



# Events Diary

## CUSTOMER CENTRES IN TISSAMAHARAMA AND MATARA

The company took steps to add two more Customer Centres in Tissamaharama and Matara in September. The activities of Tissamaharama Centre will be supervised by the Badulla Branch. The Galle Branch will coordinate operations of the Matara Centre.



## OCTOBER & NOVEMBER 2015 CALL CENTRE - KANDY

The Call Centre of the company was setup during the month of October which is housed in the 3rd floor of the Kandy Branch premises. The Centre caters to all Head Office and Branch network related operations with particular attention to Recovery of dues from Customers. It is equipped with all modern facilities that can handle large volumes of Customer inquiries.



## VAUNIYA AND TRINCOMALEE

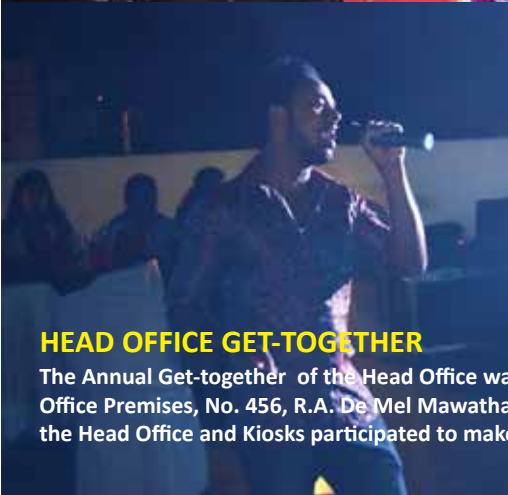
The addition of 2 more Customer Centres took place during the period in Vauniya and Trincomalee. The Jaffna Branch will monitor the operations of the Vauniya Centre. Trincomalee will come within the supervision of Anuradhapura Branch.



## DECEMBER 2015 & JANUARY 2016 AWARD FROM CA SRI LANKA

The company was recognized for excellence in Financial Reporting with a "Certificate of Compliance" at the 51<sup>st</sup> Annual Report Awards Ceremony 2015 of the Institute of Chartered Accountants of Sri Lanka.

# Events Diary



## HEAD OFFICE GET-TOGETHER

The Annual Get-together of the Head Office was held at the "Rooftop" of the Head Office Premises, No. 456, R.A. De Mel Mawatha, Colombo 3. Management and Staff of the Head Office and Kiosks participated to make this event a success.



# Events Diary



## REGIONAL GET-TOGETHER – ANURADHAPURA, DAMBULLA , KURUNEGALA AND JAFFNA BRANCHES

The Regional Get-together of Anuradhapura, Dambulla, Kurunegala and Jaffna Branches were held at “Hotel Miridiya”, Anuradhapura. The Staff of the above 4 Branches and Customer Centre Staff of Trincomalee, Batticaloa , Puttalam and Vauniya also participated.

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## FEBRUARY & MARCH 2016 REGIONAL GET-TOGETHER – KANDY BRANCH

Regional Get-together covering the Kandy Branch, Ampara Customer Centre, Call Centre and the Staff involved with Mahiyangana and Dehiattakandiya was held in Kandy at the Rooftop of “Oakray Regency Hotel”, Kandy.



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## REGIONAL GET-TOGETHER - BADULLA , GAMPAHA, RATNAPURA AND GALLE

The Regional Get-together of the above branches with the participation of the staff of Embilipitiya , Tissamaharama and Matara Customer Centres was held in February at the “National Holiday Resorts “ Bandarawela. Employees of all above branches and Customer Centres participated actively in this event that was well attended.



# Financial Information

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## OUR ACHIEVEMENTS

### MILESTONES - OUR ACHIEVEMENTS

Recognition has come, and has given the company encouragement and the pleasing thought that effort is noted, welcomed and rewarded. In 2015, the company once again received an award for excellence in Annual Report and Accounts for its good corporate governance reporting and its ethical and transparent financial activities.



2015

The company's Annual Reports for the years 2011, 2012 and 2014 were also recognized by the Institute of Chartered Accountants of Sri Lanka in the respective Annual Awards Ceremonies.



2014



2012



2011

## REPORT OF THE BOARD OF DIRECTORS

## GENERAL

The Directors of Abans Finance PLC have pleasure in presenting to the shareholders the report of the Directors together with the Audited Financial Statements for the year ended 31 March 2016 and the Auditors' Report on those Financial Statements in conformity with the requirements of the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011 and the directions issued there under.

The Company was incorporated as a Public Company in terms of the Companies Act No. 17 of 1982 and was subsequently re-registered as per the requirements of the Companies Act No. 7 of 2007 on 15 June 2009. The Company registration No. is PB-1015-PQ. The Ordinary Shares of the Company are quoted in the Colombo Stock Exchange. The Registered Office is at No. 498, Galle Road, Colombo 03 and the Head Office/ Principal place of business is located at No. 456, R. A. De Mel Mawatha, Colombo 03.

## PRINCIPAL ACTIVITIES

The principal business activity of the Company is the conduct of finance business as defined in the Finance Business Act No. 42 of 2011 and includes the Acceptance of Deposits, Finance Leasing, Hire Purchase, Mortgage Loans, Personal Loans, Real Estate and Capital Market Operations.

## REVIEW OF PERFORMANCE FOR 2015/2016 AND FUTURE DEVELOPMENT PLAN

The Chairman's Message, Managing Director's Review and the Management Discussion and Analysis provide a comprehensive analysis of the financial performance, financial position, and the state of affairs of the Company together with the important events that took place during the year under review and future development plans.

## THE FINANCIAL STATEMENTS

The Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRSs). The Financial Statements are duly certified by the Head of Finance and approved by the Board of Directors and signed on behalf of the Board by the Chairman and Managing Director in accordance with the Companies Act No. 7 of 2007.

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible to oversee the preparation of Financial Statements with a view to ensure that the Financial Statements comply with the provisions of the Sri Lanka Accounting Standards Act No. 15 of 1995, and provide additional disclosures as required by the Companies Act No. 7 of 2007 and the continuing listing requirements of the Colombo Stock Exchange, subject to the provisions of Section 190 (1) of the Companies Act.

## INDEPENDENT AUDITOR'S REPORT OF THE COMPANY

The Company's external Auditors M/s. Ernst & Young performed the audit of the Financial Statements for the year ended 31 March 2016 and their report is provided together with the Audited Financial Statements.

## SIGNIFICANT ACCOUNTING POLICIES AND CHANGES DURING THE YEAR

The significant accounting policies adopted in the preparation of the Financial Statements are given on page 89 to 96 of the Annual Report.

## GOING CONCERN

The Board of Directors has reasonable expectation that the Company has adequate resources to continue the business activities in the foreseeable future. Therefore, the Company has adopted a "Going Concern" basis in preparing its Financial Statements.

## ACCOUNTING PERIOD

The financial reporting period reflects the information from 1 April 2015 to 31 March 2016.

## FINANCIAL PERFORMANCE

The Company's Profit before Taxation amounted to LKR. 130,480,894/- (after deducting Value Added Tax on Financial Services of LKR. 30,188,461/-) in comparison to LKR.97,509,387/- in 2014/2015. After deducting LKR.40,356,230/- (LKR. 24,707,819/- in 2014/2015) for Taxation, the Profit after Tax for the year amounted to LKR.90,124,664/- (LKR.72,801,568/- in 2014/2015). This represents net profit growth by 24% compared to the previous financial year. Details are given in the Statement of Comprehensive Income on Page 85 to the Annual Report.

## PROFIT APPROPRIATIONS

A summary of the financial results of the Company for the year ended 31 March 2016 and 31 March 2015 are given below;

Description	2014/2015 (LKR)	2015/2016 (LKR)
Profit before Taxation from Operations	97,509,387	130,480,894
Provision for Income Tax	(24,707,819)	(40,356,230)
Profit for the Year	72,801,568	90,124,664
Transfer to Statutory Reserve Fund	(14,561,000)	(18,025,000)
Transfer (to)/From Investment Fund Reserve	18,454,242	-
Retained Profit Brought Forward From the Previous Year	22,099,123	97,837,286
Other Comprehensive Income Net of Tax	(956,647)	(339,475)
<b>Retained Earnings Carried Forward</b>	<b>97,837,286</b>	<b>169,597,476</b>

## TOTAL OPERATING INCOME

The Total Operating Income of the Company for 2015/2016 was LKR. 759,122,945/- compared to LKR. 502,881,616/- in 2014/2015. An analysis of the Income is given on Page 85 to the Annual Report.

## EQUITY AND RESERVES

The stated capital and reserves stood at LKR.615 Mn (LKR.525 Mn as at 31 March 2015).

The Equity and Reserves of the Company as at end of each of the following years stood as follows;

## REPORT OF THE BOARD OF DIRECTORS

Description	2014/2015 (LKR)	2015/2016 (LKR)
Stated Capital	382,373,630	382,373,630
Statutory Reserve	44,529,000	62,554,000
Reserve on Available for Sale Financial Instruments	130,255	-
Retained Earnings	97,837,286	169,597,476
<b>Total Shareholders' Funds</b>	<b>524,870,171</b>	<b>614,525,106</b>

## PROPERTY, PLANT AND EQUIPMENT

Capital Expenditure incurred on Property, Plant and Equipment amounted to LKR. 32,378,791/- in 2015/2016 (LKR. 16,726,387/- in 2014/15) and transferred land amounting to LKR. 28,094,075/- from Real Estate Stock to Property, Plant and Equipment. Details applicable to Capital Expenditure are given in Note 28 to the Financial Statements.

## BOARD OF DIRECTORS

In terms of the Articles of Association of the Company, the Board of Directors, as at 31 March 2016 consisted of five Directors including the Chairman and the Managing Director/CEO. The list of Directors who held office as at the end of the financial year is as follows.

Name of the Director	Independent / Non-Independent	Executive / Non-Executive
Mr. R. Pestonjee	Non-Independent	Non-Executive
Mr. V.K. Choksy	Independent	Non-Executive
Mr. C. D. Pathirana	Non-Independent	Non-Executive
Mr. Ajith S. Ratnayake	Independent	Non-Executive
Mr. K. B. Wanigasekara	Non-Independent	Executive

## RE – ELECTION OF DIRECTORS

All directors have submitted declarations and affidavits in terms of the Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive functions) Direction No.3 of 2011 issued by the Central Bank of Sri Lanka.

## MEETINGS OF THE BOARD OF DIRECTORS AND BOARD SUB COMMITTEES

Details of Directors' meetings and Board Sub Committee meetings are given in the Corporate Governance Report.

## BOARD SUB COMMITTEES

There are Five permanent committees of the Board, namely, Audit Committee, Related Party Transactions Review Committee, Integrated Risk Management Committee, Remuneration Committee and Nomination Committee and the details of the members are as follows;

## AUDIT COMMITTEE

All the members of the audit committee are Independent Non Executive directors. The Managing Director, senior management, Internal and external auditors attend the meeting by invitation.

- Mr. Ajith S. Ratnayake - Chairman  
(Independent Non-Executive Director)
- Mr. V.K. Choksy - Member  
(Independent Non-Executive Director, Senior Director)

## REMUNERATION COMMITTEE

- Mr. V. K. Choksy - Chairman (Independent Non-Executive Director, Senior Director)
- Mr. R. Pestonjee - (Non-Independent Non-Executive Director)
- Mr. Ajith S. Ratnayake - (Independent Non-Executive Director)

## NOMINATION COMMITTEE

- Mr. R. Pestonjee - Chairman (Non-Independent Non-Executive Director)
- Mr. V. K. Choksy - (Independent Non-Executive Director, Senior Director)

## RELATED PARTY TRANSACTION REVIEW COMMITTEE (W.E.F 01 January 2016)

- Mr. Ajith S. Ratnayake - Chairman (Independent Non-Executive Director)
- Mr. C. D. Pathirana - (Non-Independent Non-Executive Director)
- Mr. K. B. Wanigasekara - (Non-Independent Executive Director)

## INTEGRATED RISK MANAGEMENT COMMITTEE (IRMC)

- Mr. C. D. Pathirana - Chairman (Non-Independent Non-Executive Director)
- Mr. K. B. Wanigasekara - (Non-Independent Executive Director)
- Mr. M. K. Nambiyarooran - General Manager (Relinquished w.e.f 31st May 2016)
- Mr. Chaminda Sugathadasa - Head of Branches
- Mr. Aruna Somasiri - Head of Credit & Recoveries
- Mr. M. Suthakar - Manager - Risk & Compliance / Compliance Officer
- Mr. Manura Rajakaruna - Manager IT
- Mr. Gemunu Gunawardena - Head of Deposits
- Mr. Kamal Roshan - Head of Finance
- Ms. Mahika Rajakaruna - Manager Corporate Affairs

## DISCLOSURE OF DIRECTORS' INTEREST IN SHARES

Directors	As at 31-03-2016	As at 31-03-2015
Mr. R. Pestonjee	153,237*	147,887
Mr. K. B. Wanigasekara	Nil	Nil
Mr. V. K. Choksy	Nil	Nil
Mr. C. D. Pathirana	Nil	Nil
Mr. Ajith S. Ratnayake	Nil	Nil

\* This includes 20,000 Shares Held Jointly.

## DIRECTORS' INTEREST IN CONTRACTS &amp; RELATED PARTY TRANSACTIONS

The Directors' interests in contracts, if any that could be classified as related party transactions in terms of Sri Lanka Accounting Standard LKAS 24, are disclosed in Note No. 47 to the Audited Financial Statements.

Recurrent Related Party Transactions which exceeds the 10% of the gross revenue require the disclosure as per rule 9.3.2 to the Listing Rules of the Colombo Stock Exchange. As required, we tabulate below relevant transactions:

## REPORT OF THE BOARD OF DIRECTORS

## Recurrent Transactions- Company

Name of the Related Party	Abans Auto (Pvt) Ltd.
Relationship	Affiliate Company
Nature of the Transaction	Purchase of Motorcycles for Finance Leases
Aggregate value of Related Party Transactions entered into during the financial year	LKR 2,684,141,194/-
Aggregate value of Related Party Transactions as a % of Net Revenue/ Income	204%
Terms and Conditions of the Related Party Transactions	Usual terms available to general public

## STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all material statutory payments due to the Government, other Regulatory Institutions and related to the employees have been made. The Board of Directors has assessed the status pertaining to statutory payments at board meeting for which regular board papers have been submitted by the Key Management Personnel.

## APPOINTMENT OF AUDITORS

The Company's Auditors during the year under review were M/s. Ernst & Young Chartered Accountants. The retiring auditors M/s. Ernst & Young have expressed their willingness to continue in office and a resolution to re-appoint them as Auditors and authorizing the Directors to fix their remuneration will be proposed at the Annual General Meeting. The Audit Committee has recommended the re-appointment of the Auditors.

## SYSTEM OF INTERNAL CONTROL

The Board of Directors ensures that an effective and robust internal control procedure is in place to safeguard the Company's Assets. The Board appointed Audit Committee reviews the adequacy and the integrity of the internal control systems relating to compliance and risk management.

Further, the Board has issued a Statement on the Internal Control for Financial Reporting over Financial Reporting and an Assurance Report from External Auditors in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008 has also been obtained.

## CORPORATE GOVERNANCE

The Board of Directors places heavy emphasis in maintaining an effective Corporate Governance frame work within the Company. The report on Corporate Governance covers the extent of compliance in Corporate Governance.

## OUTSTANDING LITIGATION

The directors are of the opinion that pending litigation against the Company will not have any material impact on the financial position of the Company.

## EVENTS OCCURRING AFTER THE REPORTING DATE

The Company has issued 7,400,000 ordinary shares by way of a Rights Issue in the proportion of One (01) Ordinary Share for every Five (05) Ordinary shares in the capital of the Company (which is ranked pari passu) and raised LKR 185,000,000, thereby increasing the Stated Capital of the company from LKR 382,373,630/- being the Stated Capital representing 37,000,000 shares, to LKR 567,373,630/- representing 44,400,000 shares.

## NOTICE OF THE ANNUAL GENERAL MEETING

The Tenth annual general meeting of the company will be held at the Organization of Professional Associations of Sri Lanka No. 275 /75, Professor Stanley Wijesundara Mawatha, Colombo 7 on Friday, 30th September 2016 at 9.30 am.

For and on behalf of the Board of Directors,

**Varners International (Pvt.) Ltd. Corporate Secretaries**  
Level 14, West Tower, World Trade Centre,  
Echelon Square, Colombo 1  
27<sup>th</sup> June 2016

## DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

### TERMS OF REFERENCE

The responsibilities of the Directors of Abans Finance PLC in relation to the preparation of Financial Statements as at 31 March 2016 are set out in this Statement.

The Financial Statements comprise the Statement of Financial Position as at the end of the period, the Statement of Comprehensive Income for the period, the Statement of Changes in Equity for the period and the Statement of Cash Flows for the period and Notes comprising a Summary of Significant Accounting Policies and other Explanatory Information.

The Directors are responsible to oversee the preparation of Financial Statements with a view to ensure that the Financial Statements comply with the provisions of the Sri Lanka Accounting Standards Act No. 15 of 1995, and provide additional disclosures as required by the Companies Act No. 7 of 2007 and the continuing listing requirements of the Colombo Stock Exchange.

The Directors are responsible for overseeing the preparation of Financial Statements with a view to ensure that the Company prepares Financial Statements which present fairly the financial position, financial performance and cash flows of the entity. The application of Sri Lanka Accounting Standards (SLFRSs), with additional disclosure when necessary, is presumed to result in Financial Statements that achieve a fair presentation.

The Directors are required to oversee the preparation of Financial Statements with a view to ensure that all applicable Accounting Standards are followed as relevant in preparing the Financial Statements. This includes;

- Appropriate selection and application of accounting policies; and
- Judgments and estimates being made on an appropriate basis.

The Directors are responsible for overseeing the keeping of books of accounts with a view to ensure that proper accounting records which appropriately record and explain the Company's transactions are maintained.

SLFRSs require that the Company prepare Financial Statements on a going concern basis unless the management either intends to liquidate the entity or cease trading, or has no realistic alternative but to do so. The Directors have made an assessment and have concluded that the going concern basis is appropriate.

The Directors have overseen the maintenance of a system of internal control. The system of internal control comprise internal checks, internal audits and the whole system of financial and other controls required to carry on its business in an orderly manner, safeguard assets, prevent and detect fraud and other irregularities and secure as far as practicable accuracy and reliability of records. The details relating to the system of internal control are provided in the Statement of Internal Control, Report of the Integrated Risk Management Committee, Report of the Audit Committee and the report of the Directors. The Directors obtained an Assurance Report from the External Auditors on the Statement of Internal Control.

The Directors, to the best of their knowledge and belief are satisfied that all statutory payments which were due and payable by the Company as at the date of the Statement of Financial Position have been paid or, where relevant, provided for.

The External Auditors, M/s Ernst & Young, Chartered Accountants were given access to all accounting records and other documents of the Company to carry out the audit as they considered appropriate to form their opinion on the Financial Statements.

Section 189 of the Companies Act No. 7 of 2007 states that a person exercising powers or performing duties as a Director of a company—

- Shall not act in a manner which is reckless or grossly negligent; and
- Shall exercise the degree of skill and care that may reasonably be expected of a person of his knowledge and experience.

Section 190 (1) of the said Act states:

Subject to the provisions of subsection (2), a Director of a company may rely on reports, statements, and financial data and other information prepared or supplied, and on professional or expert advice given by any of the following persons:

- an employee of the company;
- a professional adviser or expert in relation to matters which the Director believes to be within the person's professional or expert competence; Any other Director or committee of directors in which the director did not serve, in relation to matters within the Director's or Committee's designated authority.

Sub section (2) of that section states that provisions of subsection (1) shall apply to a Director, if and only if, the Director:

- Acts in good faith;
- Makes proper inquiry where the need for Inquiry is indicated by the circumstances; and
- Has no knowledge that such reliance is unwarranted.

The Directors of the Company are of the view that they have discharged their responsibilities accordingly, and as set out in this Statement.

By order of the board,

**Varners International (Pvt.) Ltd.**

Corporate Secretaries,  
Level 14, West Tower, World Trade Centre,  
Echelon Square, Colombo 01.

27<sup>th</sup> June 2016

## DIRECTORS' STATEMENT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

### RESPONSIBILITY

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

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

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is adequate to provide reasonable assurance regarding the reliability of Financial Reporting, and that the preparation of Financial Statements for external purpose 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 Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

Company adopted the revised Sri Lanka Accounting Standards prefixed LKAS and SLFRS. Processes applied to adopt the said accounting standards were strengthened during the year 2015/16 based on the feedback received from the external auditors, internal audit department, regulators and the Board Audit Committee.

Progressive improvements on process to comply with new requirements of recognition measurement, classification and disclosure are being made whilst some processors were not fully completed at the reporting date. In particular, due to time constraints, areas with respect to the processes such as related party transactions, monthly impairment computation and IT controls are being implemented as at the reporting date. Company is in the process of updating relevant procedure manuals pertaining to these new requirements.

### 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.

### EXTERNAL AUDITORS ASSURANCE REPORT

The External Auditors have submitted an Assurance Report on the process adopted by the Directors on the system of internal control over financial reporting.

By order of the Board,



Chairman



Director



Chairman- Audit Committee

22<sup>nd</sup> June 2016

## CEO'S AND CFO'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements of Abans Finance PLC for the year ended 31 March 2016 are prepared and presented in conformity with the following requirements;

- Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka
- Companies Act No. 7 of 2007
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Finance Business Act No. 42 of 2011 and amendments thereto
- Directions, determinations and guidelines issued by the Central Bank of Sri Lanka
- Listing rules of the Colombo Stock Exchange.
- Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.

The formats used in the preparation of the Financial Statements and disclosures made comply with the formats prescribed by the Central Bank of Sri Lanka.

The Accounting Policies used in the preparation of the Financial Statements are appropriate and are consistently applied by the Company. There are no material departures from the prescribed accounting standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation and material departures, if any, has been disclosed and explained.

Significant Accounting Policies and Estimates that involved a high degree of judgment and complexity were discussed with External Auditors and the Audit Committee. The Board of Directors and the management of the Company accept responsibility for the integrity and objectivity of these Financial Statements. These estimates and judgments relating to the Financial Statements were made on a prudent and reasonable basis; in order that the Financial Statements reflect a true and fair manner, the form and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safe guarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Audit Division has conducted periodic audits to provide a reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements of the Company were audited by M/s. Ernst & Young Chartered Accountants, the Independent External Auditors and their report is given on page 84 to the Annual Report.

The Audit Committee of the Company meets periodically with the Internal Audit team and the independent External Auditor to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on internal controls and financial reporting issues. Audit Committee also reviewed the quality of Accounting Policies and their adherence to statutory and regulatory requirements, the details of which are given in the Board Audit Committee report on pages 57 to 58 of this

Annual Report. To ensure complete independence, the External Auditors and the Internal Auditor have full and free access to the members of the Audit Committee to discuss any matter of substance. The Audit Committee approves the Audit and Non Audit Services provided by External Auditors, M/s Ernst & Young, in order to ensure that the provision of such services does not impair independence of the External Auditors.

We confirm to the best of our knowledge;

- The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non – compliance
- There are no material litigations that are pending against the Company
- All taxes, duties, levies and all statutory payments of the Company and all contributions, levies and taxes paid on behalf of and in respect of the employees of the Company as at the Statement of Financial Position date have been paid off where relevant provided for.



**Kamal Roshan**  
Head of Finance



**K B Wanigasekara**  
Managing Director

27<sup>th</sup> June 2016



Ernst & Young  
Chartered Accountants  
201 De Saram Place  
P.O. Box 101  
Colombo 10  
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eysl@lk.ey.com  
ey.com

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ABANS FINANCE PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Abans Finance PLC, ("the Company"), which comprise the statement of financial position as at 31 March 2016, and the statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 85 to 128.

### Board's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

### Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 7 of 2007, we state the following:

- a) The basis of opinion, Scope and Limitations of the audit are as stated above.
- b) In our opinion :
  - We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company, and
  - The financial statements of the Company comply with the requirements of Section 151 of the Companies Act No. 7 of 2007.

*Ernst & Young*

27 June 2016  
Colombo

Partners : W R H Fernando FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva FCA Ms. Y A De Silva FCA W K B S P Fernando FCA FCMA  
Ms. L. K. H. L. Fonseka FCA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayasinghe FCA FCMA  
Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga FCA N M Sulaiman ACA ACMA B E Wijesuriya FCA ACMA

A member firm of the Ernst & Young Global Limited

## STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 March	Notes	2016 Rs.	2015 Rs.
Income	5	1,317,233,363	958,110,639
Interest Income	5.1	1,189,278,894	853,772,285
Interest Expenses	5.2	(481,221,503)	(409,914,041)
<b>Net Interest Income</b>		<b>708,057,391</b>	<b>443,858,244</b>
Fee and Commission Income	6.1	111,586,810	91,787,158
Fee and Commission Expenses	6.2	(76,888,915)	(45,314,982)
<b>Net Fee and Commission Income</b>		<b>34,697,895</b>	<b>46,472,176</b>
Net Gain/(loss) from Trading	7	(582,293)	1,830,282
Other Operating Income (net)	8	16,949,952	10,720,913
<b>Total Operating Income</b>		<b>759,122,945</b>	<b>502,881,616</b>
Impairment (Charges) / Reversal for loans and other losses			
Individual	9.1	(35,826,562)	(63,459,007)
Collective	9.2	(190,013,555)	(52,133,547)
<b>Net Operating Income</b>		<b>533,282,828</b>	<b>387,289,061</b>
<b>Operating Expenses</b>			
Personnel Costs	10	(166,916,649)	(118,587,829)
Depreciation & Amortization	11	(12,908,611)	(12,411,538)
Other Operating Expenses	12	(192,788,213)	(147,656,365)
<b>Operating Profit before Value Added Tax on Financial Services</b>		<b>160,669,355</b>	<b>108,633,330</b>
VAT & NBT on Financial Services		(30,188,461)	(11,123,943)
<b>Profit before Taxation from Operations</b>		<b>130,480,894</b>	<b>97,509,387</b>
Provision for Income Taxation	13.1	(40,356,230)	(24,707,819)
<b>Profit for the Year</b>		<b>90,124,664</b>	<b>72,801,568</b>
<b>Other Comprehensive Income (OCI)</b>			
<b>Items that are or may be reclassified subsequently to profit or loss</b>			
Available for sale financial asset - Net change in fair value		-	130,255
Available for sale financial asset - Reclassified to profit or loss		(130,255)	-
		(130,255)	130,255
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial Gains/(Losses) on Defined Benefit Plan	35.1	(471,493)	(1,328,677)
Deferred Tax effect of above	13.1	132,018	372,030
		(339,475)	(956,647)
<b>Other Comprehensive Loss for the Year, Net of Tax</b>		<b>(469,730)</b>	<b>(826,392)</b>
<b>Total Comprehensive Income for the Year</b>		<b>89,654,934</b>	<b>71,975,176</b>
Basic Earnings Per Share (Rs.)	14	2.44	1.97

Accounting Policies and Notes from pages 89 to 128 form an integral part of these Financial Statements.

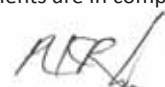
## STATEMENT OF FINANCIAL POSITION

As at 31 March	Notes	2016 Rs.	2015 Rs.
<b>Assets</b>			
Cash and Bank Balances	15	73,385,295	68,497,383
Placement With Banks	16	224,098,165	283,645,333
Repurchase Agreements	17	630,158,527	426,888,521
Financial Investments - Held for Trading	18	6,915,241	7,370,358
Financial Investments - Debt Securities	19	-	49,278,340
Loans and Advances	20	1,188,546,845	637,248,600
Lease rentals receivable & Stock out on hire	21	3,596,251,779	2,903,285,248
Financial Investments - Available for Sale	22	80,400	100,210,655
Financial Investments - Held to Maturity	23	21,669,813	21,150,414
Other Financial Assets	24	73,802,179	42,129,334
Real Estate Stock	25	83,066,481	97,139,978
Other Non Financial Assets	26	97,894,824	81,785,327
Property, Plant & Equipment	28	75,811,265	26,807,373
Intangible Assets	27	15,608,896	10,241,083
Deferred Tax Assets	29	61,419,536	18,446,150
<b>Total Assets</b>		<b>6,148,709,246</b>	<b>4,774,124,097</b>
<b>Liabilities</b>			
Due to Banks	30	47,004,092	155,850,542
Due to Customers	31	4,539,362,221	3,591,961,005
Debt Instruments Issued and Other Borrowed Funds	32	31,110,631	-
Other Financial Liabilities	33	837,025,511	461,616,857
Other Non Financial Liabilities	34	8,086,521	1,859,218
Current Tax Liabilities		56,345,826	26,491,603
Retirement Benefit Liability	35	15,249,338	11,474,701
<b>Total liabilities</b>		<b>5,534,184,140</b>	<b>4,249,253,926</b>
<b>Shareholders' Funds</b>			
Stated Capital	36	382,373,630	382,373,630
Statutory Reserve Fund	37.2	62,554,000	44,529,000
Reserve on Available for Sale Financial Instruments	37.2	-	130,255
Retained Earnings	37.1	169,597,476	97,837,286
<b>Total Shareholders' Funds</b>		<b>614,525,106</b>	<b>524,870,171</b>
<b>Total Liabilities and Shareholders' Funds</b>		<b>6,148,709,246</b>	<b>4,774,124,097</b>

## Commitments and Contingencies

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

  
P W K Roshan  
Head of Finance

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

  
K.B.Wanigasekara  
Director

  
Rusi Pestonjee  
Director

Accounting Policies and Notes from pages 89 to 128 form an integral part of these Financial Statements.

27 June 2016  
Colombo

# STATEMENT OF CHANGES IN EQUITY

## YEAR ENDED 31 MARCH 2016

	Stated Capital	Statutory Reserve	Investment Fund Reserve	Reserve on Available for Sale Financial Instruments	Retained Earnings	Total
	Rs. (Note 36)	Rs. (Note 37.2)	Rs.	Rs. (Note 37.2)	Rs. (Note 37.1)	Rs.
<b>Balance as at 1 April 2014</b>	382,373,630	29,968,000	18,454,242	-	22,099,123	452,894,995
Net profit for the year	-	-	-	-	72,801,568	72,801,568
Other Comprehensive Income net of tax	-	-	-	130,255	(956,647)	(826,391)
Total Comprehensive Income for the year	-	-	-	130,255	71,844,921	71,975,176
Transfer to Statutory Reserve	-	14,561,000	-	-	(14,561,000)	-
Transfer to Investment Fund Reserve	-	-	(18,454,242)	-	18,454,242	-
<b>Balance as at 31 March 2015</b>	382,373,630	44,529,000	-	130,255	97,837,286	524,870,171
Net profit for the year	-	-	-	-	90,124,664	90,124,664
Other Comprehensive Income net of tax	-	-	-	(130,255)	(339,475)	(469,730)
Total Comprehensive Income for the year	-	-	-	(130,255)	89,785,190	89,654,934
Transfer to Statutory Reserve	-	18,025,000	-	-	(18,025,000)	-
<b>Balances as at 31 March 2016</b>	382,373,630	62,554,000	-	-	169,597,476	614,525,106

Accounting Policies and Notes from pages 89 to 128 form an integral part of these Financial Statements.

**STATEMENT OF CASH FLOW**  
**For the Year Ended 31 March**

	Notes	2016 Rs.	2015 Rs.
<b>Cash Flows From / (Used in) Operating Activities</b>			
Profit before Income Tax Expense		130,480,894	97,509,387
Adjustments for			
Depreciation	28	11,416,894	7,804,503
Amortization of Intangible Assets	27	1,491,717	4,607,033
Impairment Provision	9	225,840,117	115,592,554
Diminution/(Appreciation) in Value of Investments	7	827,662	(4,594,180)
Loss/(Profit) from Sale of Investments	7	-	3,032,079
Loss/(Profit) from Sale of Unit Trust	8	(8,924,199)	(3,918,539)
Loss/(Profit) on Disposal of Property & Equipment	8	19,829	36,642
Provision/(Reversal) for Defined Benefit Plans	10	3,788,956	2,803,208
Dividend Received		(245,369)	(268,181)
Operating Profit before Working Capital Changes		364,696,501	222,604,506
(Increase)/Decrease in Real Estate Stock		(14,020,577)	33,720,879
(Increase)/Decrease in Loans and Advances		(552,542,106)	98,094,905
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire		(838,856,351)	(873,935,508)
(Increase)/Decrease in Other Financial Assets		(110,379,280)	(83,998,656)
(Increase)/Decrease in Other Non Financial Assets		(16,109,497)	13,512,285
Increase/(Decrease) in Amounts Due to Customers		947,401,216	991,841,460
Increase/(Decrease) in Other Financial Liabilities		375,408,654	208,996,298
Increase/(Decrease) in Other Non Financial Liabilities		6,227,303	(1,020,540)
Cash Generated from Operations		161,825,862	609,815,629
Retirement Benefit Liabilities Paid	35	(485,813)	(69,000)
Taxes Paid		(53,343,375)	(22,011,703)
Net Cash From/(Used in) Operating Activities		107,996,674	587,734,926
<b>Cash Flows from / (Used in) Investing Activities</b>			
Acquisition of Property, Plant & Equipment	28	(32,378,791)	(16,726,387)
Acquisition of Intangible Assets	27	(6,859,530)	(5,507,394)
Proceeds from Sales of Property, Plant & Equipment		32,250	35,000
Acquisition of Financial Investment held - for - trading		(372,546)	(5,164,166)
Proceeds from Sale of Financial investments held -for- trading		-	6,406,045
Cash Flow from /(Used in) Fixed Deposits		(2,807)	(3,299)
Sale/(Purchase) of Financial Investments- Held to Maturity		(519,400)	(454,674)
Sale of Financial Investments- Unit Trust		208,924,199	103,918,539
Purchase of Financial Investments- Unit Trust		(100,000,000)	(200,000,000)
Proceeds from Disposal of Debt Securities		49,278,342	-
Investments in Debt Securities		-	158,422
Dividend Received		245,369	268,180
Net Cash Flows from/(Used in) Investing Activities		118,347,087	(117,069,735)
<b>Cash Flows from / (Used in) Financing Activities</b>			
Net Cash Outflow from Securitized Borrowings and other bank facilities		(96,643,162)	(102,939,722)
Cash Flow from Debt Instruments Issued and Other Borrowings	32	31,110,631	(122,265,623)
Net Cash Flows from/(Used in) Financing Activities		(65,532,531)	(225,205,345)
<b>Net Increase in Cash and Cash Equivalents</b>		<b>160,811,230</b>	<b>245,459,847</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>		<b>745,027,800</b>	<b>499,567,953</b>
<b>Cash and Cash Equivalents at the end of the year</b>	15.1	<b>905,839,030</b>	<b>745,027,800</b>

Accounting Policies and Notes from pages 89 to 128 form an integral part of these Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

#### 1.1 General

Abans Finance PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No. 498, Galle Road, Colombo 03 and the principal place of business is situated at No. 456, R.A. De Mel Mawatha, Colombo 03.

#### 1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were Acceptance of Deposits, Granting Lease facilities, Hire Purchase, Mortgage Loans and other Credit Facilities, Real Estate Development and related Services.

#### 1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent and ultimate parent company is Abans PLC.

#### 1.4 Date of Authorization for Issue

The Financial Statements of Abans Finance PLC for the year ended 31 March 2016 was authorized for issue in accordance with a resolution of the Board of Directors on 27 June 2016.

#### 1.5 Directors' Responsibility Statement

The Board of Directors is responsible for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKASs and SLFRSs (hereafter "SLFRS").

### 2. BASIS OF PREPARATION

#### 2.1 Statement of Compliance

The Financial Statements of the Company (Statement of Financial Position and Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows together with Accounting Policies and Notes) as at 31 March 2016 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.

#### 2.2 Basis of Measurement

The Financial Statements have been prepared on the historical cost basis, except for Financial Investments held for trading and Available-for-sale financial assets which are measured at fair value and Defined Benefit Obligations which are measured at present value using the projected unit credit method in the Statement of Financial position.

#### 2.3 Presentation of financial statements

The items in the statement of financial position of the company are presented broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Note 41.

#### 2.4 Materiality & Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions too are presented separately, if they are material.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial position only when there is a legally enforceable right to offset the

recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies.

#### 2.5 Comparative Information

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.

### 3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of Financial Statements requires the application of certain critical accounting and assumptions relative to the future. Further, it requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### a) Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based these assumptions and estimates on parameters available at the time Financial Statements were prepared. Existing circumstances and assumptions about future developments, these may change due to market changes or circumstances arising beyond the control of the Company. Such changes are taken in to consideration in the assumptions when they occur.

#### I. Going Concern

The Directors have made an assessment of the company's ability to continue as a going concern and are satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, board is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern and they do not intend either to liquidate or to cease operations of the company. Therefore, the Financial Statements continue to be prepared on the going concern basis.

#### II. Defined Benefit Plans

The cost of defined benefit pension plan is determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and their long term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date as disclosed in Note 35.

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.

## NOTES TO THE FINANCIAL STATEMENTS

## III. Impairment losses on Loans and Advances

The Company reviews their individually significant loans and advances at each date of statement of financial position to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the impairment allowance.

Loans and advances that have been assessed individually and found to be not impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes in to account data from the loan portfolio (such as levels of arrears, credit utilisation, loan-to-collateral ratios, etc.), and judgements on the effect of concentrations of risks and economic data (including levels of unemployment, inflation, interest rates, exchange rates).

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## 4.1 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, balance with banks and investments in Government Securities.

For the purpose of the Statement of Cash Flow, cash and cash equivalents consist of cash and short term deposits and investments in Government Securities as defined above, net of unfavourable bank balances.

## 4.2 Financial Assets

## 4.2.1 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.

## (i) 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.

## (ii) 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.

## (iii) 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.

## (iv) 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 recognised in the income statement as 'Other operating income' when the right of the payment has been established.

The Company has measured its non-quoted equity investments classified as available for sale financial instruments at Fair Value.

## (v) 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 amortised cost using the Effective Interest Rate less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the Effective Interest Rate.

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 line 'Impairment (Charges) / Reversal for loans and other losses'.

If the company was to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), 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.

## (vi) 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 amortised cost using the Effective Interest Rate, 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 Effective Interest Rate. 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) / Reversal for loans and other losses"

## NOTES TO THE FINANCIAL STATEMENTS

### 4.2.2 'Day 1' difference

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 immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Net trading income'.

### 4.2.3 Reclassification of Financial Assets

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost, if the basis of measurement of the reclassified category is amortized cost.

For a financial asset 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 investment using the Effective Interest Rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the Effective Interest Rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the income statement.

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

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition.

### 4.2.4 Derecognition 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 derecognised 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.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of 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 a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that

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

### 4.2.5 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.

#### i. Loans and Advances to customers, Lease Rental Receivable from customers and Stock Out on Hire to Customers

Losses for impaired loans are recognised 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 recognised.

#### Individually assessed Loans and Advances and Lease and Stock out on hire

For all loans that are considered individually significant, the company assesses on a case-by-case basis at each reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence includes:

- Know cash flow difficulties experienced by the borrower;
- Past due contractual payments of either principal or interest;
- Breach of loan covenants or conditions;
- The probability that the borrower will enter bankruptcy or other financial realisation; and
- A significant downgrading in credit rating by an external credit rating agency.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Company's aggregate exposure to the customer;
- The viability of the customer's business model and the capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- The amount and timing of expected receipts and recoveries;
- The complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- The realisable value of security and likelihood of successful repossession; and
- The likely deduction of any costs involved in recovery of amounts outstanding;

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan's current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses

## NOTES TO THE FINANCIAL STATEMENTS

re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

#### Collectively assessed Loans and Advances to customers, Lease Rental Receivable from customers and Stock out on Hire to customers

Impairment is assessed on a collective basis in two circumstances:

- To cover losses which have been incurred but have not yet been identified on loans subject to individual assessment; and
- For homogeneous groups of loans that 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:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experience 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.

Following method is used to calculate historical loss experience on a collective basis:

- Net flow rate method

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 these methodologies, 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:

- Recent loan portfolio growth and product mix,
- Unemployment rates, Gross Domestic Production (GDP) growth, inflation
- Exchange rates, interest rates
- 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 realisation of security.

#### Reversals of impairment

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the statement of comprehensive income.

#### ii. Available for Sale Financial Investments

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.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement. Future interest income is based on the reduced carrying amount 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 is recorded as part of 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed through the income statement. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale shall not be reversed through profit or loss.

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. Impairment losses on equity investments are not reversed through the income statement; increases in the fair value after impairment are recognised in other comprehensive income.

#### iii. Held-to-Maturity Financial Assets

An impairment loss in respect of held-to-maturity financial assets measured at amortised cost is calculated as the difference between its carrying amount and the present value of estimated future cash flows discounted at the asset's original Effective Interest Rate and is recognized in profit or loss. Interest on impaired assets continue to be recognized through the unwinding of discount. When a subsequent event caused the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### iv. Renegotiated Loans

Where possible, the company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original Effective Interest Rate.

#### 4.2.6 Collateral valuation

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/guarantees, real estate, receivables, other non-financial assets. The fair value of collateral is generally assessed, at a minimum, at inception and based on the guidelines issued by the Central Bank of Sri Lanka.

Non-financial collateral, such as real estate, is valued based on data provided by third parties such as independent valuers and other independent sources.

#### 4.2.7 Collateral Repossessed

The Company's policy is to determine whether a repossessed asset is best used for its internal operations or should be sold. Assets determined to be useful for the internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset.

#### 4.2.8 Repurchase Agreement

Securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the Effective Interest Rate.

#### 4.2.9 Other Financial Assets

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

#### 4.2.10 Real Estate Stock

Real Estate stock comprises all costs of purchase, cost of conversion and other costs incurred in bringing the real estate to its saleable condition.

Purchase Cost - Land Cost with Legal Charges.  
Cost of Conversion - Actual Development Costs.

Real Estate stocks are valued at the lower of cost and net realisable value, after making due allowances for slow moving items. Net realisable value is the price at which the real estate stocks can be sold in the ordinary course of business less estimated cost necessary to make the sale.

### 4.3 Non - Financial Assets

#### 4.3.1 Property, Plant and equipment

##### Recognition and measurement

Property, Plant & Equipment are 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 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 recognised 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.

##### Depreciation

The provision for depreciation is calculated by using the straight line method over the useful life of the assets on cost or valuation of the Property & Equipment other than freehold land, commencing from when the assets are available for use. The rates of depreciations are given below;

Asset Category	Rate of Depreciation (per annum)
• Furniture & 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.

##### Derecognition

Property and equipment is derecognised on 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 the income statement in the year the asset is derecognised. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

#### 4.3.2 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.

##### Amortization

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows;

Asset Category	Useful life
• Computer software	10 Years

The residual value of the intangible asset is zero.

## NOTES TO THE FINANCIAL STATEMENTS

## 4.3.3 Impairment of Non-Financial Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or Cash Generating unit's fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

## 4.4 Finance Lease

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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets, but not necessarily legal title, are classified as finance leases. When the Company is a lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'Lease rentals receivables and stock out on hire. The finance income receivable is recognised in 'Net interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, plant and equipment' and the corresponding liability to the lessor is included in 'Due to Banks'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

## 4.5 Taxation

Income tax expense comprises of current and deferred tax. Income tax expense is recognised in the Statement of Comprehensive Income.

## 4.5.1 Current Taxes

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the Financial Statements and computed in accordance with the provisions of the relevant tax legislation.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

## 4.5.2 Deferred Taxation

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

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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

Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Comprehensive Income.

## 4.5.3 VAT on Financial Services

VAT on Financial Services is calculated in accordance with VAT Act No. 14 of 2002 and subsequent amendment thereto.

## 4.6 Financial Liabilities

## Initial Recognition and Measurement

Financial instruments issued by the Company that are not designated as fair value through profit or loss, are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset for a fixed number of own equity shares.

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.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the Effective Interest Rate. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

## Derecognition of Financial Liabilities

A financial liability is derecognised 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 derecognition of the original

## NOTES TO THE FINANCIAL STATEMENTS

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.

#### Other Financial Liabilities

Other Financial liabilities including Due to Customer (Deposits), Due to Banks, Debt issued and other borrowed funds are initially measured at fair value less transaction cost that are directly attributable to the acquisition and subsequently measured at amortised cost using the Effective Interest Rate method.

Amortised cost is calculated by taking in to account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

#### 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 instruments.

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

#### 4.7 Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

#### 4.8 Retirement Benefit Obligations

##### (i) Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits for gratuity, which is a defined benefit plan with the advice of an independent professional actuary using the Projected Unit Credit Method (PUC) as required by LKAS 19, Employee Benefits.

The item is stated under Defined Benefit Liability in the Statement of financial position.

#### Recognition of Actuarial Gains and Losses

Actuarial gains and losses are recognized in Other Comprehensive Income in the year in which they arise.

#### Recognition of Past Service Cost (Applicable only when a plan has been changed)

Past Service Costs are recognized as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already been vested, immediately following the introduction of, or changes to the plan, past service costs are recognized immediately.

##### (ii) Defined Contribution Plan

The Company also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Company by the employees and is recorded as an expense under 'Personnel expenses'. Unpaid contributions are recorded as a liability.

The Company contributes to the following Schemes:

##### - Employees' Provident Fund

The Company and employees contribute 12% and 8% respectively of the employee's monthly gross salary (excluding overtime) to the Provident Fund.

##### - Employees' Trust Fund

The Company contributes 3% of the employee's monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees Trust Fund Board.

#### 4.9 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 can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### 4.9.1 Interest Income and Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the Effective Interest Rate.

Effective Interest Rate 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.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the Effective Interest Rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original Effective Interest Rate and the change in carrying amount is recorded as 'Interest and similar income' for financial assets or 'Interest and similar expense' for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the Effective Interest Rate from the date of the change in estimate.

When the carrying amount of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

## NOTES TO THE FINANCIAL STATEMENTS

## 4.9.2 Fee and Commission Income

The company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

## 4.9.3 Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include Credit related fees & commission, Service charge, Transfer Fees and other fees income. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the Effective Interest Rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight line basis.

## 4.9.4 Dividend Income

Dividend income is recognised when the right to receive the payment is established.

## 4.9.5 Net Trading Income

Net trading income includes all gains and losses from changes in fair value and related dividends for financial assets and financial liabilities 'held for trading' other than interest income.

## 4.9.6 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the company's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the company. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

## 4.10 Statement of Cash Flows

The Statement of Cash flows is prepared using the indirect method, as stipulated in LKAS 7-"Statement of Cash Flows". Cash and cash equivalents comprise cash in hand; cash at bank, bank overdrafts and Investments with short maturities i.e. three months or less from the date of acquisition are also treated as cash equivalents.

## 4.11 Segment Reporting

The Company's segmental reporting is based on the following operating segments identified based on products and services;

- Leasing
- Hire Purchase
- Term Loans
- Others

A segment is a distinguishable component of a Company that is engaged in providing products and services. (Business segment, which is subject to risks and rewards that are different from those of other segments).

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The accounting policies adopted for segment reporting are those accounting policies adopted for preparing the financial statements of the Company.

## 4.12 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

## SLFRS 9 Financial Instruments

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

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

## SLFRS 14 Regulatory Deferral Accounts

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

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

## SLFRS 15 Revenue from Contracts with Customers

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

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

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

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

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to LKAS 16 and LKAS 38).
- Annual Improvements to SLFRSs 2012-2014 Cycle – various standards.
- Disclosure Initiative (Amendments to LKAS 1).

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2016 Rs.	2015 Rs.
<b>5. INCOME</b>		
Interest Income	1,189,278,894	853,772,285
Fee & Commission Income	111,586,810	91,787,158
Net Gain/(Loss) from Trading	(582,293)	1,830,282
Other Operating Income	16,949,952	10,720,914
<b>Total Income</b>	<b>1,317,233,363</b>	<b>958,110,639</b>

**5.1 Interest Income**

Loans and Advances	130,926,781	169,516,584
Lease Rentals Receivable & Stock out on hire	989,663,807	629,677,071
Financial Investments - Held to Maturity & Repurchase Agreements	44,223,302	32,025,303
Financial Investments -Debt Securities	4,962,391	6,691,036
Other Financial Assets	2,818,437	1,119,565
Placement with Banks	16,684,176	14,742,726
<b>Total Interest Income</b>	<b>1,189,278,894</b>	<b>853,772,285</b>

**5.2 Interest Expenses**

Due to Banks	8,348,442	20,645,189
Due to Customers	471,613,582	384,361,629
Debt Instruments Issued and Other Borrowed Funds	1,259,479	4,907,223
<b>Total Interest Expenses</b>	<b>481,221,503</b>	<b>409,914,041</b>

**Notional Tax Credit for Withholding Tax on Government Securities on Secondary Market Transactions**

The Inland Revenue Act No.10 of 2007, provided that a company which derives interest income from the secondary market transactions in Government Securities ( on or after April 1, 2002 ) would 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 the net interest income earned from the secondary market transactions in Government Securities for the year, has been grossed up in the Financial Statement & the resulting notional Tax credit amounts to Rs.4,422,331/- (2015 - Rs.3,202,530/-)

	2016 Rs.	2015 Rs.
<b>6. NET FEE AND COMMISSION INCOME</b>		
<b>6.1 Fee and Commission Income</b>		
Credit Related Fees and Commissions	12,266,379	8,178,477
Service Charge	93,190,829	74,541,807
Transfer Fees	5,496,192	8,214,255
Other Fees	633,410	852,619
<b>Total Fee and Commission Income</b>	<b>111,586,810</b>	<b>91,787,158</b>
<b>6.2 Fee and Commission Expenses</b>		
Brokerage Fees	76,888,915	45,314,982
<b>Total Fee and Commission Expenses</b>	<b>76,888,915</b>	<b>45,314,982</b>
<b>6.3 Net Fee and Commission Income</b>	<b>34,697,895</b>	<b>46,472,176</b>

	2016 Rs.	2015 Rs.
<b>7. NET GAIN/(LOSS) FROM TRADING</b>		
Dividend Income from Financial Investments - Held for Trading	245,369	268,181
Appreciation/ (Depreciation) in Market Value of Financial Investments - Held for Trading	(827,662)	4,594,180
Profit /(Loss) on sale of Financial Investments - Held for Trading	-	(3,032,079)
	<b>(582,293)</b>	<b>1,830,282</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2016 Rs.	2015 Rs.
<b>8. OTHER OPERATING INCOME</b>		
Income from Sale of Available - for-Sale Financial Investments	8,924,199	3,918,539
Profit/(loss) on disposal of Property & Equipment	(19,829)	(36,642)
Bad Debt Recoveries	1,550,864	4,275,038
Rent Income from Sublease of Building	2,833,650	2,100,000
Others	3,661,068	463,978
<b>Total Other Operating Income</b>	<b>16,949,952</b>	<b>10,720,913</b>
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>9. IMPAIRMENT CHARGES/ (REVERSAL) FOR LOANS AND OTHER LOSSES</b>		
<b>9.1 Individual</b>		
Loans and Advances	(511,617)	5,553,394
Lease Rentals Receivable & Stock Out on Hire	38,513,173	52,129,140
Other Debtors	(2,174,994)	5,776,472
	35,826,562	63,459,007
<b>9.2 Collective</b>		
Loans and Advances	1,755,479	1,352,839
Lease Rentals Receivable & Stock Out on Hire	107,376,648	(7,890,463)
Other Debtors	80,881,428	58,671,172
	190,013,555	52,133,547
<b>Total Impairment charges/ (Reversal) for Loans and Advances</b>	<b>225,840,117</b>	<b>115,592,555</b>
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>10. PERSONNEL COSTS</b>		
Salaries and Bonus	122,728,343	83,931,216
Employer's Contribution to EPF	12,690,484	9,037,166
Employer's Contribution to ETF	3,172,621	2,259,292
Gratuity Charge/ (Reversals) for the Year (Note 35.1)	3,788,956	2,803,208
Other Allowances & Staff Related Expenses	24,536,245	20,556,947
	166,916,649	118,587,829
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>11. DEPRECIATION &amp; AMORTIZATION</b>		
Depreciation of Property Plant & Equipment	11,416,894	7,804,505
Amortization of intangible assets	1,491,717	4,607,033
	12,908,611	12,411,538
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>12. OTHER OPERATING EXPENSES</b>		
Directors' Emoluments	9,945,000	9,690,000
Auditors Remuneration	- Audit - Current year provision	1,022,800
	- (Over)/Under Provision	(174,205)
	-Non Audit	250,000
Professional & Legal Expenses	8,556,393	7,546,754
Office Administration & Establishment Expenses	102,575,230	80,902,936
Advertising & Business Promotion Expenses	35,087,952	22,730,699
Deposit Insurance premium	6,162,461	4,536,552
Others	29,362,582	21,063,524
	192,788,213	147,656,365

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2016 Rs.	2015 Rs.
<b>13. TAXATION</b>		
<b>13.1 The major components of income tax expense for the years ended 31 March are as follows.</b>		
<b>(A) Statement of Profit or Loss</b>		
<b>Current Income Tax</b>		
Income Tax for the year	83,197,598	42,626,511
<b>Deferred Tax</b>		
Deferred Taxation Charge/ (Reversal) (Refer Note 29)	(42,841,368)	(17,918,692)
	40,356,230	24,707,819
<b>(B) Other Comprehensive Income</b>		
<b>Deferred Tax</b>		
Deferred Taxation Charge/ (Reversal) (Refer Note 29)	(132,018)	(372,030)
	(132,018)	(372,030)
<b>(C) Total Tax Expense for the year</b>	40,224,212	24,335,789

**13.2 Reconciliation of Accounting Profit and Taxable Income**

A reconciliation between the tax expense and the accounting profit multiplied by government of Sri Lanka's tax rate for the Years ended 31 March 2016 and 2015 is as follows.

	2016 Rs.	2015 Rs.
<b>Accounting Profit Before Income Taxation</b>	130,480,894	97,509,389
<b>Adjustments</b>		
Capital Portion of Leasing Rental Due	1,464,427,833	823,917,985
Non-taxable Income/ Losses	157,486,281	95,965,689
Disallowable Expenses	(11,832,579)	(10,279,011)
Allowable Expenses	(1,443,428,152)	(841,008,092)
Total Statutory Income	297,134,277	166,105,961
Claim on Carried Forward Tax Losses	-	(13,868,422)
<b>Taxable Income</b>	<b>297,134,277</b>	<b>152,237,539</b>
Income Tax Rate (%)	28%	28%
Income Tax	83,197,598	42,626,511
Deferred Taxation Charge/(Reversal) (Note 29)	(42,841,368)	(17,918,692)
Total Tax Expense (Note 13.1 (A))	40,356,230	24,707,819

**14. BASIC EARNINGS PER ORDINARY SHARE**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary shareholders by weighted average number of ordinary shares outstanding during the year, as per LKAS 33- Earnings Per Share.

For the year ended 31 March	2016 Rs.	2015 Rs.
Profit/ (Loss) attributable to Ordinary Shareholders for Basic Earnings Per Share (Rs.)	90,124,664	72,801,568
Weighted Average Number of Ordinary Shares	37,000,000	37,000,000
Basic Earnings per ordinary share (Rs.)	2.44	1.97

	2016 Rs.	2015 Rs.
<b>15. CASH AND BANK BALANCES</b>		
Cash in Hand	5,836,617	5,679,888
Balances with Banks	67,548,678	62,817,495
	73,385,295	68,497,383

	2016 Rs.	2015 Rs.
<b>15.1 Cash and Cash Equivalents in the Cash Flow Statement</b>		
Cash and Bank Balances	73,385,295	68,497,383
Bank Overdrafts	(21,753,939)	(33,957,227)
Treasury Bills and Repurchase Agreements	630,158,527	426,888,521
Placement with Banks	224,049,147	283,599,123
<b>Total Cash and Cash Equivalents for the purpose of Cash Flow Statements</b>	<b>905,839,030</b>	<b>745,027,800</b>

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March				2016 Rs.	2015 Rs.	
16. PLACEMENT WITH BANKS						
Fixed Deposit Investments				224,098,165	283,645,333	
				224,098,165	283,645,333	
Fixed Deposit Investments include Investments amounting to Rs.34,000,000/- that have been Pledged for facilities obtained from Banks.						
				2016 Rs.	2015 Rs.	
17. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT						
Repurchased Agreements				630,158,527	426,888,521	
				630,158,527	426,888,521	
				2016 Rs.	2015 Rs.	
18. FINANCIAL ASSETS- HELD FOR TRADING						
Quoted equities (Note 18.1)				6,915,241	7,370,358	
				6,915,241	7,370,358	
18.1 DEALING SECURITIES	2016			2015		
Quoted Shares	No of Shares	Cost	Market value	No of Shares	Cost	Market value
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Hotels & Travels						
Hotel Sigiriya PLC					-	-
Mahaweli Reach Hotels PLC	9,400	365,104	212,440	9,400	365,104	197,400
Renuka City Hotel PLC	1,300	394,136	421,720	1,300	394,136	429,130
	10,700	759,240	634,160	10,700	759,240	626,530
Diversified Holdings						
John Keells Holdings PLC	2,333	490,343	345,284	2,000	482,573	398,200
JKH WARRANTS	-	-	-	84	-	2,239
Aitken Spence PLC	48	-	446	-	-	-
	2,381	490,343	345,730	2,084	482,573	400,439
Power & Energy						
Lanka IOC PLC	15,000	649,191	487,500	15,000	649,191	610,500
	15,000	649,191	487,500	15,000	649,191	610,500
Banking & Finance						
Sampath Bank PLC	4,037	1,036,175	912,362	3,934	1,036,175	995,302
Seylan Bank PLC - Voting	1,000	102,131	86,000	1,000	102,131	100,000
Seylan Bank PLC - Non Voting	12,000	673,660	756,000	12,000	673,660	756,000
Hatton National Bank PLC	1,500	248,806	270,650	1,500	248,806	276,500
First Capital Holdings PLC	1,952	78,757	37,283	1,952	78,757	52,704
Central Finance Company PLC	1,000	239,149	210,000	1,000	239,149	250,100
DFCC Bank	1,000	213,262	137,000	1,000	213,262	202,900
Nations Trust Bank PLC	2,000	183,027	148,400	2,000	183,027	200,200
Union Bank PLC	7,000	189,600	116,200	7,000	189,600	168,700
Commercial Bank Of Ceylon PLC	506	57,740	57,178	500	57,740	65,600
Pan Asia Banking Corporation PLC	5,000	124,486	115,000	5,000	124,486	107,500
	36,995	3,146,793	2,846,073	36,886	3,146,793	3,175,506
Telecommunication						
Sri Lanka Telecom PLC	4,190	239,386	162,572	4,190	239,386	190,645
	4,190	239,386	162,572	4,190	239,386	190,645
Manufacturing						
Singer Sri Lanka	500	60,672	58,850	500	60,672	57,000
Tokyo Cement Company (Lanka) PLC - Non Voting	16,375	640,367	528,913	16,375	640,367	610,788
Tokyo Cement Company (Lanka) PLC - Voting	10,000	444,928	370,000	10,000	444,928	549,000
	26,875	1,145,967	957,763	26,875	1,145,967	1,216,788
Hospitals						
Lanka Hospital Corporation PLC	3,000	157,343	153,000	3,000	157,343	119,700
	3,000	157,343	153,000	3,000	157,343	119,700
Investment						
Ceylon Investment PLC	1,009	108,300	53,174	1,000	108,300	91,000
Access Engineering Ltd	4,000	150,264	83,200	4,000	150,264	76,800
Ceylon Guardian Investment Trust PLC	505	102,687	60,449	500	102,687	92,000
	5,514	361,251	196,823	5,500	361,251	259,800
Automobiles						
United Motors Lanka PLC	500	53,088	41,500	500	53,088	44,000
	500	53,088	41,500	500	53,088	44,000
Beverage Food & Tobacco						
Stores Supplies						
Hemas Holdings PLC	2,333	117,502	188,040	2,100	100,726	156,450
Piramal Glass Ceylon Plc	100,000	465,152	510,000	100,000	465,152	570,000
	102,333	582,654	698,040	102,100	565,878	726,450
Insurance						
Peoples' Insurance PLC	23,200	348,000	392,080	-	-	-
	23,200	348,000	392,080	-	-	-
Total	230,688	7,933,257	6,915,241	206,835	7,560,711	7,370,358

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2016 Rs.	2015 Rs.
<b>19. INVESTMENT IN DEBT SECURITIES</b>		
Investment in Commercial Papers	-	49,278,340
	-	49,278,340
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>20. LOANS AND ADVANCES</b>		
Real Estate Loans	6,407,673	6,747,673
Mortgage Loans	281,054,017	320,499,992
Vehicle Loans	2,729,872	8,891,317
Personnel Loans	118,681,734	115,453,333
Loans against Fixed Deposits	113,678,128	92,517,037
Staff Loans	20,075,782	23,047,600
Revolving Loans	141,365,811	112,807,582
Business Loans	71,561,755	-
Other Loans	494,265,499	-
Loans granted to Related Party	-	19,087,954
	1,249,820,271	699,052,488
Less : Allowance for Impairment Losses (Note 20.1)	(61,273,426)	(61,803,888)
<b>Net Loans and Advances</b>	<b>1,188,546,845</b>	<b>637,248,600</b>
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>20.1 Allowance for Impairment Losses</b>		
As at 01 April	61,803,888	63,196,864
Charge / (Reversal) for the year	1,243,861	6,906,233
Amounts written off	(1,774,323)	(8,299,209)
As at 31 March	61,273,426	61,803,888
Individual Impairment	11,119,767	11,631,385
Collective Impairment	50,153,659	50,172,503
	61,273,426	61,803,888
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	59,953,056	70,667,998
	<b>2016 Rs.</b>	<b>2015 Rs.</b>
<b>21. LEASE RENTALS RECEIVABLE &amp; STOCK OUT ON HIRE</b>		
<b>Gross rentals receivables</b>		
- Lease Rentals	4,841,637,384	3,578,983,680
- Amounts Receivable from Hirers	212,885,003	523,580,510
	5,054,522,387	4,102,564,189
Less: Unearned Income	(1,175,976,821)	(1,000,148,863)
<b>Net rentals receivables</b>	<b>3,878,545,566</b>	<b>3,102,415,327</b>
Less : Rental Received In Advance	(20,500)	(124,357)
Less : Suspended VAT	(5,492,338)	(3,393,038)
	3,873,032,728	3,098,897,932
Less : Allowance for Impairment Losses (Note 21.1)	(276,780,949)	(195,612,684)
<b>Total net rentals receivable (Note 21.2, 21.3)</b>	<b>3,596,251,779</b>	<b>2,903,285,248</b>

Lease & hirers receivables include receivables amounting to Rs. 326,560,622.96/- that have been Pledged for facilities obtained from Banks.

As at 01 April	195,612,684	151,926,289
Charge / (Reversal) for the year	145,889,821	44,238,677
Amounts written off	(64,721,556)	(552,282)
As at 31 March	276,780,949	195,612,684

	Within one year	1 - 5 years	Over 5 years	Total
21.2 As at 31 March 2016	Rs.	Rs.	Rs.	Rs.

- Lease Rentals	2,608,328,913	2,233,296,837	11,634	4,841,637,384
- Amounts Receivable from Hirers	165,402,739	47,482,264	-	212,885,003
	2,773,731,652	2,280,779,101	11,634	5,054,522,387
Less: Unearned Income	(767,466,097)	(408,510,589)	(135)	(1,175,976,821)
<b>Net rentals receivables</b>	<b>2,006,265,555</b>	<b>1,872,268,512</b>	<b>11,499</b>	<b>3,878,545,566</b>

21.3 As at 31 March 2015	Within one year Rs.	1 - 5 years Rs.	Over 5 years Rs.	Total Rs.
--------------------------	------------------------	--------------------	---------------------	--------------

- Lease Rentals	1,714,060,734	1,864,855,583	67,363	3,578,983,680
- Amounts Receivable from Hirers	353,080,049	170,500,462	-	523,580,510
	2,067,140,783	2,035,356,044	67,363	4,102,564,190
Less: Unearned Income	(608,135,623)	(392,012,455)	(784)	(1,000,148,862)
<b>Net rentals receivables</b>	<b>1,459,005,160</b>	<b>1,643,343,589</b>	<b>66,579</b>	<b>3,102,415,328</b>

	2016	2015
	Rs.	Rs.

Unquoted Equities *	80,400	80,400
Invesment In Units	-	100,130,255
	80,400	100,210,655

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## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2016 Rs.	2015 Rs.
<b>23. FINANCIAL INVESTMENTS - HELD TO MATURITY</b>		
Government of Sri Lanka Treasury Bonds	21,669,813	21,150,414
	21,669,813	21,150,414
	2016 Rs.	2015 Rs.
<b>24. OTHER FINANCIAL ASSETS</b>		
Other Receivables	207,612,266	131,912,993
Deposit	11,132,799	8,305,173
Due From Related Parties	22,714,432	4,539,139
	241,459,497	144,757,305
Less : Allowance for Impairment Losses (Note 24.1)	(167,657,318)	(102,627,971)
	73,802,179	42,129,334
<b>24.1 Allowance for Impairment Losses</b>		
Balance at the Beginning	102,627,971	38,227,884
Charge / (Reversal) for the year	78,706,435	64,447,644
Amounts written off	(13,677,088)	(47,557)
Balance at the end of the year	167,657,318	102,627,971
Individual Impairment	3,601,478	5,776,472
Collective Impairment	164,055,840	96,851,499
	167,657,318	102,627,971
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	16,487,160	15,681,854
	2016 Rs.	2015 Rs.
<b>25. REAL ESTATE STOCK</b>		
Real Estate Stocks	83,066,481	97,139,978
	83,066,481	97,139,978
	2016 Rs.	2015 Rs.
<b>26. OTHER NON FINANCIAL ASSETS</b>		
Advances	75,030,292	7,581,407
Pre-paid Staff Cost	6,118,365	7,114,184
Other Receivables	212,630	57,780,126
Pre Paid Rent Deposit	6,073,901	3,019,041
Pre-Paid Expenses	10,459,636	6,290,569
	97,894,824	81,785,327
	<b>Computer Software</b>	
	2016 Rs.	2015 Rs.
<b>27. INTANGIBLE ASSETS</b>		
<b>Cost</b>		
Cost as at 01 April	37,522,025	32,014,631
Additions	6,859,530	5,507,394
As at 31 March	44,381,555	37,522,025
<b>Amortisation &amp; Impairment:</b>		
As at 01 April	27,280,942	22,673,909
Amortisation Charge for the year	1,491,717	4,607,033
As at 31 March	28,772,659	27,280,942
<b>Net book value:</b>		
As at 31 March	15,608,896	10,241,083

**Nature and Amortization Method**

Intangible Assets represent acquisition of computer software from third parties. These software are amortized over the estimated useful life of 10 years on a straight line basis.

## NOTES TO THE FINANCIAL STATEMENTS

## 28. PROPERTY, PLANT AND EQUIPMENT

## 28.1 Gross Carrying Amounts

Cost	Balance As at 01.04.2015 Rs.	Additions/ Transfers Rs.	Disposals Rs.	Balance As at 31.03.2016 Rs.
<b>Freehold Assets</b>				
Land	-	28,094,075	-	28,094,075
Furniture & Fittings	27,924,887	20,084,551	-	48,009,438
Office Equipment	12,633,838	2,664,677	(90,901)	15,207,614
Motor Vehicles	3,325,613	-	-	3,325,613
Computer Hardware	22,399,654	9,629,563	(691,234)	31,337,983
<b>Total Value of Depreciable Assets</b>	<b>66,283,992</b>	<b>60,472,866</b>	<b>(782,135)</b>	<b>125,974,723</b>

## 28.2 Depreciation

	Balance As at 01.04.2015 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2016 Rs.
<b>Freehold Assets</b>				
Furniture & Fittings	17,805,100	4,866,349	-	22,671,449
Office Equipment	6,087,255	1,715,985	(38,822)	7,764,418
Motor Vehicles	3,187,045	138,568	-	3,325,613
Computer Hardware	12,397,220	4,695,992	(691,234)	16,401,978
	<b>39,476,620</b>	<b>11,416,894</b>	<b>(730,056)</b>	<b>50,163,458</b>

## 28.3 Net Book Values

## At Cost

	2016 Rs.	2015 Rs.
Land	28,094,075	-
Furniture & Fittings	25,337,989	10,119,788
Office Equipment	7,443,196	6,546,583
Motor Vehicles	-	138,568
Computer Hardware	14,936,005	10,002,434
<b>Total Carrying Amount of Property, Plant &amp; Equipment</b>	<b>75,811,265</b>	<b>26,807,373</b>

## 28.4 The useful lives of the assets are estimated as follows;

	2016	2015
Furniture & Fittings	3 - 8 Years	3 - 8 Years
Office Equipment	8 Years	8 Years
Motor Vehicles	8 Years	8 Years
Computer Equipment	4 years	4 years

## 28.5 Details of Free Hold Land as at 31 March 2016

Location	Land Extent	Cost Rs.	Valuation Rs.
Awissawella Road, Galwana- Mulleriyawa	81p	28,094,075	35,000,000

Valuation of freehold land of the Company was carried out as at 31st March 2016 by R T K Sirisena, AIV (Sri Lanka) using Market Comparable Method.

Fair valuation of Freehold land of the Company is considered under Level 3 of fair value hierarchy.

**28.6** During the Financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 32,378,791/- (2015- Rs16,726,387/-) and transferred land amounting to Rs. 28,094,075/- from Real Estate Stock to Property, Plant and Equipment.

## NOTES TO THE FINANCIAL STATEMENTS

## 29. DEFERRED TAXATION

Deferred Tax Assets, Liabilities and Income Tax relates to the followings

	Statement of Financial Position		Recognized in Statement of Other Comprehensive Income		Recognized in Statement of Profit or Loss	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Deferred Tax Liability</b>						
Capital Allowances for Tax Purposes						
-Property Plant & Equipment	5,407,824	3,432,918	-	-	1,974,906	(99,748)
-Leased Asset	-	21,627,422	-	-	(21,627,422)	(4,929,683)
Define Benefit Plan- Other Comprehensive Income	-	-	-	-	-	-
	5,407,824	25,060,340	-	-	(19,652,516)	(5,029,431)
<b>Deferred Tax Assets</b>						
Capital Allowances for Tax Purposes						
-Leased Asset	(31,099,822)	-	-	-	(31,099,822)	-
Defined Benefit Plans- Income Statement	(3,839,603)	(2,840,887)	-	-	(998,716)	(691,742)
Define Benefit Plan- Other Comprehensive Income	(430,211)	(298,193)	(132,018)	(372,030)	-	-
Provision for Impairment on Financial Assets	(31,457,724)	(40,367,410)	-	-	8,909,686	(16,080,677)
Brought Forward Tax Losses	-	-	-	-	-	3,883,158
	(66,827,360)	(43,506,490)	(132,018)	(372,030)	(23,188,852)	(12,889,261)
<b>Deferred income tax charge/(reversal)</b>			(132,018)	(372,030)	(42,841,368)	(17,918,692)
<b>Net Deferred Tax Liability/ (Asset)</b>	<b>(61,419,536)</b>	<b>(18,446,150)</b>				

## 30. DUE TO BANKS

	2016 Rs.	2015 Rs.
Bank Overdrafts	21,753,939	33,957,227
Securitised Borrowings and Other Bank Facilities (Note 30.2 (a), 30.2 (b))	25,250,153	121,893,315
<b>Total</b>	<b>47,004,092</b>	<b>155,850,542</b>

## NOTES TO THE FINANCIAL STATEMENTS

## Year ended 31 March

## 30. DUE TO BANKS (Contd...)

30.1 Due to Banks	2016				2015			
	Amount repayable within 1 year		Amount repayable after 1 year		Total		Amount repayable within 1 year	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitized Borrowings and Other Bank Facilities	25,250,153	-	25,250,153	-	25,250,153	98,363,316	23,529,999	121,893,315
	25,250,153	-	25,250,153	-	25,250,153	98,363,316	23,529,999	121,893,315

## 30.2 (a) Securitized Borrowings, Syndicated Loans and Other Bank Facilities

Direct Bank Borrowings	As at 01.04.2015 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Interest Rs.	As at	Period	Security
						31.03.2016		
						Rs.		
Term Loans								
Term Loan Bank of Ceylon	18,875,594	-	1,112,110	18,333,044	1,162,457	492,203	48 Months	Lease & Hire
Term Loan Union Bank of Colombo PLC	70,219,721	-	5,037,241	54,461,771	5,037,241	15,757,950	48 Months	Purchase
Term Loan Sampath Bank PLC	32,798,000	-	2,046,839	23,798,000	2,046,839	9,000,000	50 Months	Portfolio
	121,893,315	-	8,196,190	96,592,815	8,246,537	25,250,153		

## 30.2 (b) Securitized Borrowings, Syndicated Loans and Other Bank Facilities

Direct Bank Borrowings	As at 01.04.2014 Rs.	Loans Obtained Rs.	Interest Recognized Rs.	Repayments Capital Rs.	Interest Rs.	As at		Period	Security
						31.03.2015			
						Rs.			
Term Loans									
Term Loan Bank of Ceylon	40,714,385	-	3,578,156	21,703,944	3,713,003	18,875,594	48 Months	Lease & Hire	
Term Loan Union Bank of Colombo PLC	119,136,652	-	11,046,689	48,916,931	11,046,689	70,219,721	48 Months	Purchase	
Term Loan Sampath Bank PLC	64,982,000	-	5,856,940	32,184,000	5,856,940	32,798,000	50 Months	Portfolio	
	224,833,036	-	20,481,786	102,804,875	20,616,633	121,893,314			

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March	2016 Rs.	2015 Rs.
<b>31. DUE TO CUSTOMERS</b>		
Fixed Deposits	4,505,511,938	3,574,709,546
Savings Deposits	33,850,283	17,251,459
	4,539,362,221	3,591,961,005

	2016 Rs.	2015 Rs.
<b>32. DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS</b>		
Commercial Papers	31,110,631	-
	31,110,631	-

	2016 Rs.	2015 Rs.
<b>33. OTHER FINANCIAL LIABILITIES</b>		
Trade Payables - Related Parties (33.1)	136,038,658	314,317,793
Non Trade Payables - Related Parties (33.2)	407,755	-
Trade Payables - Other Parties	485,136,258	2,129,407
Accrued Expenses	215,442,840	145,169,657
	837,025,511	461,616,857

33.1 Trade Payables to Related Parties	Relationship		
Abans PLC	Ultimate Parent Company	2,121,183	536,045
Abans Auto (Pvt)Ltd	Affiliate Company	133,917,475	313,781,748
		136,038,658	314,317,793

33.2 Non Trade Payables to Related Parties	Relationship		
Abans Retail (Pvt) Ltd	Affiliate Company	407,755	-
		407,755	-

	2016 Rs.	2015 Rs.
<b>34. OTHER NON FINANCIAL LIABILITIES</b>		
VAT on Financial Services	1,939,314	1,080,364
VAT Payable	4,604,804	-
Others	1,542,403	778,854
	8,086,521	1,859,218

	2016 Rs.	2015 Rs.
<b>35. RETIREMENT BENEFIT OBLIGATIONS</b>		
<b>Retirement Benefit Obligations - Gratuity</b>		
Balance at the beginning of the year	11,474,701	7,411,816
Current Service Cost	2,833,113	2,136,145
Payments made during the year	(485,813)	(69,000)
Interest Charged/(Reversed) for the year	955,843	667,063
(Gain)/loss arising from changes in the assumption	471,494	1,328,677
Balance at the end of the year	15,249,338	11,474,701

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March

2016  
Rs.2015  
Rs.**35. RETIREMENT BENEFIT OBLIGATIONS (Contd...)****35.1 Expenses on Defined Benefit Plan**

Current Service Cost for the year	2,833,113	2,136,145
Interest Charge for the year	955,843	667,063
	3,788,956	2,803,208

**Amount Recognized in the Other Comprehensive Income**

(Gain)/Loss arising from changes in the assumption (Note 35.2)	471,493	1,328,677
	471,493	1,328,677

**35.2 (Gain) / Loss arising from the changes in the assumption**

Due to change in Demographic Assumptions	46,728	(256,602)
Due to change in Financial Assumptions	(808,811)	(229,058)
Experience Adjustment	1,233,576	1,814,337
	471,493	1,328,677

**35.3** Actuarial valuation of Retiring Gratuity Obligation as at 31st March 2016 was carried out by Messrs. Actuarial and Management Consultants (Pvt) Ltd, a firm of professional actuaries using "Project Unit Credit Method" as recommended by LKAS 19-'Employee Benefits'.

**35.4 Assumptions**

	2016	2015
Discount Rate	11.23%	8.33%
Salary Increment Rate	10.80%	9.44%
Staff Turnover	19.00%	20.00%
Retirement Age	60 Years	60 Years

Assumptions regarding future mortality are based on 67/70 Mortality Table and issued by the Institute of Actuaries, London.

**35.5 Sensitivity of Assumptions in Actuarial Valuation of Retiring Gratuity Obligation**

The following table demonstrates the sensitivity to a possible change in key assumptions employed with all other variables held constant in the Retiring Gratuity Obligations measurement as at 31 March 2016. The sensitivity of the Statement of Financial Position and Statement of Comprehensive Income is the effect of the assumed changes in the discount rate and salary increment on the profit or loss and Retiring Gratuity obligation for the year.

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Statement of Comprehensive Income	Sensitivity Effect on Defined Benefit Obligation
1%	-	639,884	(639,884)
-1%	-	(704,826)	704,826
-	1%	(769,442)	769,442
-	-1%	710,493	(710,493)

**35.6 Maturity Profile of the Defined Benefit Obligation Plan**

Maturity Profile of the Defined Benefit Obligation Plan as at the reporting date is given below;

	2016 Years	2015 Years
Weighted Average Duration of the Defined Benefit Obligation	4.87	4.24
Average Time to Benefit Payout	4.75	4.03

## NOTES TO THE FINANCIAL STATEMENTS

## 35. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

## 35.7 Distribution of Defined Benefit Obligation Over Future Lifetime

The following table demonstrates distribution of the future working lifetime of the Defined Benefit Obligation as at the reporting period.

	2016	2015
	Rs.	Rs.
Less than 1 year	3,376,487	91,472
Between 1-5 years	6,258,497	9,924,205
Between 5-10 years	3,433,626	1,459,024
Over 10 years	2,180,728	-
	15,249,338	11,474,701

## 36. STATED CAPITAL

	2016		2015	
36.1 Issued and Fully Paid-Ordinary shares	No. of Shares	Rs.	No. of Shares	Rs.
At the beginning of the year	37,000,000	382,373,630	37,000,000	382,373,630
At the end of the year	37,000,000	382,373,630	37,000,000	382,373,630

## 36.2 Rights of Shareholders

The holders of ordinary shares confer their right to receive dividends as declared from time to time and are entitled to one vote per share at the meeting. All shares rank equally with regard to the Company's residual assets.

## 37. RETAINED EARNINGS AND OTHER RESERVES

	2016	2015
	Rs.	Rs.
<b>37.1 RETAINED EARNINGS</b>		
As at 01 April	97,837,286	22,099,123
Profit /(Loss) for the Year	90,124,664	72,801,568
Other Comprehensive Income net of tax	(339,475)	(956,647)
Transfers to/(from) Investment Fund Account	-	18,454,242
Transfers to Statutory Reserve Fund	(18,025,000)	(14,561,000)
As at 31 March	169,597,476	97,837,286

Retained Earnings represents the undistributed earnings held by the Company to be used in the Company's operations. This could be used to absorb future possible losses or dividends payable.

## 37.2 OTHER RESERVES

	Statutory Reserve	Reserve on Available for Sale Financial Instruments	Total
	Rs.	Rs.	Rs.
As at 01 April 2015	44,529,000	130,255	44,659,255
Transfers to/(from) during the year	18,025,000	(130,255)	17,894,745
As at 31 March 2016	62,554,000	-	62,554,000

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 38. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

## 38.1 As at 31 March 2016

	HFT at Fair Value	HTM at Amortised Cost	L&R at Amortised Cost	AFS at Fair Value	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash and Bank Balances	-	-	73,385,295	-	73,385,295
Placement With Banks	-	-	224,098,165	-	224,098,165
Repurchase Agreements	-	-	630,158,527	-	630,158,527
Financial Investments - Held for Trading	6,915,241	-	-	-	6,915,241
Financial Investments - Debt Securities	-	-	-	-	-
Loans and Advances	-	-	1,188,546,845	-	1,188,546,845
Lease rentals receivable & Stock out on Hire	-	-	3,596,251,779	-	3,596,251,779
Financial Investments - Available for Sale	-	-	-	80,400	80,400
Financial Investments - Held to Maturity	-	21,669,813	-	-	21,669,813
Other financial assets	-	-	73,802,179	-	73,802,179
<b>Total Financial Assets</b>	<b>6,915,241</b>	<b>21,669,813</b>	<b>5,786,242,790</b>	<b>80,400</b>	<b>5,814,908,244</b>
	<b>OFL at Amortized Cost</b>				<b>Total</b>
	<b>Rs.</b>				<b>Rs.</b>
<b>Liabilities</b>					
Due to Banks	47,004,092				47,004,092
Due to Customers	4,539,362,221				4,539,362,221
Debt Instruments Issued and Other borrowed funds	31,110,631				31,110,631
Other Financial Liabilities	837,025,511				837,025,511
<b>Total Financial Liabilities</b>	<b>5,454,502,455</b>				<b>5,454,502,455</b>

## 38.2 As at 31 March 2015

	HFT at Fair Value	HTM at Amortised Cost	L&R at Amortised Cost	AFS at Fair Value	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Assets</b>					
Cash and Bank Balances	-	-	68,497,383	-	68,497,383
Placement With Banks	-	-	283,645,333	-	283,645,333
Repurchase Agreements	-	-	426,888,521	-	426,888,521
Financial Investments - Held for Trading	7,370,358	-	-	-	7,370,358
Financial Investments - Debt Securities	-	-	49,278,340	-	49,278,340
Loans and Advances	-	-	637,248,600	-	637,248,600
Lease rentals receivable & Stock out on Hire	-	-	2,903,285,248	-	2,903,285,248
Financial Investments - Available for Sale	-	-	-	100,210,655	100,210,655
Financial Investments - Held to Maturity	-	21,150,414	-	-	21,150,414
Other financial assets	-	-	42,129,334	-	42,129,334
<b>Total Financial Assets</b>	<b>7,370,358</b>	<b>21,150,414</b>	<b>4,410,972,759</b>	<b>100,210,655</b>	<b>4,539,704,186</b>
	<b>OFL at Amortized Cost</b>				<b>Total</b>
	<b>Rs.</b>				<b>Rs.</b>
<b>Liabilities</b>					
Due to Banks	155,850,542				155,850,542
Due to Customers	3,591,961,005				3,591,961,005
Other Financial Liabilities	461,616,857				461,616,857
<b>Total Financial Liabilities</b>	<b>4,209,428,404</b>				<b>4,209,428,404</b>

HFT - Held for Trading  
 HTM - Held-to-Maturity  
 L & R - Loans and Receivables  
 AFS - Available for Sale  
 OFL - Other Financial Liabilities

## NOTES TO THE FINANCIAL STATEMENTS

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS

#### Financial Instruments Recorded at Fair Value

The following is a description of how fair values are determined for financial instruments that are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the financial instruments.

#### 39.1 Determination of Fair Value and Fair Value Hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by Valuation techniques.

**Level 1** :Quoted (unadjusted) prices in active markets for identical assets or liabilities in the active Market.

**Level 2**: Valuation technique using observable inputs: Quoted prices for similar assets and liabilities in active markets or quoted prices for identical or similar assets and liabilities in active markets and are valued using models where all significant inputs are observable.

**Level 3**: Valuation techniques with significant unobservable inputs: assets and liabilities valued using valuation techniques where one or more significant inputs are unobservable.

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

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy in to which the fair value measurement is categorized.

As at 31 March 2016	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial Assets</b>				
<b>Financial Investments - Held for Trading</b>				
Quoted equities	6,915,241	-	-	6,915,241
<b>Financial Investments - Available for Sale</b>				
Unquoted equities	-	-	80,400	80,400
<b>Total Financial Assets</b>	6,915,241	-	80,400	6,995,641

As at 31 March 2015	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial Assets</b>				
<b>Financial Investments - Held for Trading</b>				
Quoted equities	7,370,358	-	-	7,370,358
<b>Financial Investments - Available for Sale</b>				
Investment in Units	-	100,130,255	-	100,130,255
Unquoted equities	-	-	80,400	80,400
<b>Total Financial Assets</b>	7,370,358	100,130,255	80,400	107,581,013

There were no financial liabilities recorded at fair value as at 31 March 2015 & 2016.

There were no transfers between Level 1 and Level 2 during 2015 & 2016.

Fair values of the Investments in Unit Trusts are ascertained using the unit prices of each Trust Funds. These investments are carried in the statement of financial position at fair value with changes in fair value recognised in the Reserve on Available for sale financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

### 39. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

#### 39.2 Fair Value of Financial Assets and Liabilities Not Carried at Fair Value

Set out below is the comparison, by class, of the carrying amounts of fair values of the company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities.

	2016				2015			
	Carrying Amount		Fair Value		Carrying Amount		Fair Value	
	Rs.	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Total Rs.	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.
<b>Financial Assets</b>								
Financial Investments - Debt Securities	-	-	-	-	-	-	49,278,340	-
Loans and Advances	1,188,546,845	-	1,180,640,911	-	1,180,640,911	-	620,430,155	-
Lease rentals receivable & Stock out on Hire	3,596,251,779	-	3,633,442,953	-	3,633,442,953	-	2,903,285,248	-
Financial Investments - Held to Maturity	21,669,813	-	21,230,364	-	21,230,364	-	23,475,497	-
	4,806,468,437	-	4,835,314,228	-	4,835,314,228	23,475,497	3,874,939,077	-
<b>Financial Liabilities</b>								
Due to Customers	4,539,362,221	-	4,544,278,859	-	4,544,278,859	-	3,597,967,197	-
Debt Instruments Issued and Other borrowed funds	31,110,631	-	31,110,631	-	31,110,631	-	-	-
	4,570,472,852	-	4,575,389,490	-	4,575,389,490	-	3,597,967,197	-

The following describes the methodologies and assumptions used to determine the fair values for those financial assets & Liabilities which are not already recorded at fair value in the Financial Statements.

#### Fixed Rate Financial Instruments

Carrying amounts are considered as fair values for short term credit facilities. All credit facilities with fixed interest rates were fair valued using market rates at which fresh credit facilities were granted during the last month of the reporting year. Conversely, fixed deposits with remaining tenors above one year and interest paid at maturity were discounted using current market rates offered to customers during the last month of the reporting year.

#### Assets & Liabilities for which Fair Value Approximates Carrying Value

The Following is a list of financial investments whose carrying amount is a reasonable approximation of fair value. Because for example, they are short-term in nature or reprice to current market rates Frequently:

#### Assets

Cash and Bank Balances  
Placement With Banks  
Repurchase Agreements  
Other Financial assets

#### Liabilities

Due to Banks  
Due to Customers Savings  
Debt Instruments Issued and Other borrowed funds  
Other Financial Liabilities

#### Reclassification of financial assets

There have been no reclassifications during 2015 & 2016.

## NOTES TO THE FINANCIAL STATEMENTS

### 40. RISK MANAGEMENT DISCLOSURES

#### 40.1 Introduction

Risk is inherent in a financial business and such risks are managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities.

The Company is exposed to credit risk, interest rate risk, liquidity risk, operational risk, the latter being subdivided into regulatory compliance risk, reputation risk and environmental risk. The independent risk control process does not include business risks such as changes in the environment, technology and industry. The Company's policy is to monitor those business risks through the Company's strategic planning process.

#### 40.2 'Risk Management Structure

The Board is primarily responsible for risk management initiatives. Integrated Risk Management Committee (IRMC), which is a sub-committee of the Board has been established and delegated risk management responsibilities. This Committee plays a vital role in establishing best practices in relation to risk policies and practices within the company.

The quantum and level of risks that the Company is willing to accept is decided at the IRMC level, and the decisions made by this Committee are communicated to the Board of Directors. The Board ratifies the risk policies and risk tolerance levels agreed at the Integrated Risk Management Committee meetings.

The Committee fulfils the requirement set out in the Finance Companies Direction No. 3 of 2008 on Corporate Governance issued by Central Bank of Sri Lanka (CBSL) under Finance Business Act No. 42 of 2011.

The Committee currently consists of 2 Directors; Managing Director and one Non Executive Director. General Manager, Head of Finance / Assistant Accountant, Head of Credit, Head of Recoveries, Head of Branches, Manager - Risk & Compliance, Manager - IT and Manager - Corporate Affairs were also co-opted to the Committee.

IRMC is supported by two sub committees such as Assets and Liabilities Committee (ALCO) and Credit Committee (CC). ALCO is entrusted with the identification and managing of Market Risk and Liquidity Risk where as CC is responsible for managing Assets Quality and credit policy of the Company. The Company's policy is to ensure that risk management processes throughout the Company are audited by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit division discusses the results of all assessments with management, and reports its findings and recommendations to the Board Audit Committee.

#### 40.3 Risk measurement & Reporting System and Risk Mitigation

The positioning map of each risk component is placed within the risk grid. Tolerance levels are set by using sustainable measurements and these are discussed at risk management meetings. The risk console indicates the severity of each component of risk.

#### 40.4 Credit Risk

Credit risk refers to the risk that borrowers will default on any type of debt by failing to disruption to cash flows, and increased collection costs. The loss may be complete or partial and can arise in a number of circumstances to make payments they are obligated to do. The risk of loss of principal or loss of a financial reward stems from a borrower's failure to repay a loan or otherwise meet a contractual obligation. The risk is primarily that of the lender and includes lost principal and interest.

Credit risk is closely tied to the potential return, the most notable being that the yields on portfolios correlate strongly to their perceived credit risk. The strategy of Company is not to eliminate risk, but to maintain the same within pre-determined acceptance levels. The Company manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

##### 40.4.1 Impairment Assessment

For accounting purposes, the Company uses an incurred loss model for the recognition of losses on impaired financial assets. This means that losses can only be recognised when objective evidence of a specific loss event has been observed. Triggering events include the following:

Significant financial difficulty of the customer

- A breach of contract such as a default of payment
- Where the Company grants the customer a concession due to the customer experiencing financial difficulty
- It becomes probable that the customer will enter bankruptcy or encounter other financial difficulties
- Observable data that suggests that there is a decrease in the estimated future cash flows from the loans

## NOTES TO THE FINANCIAL STATEMENTS

## 40. RISK MANAGEMENT DISCLOSURES (Contd...)

## 40.4 Credit Risk (Contd...)

## 40.4.1 Impairment Assessment (Contd...)

**Individually Assessed Allowances**

The Company determines the allowances appropriate for each individually significant Loans and Receivables on an individual basis, including any overdue payments of interests, credit rating down grades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected payout should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

**Collectively Assessed Allowances**

Allowances are assessed collectively for losses on loans that are not individually significant and for individually significant loans and advances that have been assessed individually and found not to be impaired. Allowances are evaluated separately at each reporting date with each portfolio.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments.

The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilization, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and local or industry-specific problems).

## NOTES TO THE FINANCIAL STATEMENTS

40. RISK MANAGEMENT DISCLOSURES (Contd...)  
 40.4 CREDIT RISK (Contd...)  
 40.4.2 Maximum Exposure to Credit Risk

The following table shows the maximum exposure to credit risk by class of financial asset and the value of financial assets covered by the collateral.

Type of Collateral As at 31 March 2016	Maximum Exposure to Credit Risk	Fair Value of Collateral Held			Total Collateral Value	Net Exposure to Credit Risk
		Cash / Near Cash	Property Mortgages	Moveable Assets *		
Cash and Bank Balances (Excluding cash in hand)	67,548,678	-	-	-	-	67,548,678
Placement With Banks	224,098,165	-	-	-	-	224,098,165
Repurchase Agreements	630,158,527	-	-	-	-	630,158,527
Financial Investments - Debt Securities	-	-	-	-	-	-
Loans and Advances	1,249,820,271	113,495,177	392,191,087	494,223,479	1,005,482,402	244,337,869
Lease rentals receivable & Stock out on hire	3,873,032,728	-	-	3,769,396,511	3,769,396,511	103,636,217
Financial Investments - Available for Sale	80,400	-	-	-	-	80,400
Financial Investments - Held to Maturity	21,669,813	-	-	-	-	21,669,813
Other Financial assets	73,802,179	-	-	-	-	73,802,179
	6,147,126,001	113,495,177	392,191,087	4,263,619,990	4,774,878,914	1,372,247,089

Type of Collateral As at 31 March 2015	Maximum Exposure to Credit Risk	Fair Value of Collateral Held			Total Collateral Value	Net Exposure to Credit Risk
		Cash / Near Cash	Property Mortgages	Moveable Assets *		
Cash and Bank Balances (Excluding cash in hand)	62,817,495	-	-	-	-	62,817,495
Placement With Banks	283,645,333	-	-	-	-	283,645,333
Repurchase Agreements	426,888,521	-	-	-	-	426,888,521
Financial Investments - Held for Trading	7,370,358	-	-	-	-	7,370,358
Financial Investments - Debt Securities	49,278,340	-	-	-	-	49,278,340
Loans and Advances	699,052,488	90,783,564	355,798,453	8,891,317	480,473,948	218,578,540
Lease rentals receivable & Stock out on Hire	3,098,897,932	-	-	2,599,270,627	2,599,270,627	499,627,304
Financial Investments - Available for Sale	100,210,655	-	-	-	-	100,210,655
Financial Investments - Held to Maturity	21,150,414	-	-	-	-	21,150,414
Other Financial assets	42,129,334	-	-	-	-	42,129,334
	4,791,440,870	90,783,564	355,798,453	2,608,161,944	3,079,744,575	1,711,696,295

\* Moveable assets includes absolute ownership/ mortgage over motor vehicles and Machineries & Equipments.

\*\* Other collateral includes secured by consumer durables & title deed transfers (Real Estate Loans).

## NOTES TO THE FINANCIAL STATEMENTS

## 40. RISK MANAGEMENT DISCLOSURES (Contd...)

## 40.4 CREDIT RISK (Contd...)

## 40.4.3 Credit Quality by Class of Financial Assets

The amounts presented are gross of Impairment allowances.

As at 31 March 2016	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total
<b>Assets</b>				
Cash and Bank Balances	73,385,295	-	-	73,385,295
Placement With Banks	224,098,165	-	-	224,098,165
Repurchase Agreements	630,158,527	-	-	630,158,527
Financial Investments - Held for Trading	6,915,241	-	-	6,915,241
Loans and Advances	837,869,287	351,997,927	59,953,056	1,249,820,271
Lease rentals receivable & Stock out on Hire	1,690,466,460	2,085,470,606	97,095,662	3,873,032,728
Financial Investments - Available for Sale	80,400	-	-	80,400
Financial Investments - Held to Maturity	21,669,813	-	-	21,669,813
Other financial assets	73,802,179	-	-	73,802,179
<b>Total</b>	<b>3,558,445,368</b>	<b>2,437,468,534</b>	<b>157,048,718</b>	<b>6,152,962,619</b>

As at 31 March 2015	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total
<b>Assets</b>				
Cash and Bank Balances	68,497,383	-	-	68,497,383
Placement With Banks	283,645,333	-	-	283,645,333
Repurchase Agreements	426,888,521	-	-	426,888,521
Financial Investments - Held for Trading	7,370,358	-	-	7,370,358
Financial Investments - Debt Securities	49,278,340	-	-	49,278,340
Loans and Advances	250,163,682	378,220,808	70,667,998	699,052,488
Lease rentals receivable & Stock out on Hire	1,444,920,109	1,538,905,922	115,071,901	3,098,897,932
Financial Investments - Available for Sale	100,210,655	-	-	100,210,655
Financial Investments - Held to Maturity	21,150,414	-	-	21,150,414
Other financial assets	42,129,334	-	-	42,129,334
<b>Total</b>	<b>2,694,254,129</b>	<b>1,917,126,731</b>	<b>185,739,899</b>	<b>4,797,120,759</b>

40.4.3.1 Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of financial assets as at the end of the relevant financial period.

As at 31 March 2016	Past Due but Not Individually Impaired				Total
	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and Advances	79,249,900	42,420,869	34,453,902	195,873,256	351,997,927
Lease rentals receivable & Stock out on hire	641,358,019	429,639,453	280,381,664	734,091,470	2,085,470,606
	720,607,920	472,060,322	314,835,566	929,964,727	2,437,468,534

Aging Analysis of past due(i.e. facilities in arrears of 1 day and above) but not individually impaired loans by class of financial assets as at the previous financial period.

As at 31 March 2015	Past Due but Not Individually Impaired				Total
	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	
Loans and Advances	57,531,462	33,874,883	28,702,303	258,112,161	378,220,808
Lease rentals receivable & Stock out on hire	476,853,868	337,375,253	227,190,562	497,486,239	1,538,905,922
	534,385,330	371,250,136	255,892,865	755,598,400	1,917,126,731

## NOTES TO THE FINANCIAL STATEMENTS

40. RISK MANAGEMENT DISCLOSURES (Contd....)  
40.4 CREDIT RISK (Contd.)

40.4.4 Analysis of Risk Concentration

The following table shows the risk concentration by sector for the Financial Assets components of the Statement of Financial Position.

As at 31 March 2016

Purpose wise Breakdown	Cash and Bank Balances	Placement With Banks	Securities Purchased under Repurchase Agreement	Financial Investments - Held for Trading	Investment in Debt Securities	Loans and Advances	Lease rentals receivable & Stock out on hire	Financial Investments - Available for Sale	Financial Investments - Held to Maturity	Other financial assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	-	-	-	13,273,913	18,538,216	-	-	-	31,812,129
Manufacturing	-	-	-	957,763	-	35,317,769	35,321,051	-	-	-	71,596,582
Construction	-	-	-	-	-	101,102,969	70,618,119	-	-	-	171,721,088
Financial Services	73,385,295	224,098,165	-	2,846,073	-	24,712,288	3,421,962	80,400	-	-	328,544,183
Trading	-	-	-	41,500	-	132,929,187	20,280,786	-	-	-	153,251,473
Government	-	-	630,158,527	-	-	-	-	-	21,669,813	-	651,828,340
Hotels	-	-	-	634,160	-	5,418,784	2,885,057	-	-	-	8,938,002
Services	-	-	-	1,195,152	-	441,046,205	3,546,157,299	-	-	-	3,988,398,656
Others	-	-	-	1,240,593	-	496,019,155	175,810,238	-	-	73,802,179	746,872,166
<b>Total</b>	<b>73,385,295</b>	<b>224,098,165</b>	<b>630,158,527</b>	<b>6,915,241</b>	<b>-</b>	<b>1,249,820,271</b>	<b>3,873,032,728</b>	<b>80,400</b>	<b>21,669,813</b>	<b>73,802,179</b>	<b>6,152,962,619</b>

As at 31 March 2015

Purpose wise Breakdown	Cash and Bank Balances	Placement With Banks	Securities Purchased under Repurchase Agreement	Financial Investments - Held for Trading	Investment in Debt Securities	Loans and Advances	Lease rentals receivable & Stock out on hire	Financial Investments - Available for Sale	Financial Investments - Held to Maturity	Other financial assets	Total Financial Assets
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	-	-	-	10,913,157	30,451,371	-	-	-	41,364,529
Manufacturing	-	-	-	1,216,788	-	57,430,775	45,428,550	-	-	-	104,076,112
Construction	-	-	-	-	-	102,585,413	72,653,514	-	-	-	175,238,927
Financial Services	68,497,383	283,645,333	-	3,175,506	-	41,883,957	596,966	100,210,655	-	-	498,009,801
Trading	-	-	-	44,000	49,278,340	166,414,001	39,121,360	-	-	-	254,857,701
Government	-	-	426,888,521	-	-	-	-	-	21,150,414	-	448,038,936
Hotels	-	-	-	626,530	-	9,078,328	2,105,807	-	-	-	11,810,665
Services	-	-	-	920,845	-	217,635,191	2,901,557,901	-	-	-	3,120,113,936
Others	-	-	-	1,386,689	-	93,111,666	6,982,464	-	-	42,129,334	143,610,153
<b>Total</b>	<b>68,497,383</b>	<b>283,645,333</b>	<b>426,888,521</b>	<b>7,370,358</b>	<b>49,278,340</b>	<b>699,052,488</b>	<b>3,098,897,932</b>	<b>100,210,655</b>	<b>21,150,414</b>	<b>42,129,334</b>	<b>4,797,120,759</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 40. RISK MANAGEMENT DISCLOSURES (Contd...)

## 40.5 INTEREST RATE RISK

Interest rate risk is a key constitute of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows and / or the fair values of financial instruments. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

Excessive movements in market interest rate could result in severe volatility to company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- \* Reprising risk arising from a fixed rate borrowing portfolio where reprising frequency is different to that of the lending portfolio.
- \* Yield curve risk arising from unanticipated shifts of the market yield curve.

Assets and Liabilities Committee of the company is having the primary responsibility of managing the Interest Rate Risk. Interest rate risk is managed principally through minimizing interest rate sensitive asset liability gaps. In order to ensure interest rate margin and spreads are maintained, the Company conducts periodic reviews and re-prices its assets accordingly.

## 40.5.1 Interest Rate Sensitivity

- 40.5.1.1** The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's Profit or Loss and Equity.

Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Rs. Million
			Sensitivity of Equity
	2016	2016	2016
Long Term Loans linked to AWPLR -LKR	+100/ (-100)	(0.75) / 0.75	(0.06) / 0.06
	2015	2015	2015
	+100/ (-100)	(2.10) / 2.10	(0.85) / 0.85

The base ratio considered in the Interest Rate Sensitivity Analysis is the AWPLR. Since 60% of total borrowings (excluding Due to Customers) are linked to AWPLR, the above sensitivity ratio indicates the impact on Profit or Loss and Equity.

## NOTES TO THE FINANCIAL STATEMENTS

**40. RISK MANAGEMENT DISCLOSURES (Contd...)**  
**40.5 INTEREST RATE RISK (Contd...)**

**40.5.2 Interest Rate Risk**

The table below analyses the company's interest rate risk exposure on non-trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount caterorized by the earlier of contractual reprising or maturity dates as at the end of the relevant financial period.

	Up to 03 Months		03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Non interest bearing		Total as at 31 March 2016	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>														
Cash and Bank Balances	11,637,390	-	-	-	-	-	-	-	-	-	61,747,905	-	73,385,295	-
Placement with Banks	224,049,147	49,017	-	-	-	-	-	-	-	-	-	-	224,098,164	-
Securities Purchased under Repurchase Agreement	630,158,527	-	-	-	-	-	-	-	-	-	-	-	630,158,527	-
Loans and Advances	305,347,276	205,989,315	594,700,594	77,710,965	4,798,695	-	-	-	-	-	-	-	1,188,546,845	-
Lease rentals receivable & Stock out on Hire	656,315,030	1,122,194,929	1,794,058,182	23,672,139	11,499	-	-	-	-	-	-	-	3,596,251,779	-
Financial Investments - Available for Sale	-	-	-	-	-	-	-	-	-	-	80,400	-	80,400	-
Financial Investments - Held to Maturity	77,158	447,515	3,088,000	5,868,958	12,188,182	-	-	-	-	-	-	-	21,669,813	-
Other financial assets	-	-	-	-	-	-	-	-	-	-	73,802,179	-	73,802,179	-
<b>TOTAL ASSETS</b>	<b>1,827,584,530</b>	<b>1,328,680,776</b>	<b>2,391,846,776</b>	<b>107,252,062</b>	<b>16,998,376</b>	<b>135,630,484</b>	<b>5,807,993,003</b>							
<b>LIABILITIES</b>														
Due to Banks	47,004,092	-	-	-	-	-	-	-	-	-	-	-	47,004,092	-
Due to Customers	1,149,094,232	1,692,409,186	1,571,289,040	126,569,763	-	-	-	-	-	-	-	-	4,539,362,221	-
Debt Instruments Issued and Other borrowed funds	31,110,631	-	-	-	-	-	-	-	-	-	-	-	31,110,631	-
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	837,025,511	-	837,025,511	-
<b>TOTAL LIABILITIES</b>	<b>1,227,208,955</b>	<b>1,692,409,186</b>	<b>1,571,289,040</b>	<b>126,569,763</b>	<b>-</b>	<b>837,025,511</b>	<b>5,454,502,455</b>							
<b>TOTAL INTEREST SENSITIVITY GAP</b>	<b>600,375,575</b>	<b>(363,728,410)</b>	<b>820,557,736</b>	<b>(19,317,701)</b>	<b>16,998,376</b>	<b>(701,395,027)</b>	<b>353,490,549</b>							

## NOTES TO THE FINANCIAL STATEMENTS

## 40. RISK MANAGEMENT DISCLOSURES (Contd...)

## 40.5 INTEREST RATE RISK (Contd...)

## 40.5.2.1 Interest Rate Risk

## Interest Rate Risk Exposure on Non Trading Financial Assets &amp; Liabilities

The table below analyses the company's interest rate risk exposure on non- trading financial assets & liabilities. The company's assets & liabilities are included at carrying amount caterorized by the earlier of contractual reprising or maturity dates as at the end of the previous financial period.

	Up to 03 Months		03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Non interest bearing		Total as at 31 March 2015	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>														
Cash and Bank Balances	11,637,390	-	-	-	-	-	-	-	-	-	56,859,993	-	68,497,383	
Placements with Banks	283,599,123	46,210	-	-	-	-	-	-	-	-	-	-	283,645,333	
Securities Purchased under Repurchase Agreement	426,888,521	-	-	-	-	-	-	-	-	-	-	-	426,888,521	
Investment in Debt Securities	49,278,340	-	-	-	-	-	-	-	-	-	-	-	49,278,340	
Loans and Advances	258,722,876	92,803,160	256,185,527	23,335,377	6,201,660	-	-	-	-	-	-	-	637,248,600	
Lease rentals receivable & Stock out on Hire	495,637,337	803,360,280	1,573,055,629	31,165,423	66,579	-	-	-	-	-	-	-	2,903,285,248	
Financial Investments - Available for Sale	-	-	-	-	-	-	-	-	-	-	100,210,655	-	100,210,655	
Financial Investments - Held to Maturity	-	-	-	-	-	-	3,094,270	18,056,144	-	-	-	-	21,150,414	
Other financial assets	-	-	-	-	-	-	-	-	-	-	42,129,334	-	42,129,334	
<b>TOTAL ASSETS</b>	<b>1,525,763,587</b>	<b>896,209,650</b>	<b>1,829,241,156</b>	<b>57,595,070</b>	<b>24,324,383</b>	<b>199,199,982</b>	<b>4,532,333,828</b>							
<b>LIABILITIES</b>														
Due to Banks	155,850,542	-	-	-	-	-	-	-	-	-	-	-	155,850,542	
Due to Customers	1,050,267,823	1,434,989,514	807,036,921	299,666,747	-	-	-	-	-	-	-	-	3,591,961,005	
Other Financial Liabilities	-	-	-	-	-	-	-	-	-	-	461,616,857	-	461,616,857	
<b>TOTAL LIABILITIES</b>	<b>1,206,118,365</b>	<b>1,434,989,514</b>	<b>807,036,921</b>	<b>299,666,747</b>	<b>-</b>	<b>-</b>	<b>4,209,428,404</b>							
<b>TOTAL INTEREST SENSITIVITY GAP</b>	<b>319,645,222</b>	<b>(538,779,864)</b>	<b>1,022,204,235</b>	<b>(242,071,678)</b>	<b>24,324,383</b>	<b>(262,416,875)</b>	<b>322,905,424</b>							

## NOTES TO THE FINANCIAL STATEMENTS

## 40. RISK MANAGEMENT DISCLOSURES (Contd...)

## 40.6 LIQUIDITY RISK

Liquidity risk refers to the availability of sufficient cash balances to meet the demand on deposits and new lending targets as well as provide a flow of net liquid assets to meet contractual borrowings and other commitments. Liquidity risk is financial risk due to uncertain liquidity. An institution might lose liquidity if it experiences sudden unexpected cash outflows, or some other event causes counterparties to avoid trading with or lending to the institution. A firm is also exposed to liquidity risk if markets on which it depends are subject to loss of liquidity. The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the asset and liability management committee (ALCO) analyses and monitors liquidity risk, and maintains an adequate margin of safety in liquid assets.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. The Company also has committed lines of credit that it can access to meet liquidity needs. In addition, the Company maintains the liquidity ratio prescribed by Central Bank of Sri Lanka.

## 40.6.1 Statutory Liquid Asset Ratio

As per the requirements of Finance companies (Liquid Assets) Direction No.4 of 2013 the Company has to maintain minimum liquid assets comprises of 10% of Time Deposits and Certificates of Deposits at the close of the business on such day and 15% of Savings Deposits at the close of the business on such day. In addition to the above, with effect from 1 July, 2014 the company needs to maintain 10% on Borrowings which are not included in the Tier –II capital base and borrowings which are not secured by mortgage of any assets. Further the Company has to maintain liquid assets in the form of Sri Lanka Government Securities not less than 7.5% of average month end total deposit liabilities and the above said borrowings of twelve months of the preceding financial year.

The company maintained a healthy statutory liquid asset ratio throughout the year. The Company considers cash balances, Favorable Balances held with Commercial Banks on demand deposits, Placement with banks in the form of Time Deposits and Savings, Investment in Treasury Bills, Securities Purchased under Repurchase Agreement are considered as Liquid Assets for the purpose Statutory Liquid Asset Ratio calculation.

## Statutory Liquid Asset Ratio

	2016	2015
Maximum	25.96%	25.62%
Minimum	18.22%	19.40%
Average	21.76%	22.22%
Closing	19.21%	21.33%

## 40.6.2 Advances to Deposits ratio

The Company stresses the importance of maintaining an adequate Customer Deposit Base such as Time and Savings Deposits as sources of funds to finance Loans and Advances. They are monitored using the Advances to Deposits ratio which comprises accommodations to customers as a percentage of customer deposits.

## Advances to Deposits Ratio

	2016	2015
Maximum	105.41%	104.21%
Minimum	91.94%	92.97%
Average	99.42%	97.34%
Closing	105.41%	98.57%

## NOTES TO THE FINANCIAL STATEMENTS

#### 40. RISK MANAGEMENT DISCLOSURES (Contd...)

##### 40.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

40.6.3.1 The table below analyses the maturity profile of the undiscounted cash flows of the Company's financial assets & liabilities as at the end of relevant financial period.

	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2016
ASSETS	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cash and Bank Balances	73,385,295	-	-	-	-	-	73,385,295
Placement With Banks	31,380,186	194,112,957	51,218	-	-	-	225,544,361
Securities Purchased under Repurchase Agreement	333,939,581	297,423,925	-	-	-	-	631,363,506
Financial Investments - Held for Trading	6,915,241	-	-	-	-	-	6,915,241
Loans and Advances	158,467,755	103,316,042	402,039,008	801,925,596	111,553,687	5,169,500	1,582,471,588
Lease rentals receivable & Stock out on Hire	555,200,917	482,104,475	1,734,772,626	2,226,721,535	55,711,201	11,634	5,054,522,388
Financial Investments - Available for Sale	-	-	-	-	-	80,400	80,400
Financial Investments - Held to Maturity	-	94,000	2,770,870	8,758,836	12,607,325	14,948,162	39,179,193
Other financial assets	-	73,802,179	-	-	-	-	73,802,179
<b>Total Financial Assets</b>	<b>1,159,288,976</b>	<b>1,150,853,578</b>	<b>2,139,633,722</b>	<b>3,037,405,966</b>	<b>179,872,213</b>	<b>20,209,696</b>	<b>7,687,264,151</b>
<b>LIABILITIES &amp; EQUITY</b>							
Due to Banks	22,246,168	19,248,927	6,169,444	-	-	-	47,664,539
Due to Customers	119,197,581	1,077,375,263	1,918,464,612	1,777,430,675	156,665,564	-	5,049,133,696
Debt Instruments Issued and Other borrowed funds	-	31,339,628	-	-	-	-	31,339,628
Other Financial Liabilities	-	837,025,511	-	-	-	-	837,025,511
<b>Total Financial Liabilities</b>	<b>141,443,749</b>	<b>1,964,989,328</b>	<b>1,924,634,056</b>	<b>1,777,430,675</b>	<b>156,665,564</b>	<b>-</b>	<b>5,965,163,374</b>
	<b>1,017,845,226</b>	<b>(814,135,750)</b>	<b>214,999,666</b>	<b>1,259,975,291</b>	<b>23,206,649</b>	<b>20,209,696</b>	<b>1,722,100,778</b>

## NOTES TO THE FINANCIAL STATEMENTS

#### 40. RISK MANAGEMENT DISCLOSURES (Contd...)

##### 40.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

**40.6.3.2** The table below analyses the maturity profile of the undiscounted cash flows of the Company's financial assets & liabilities as at the end of previous financial period.

	On Demand		Up to 03 Months		03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Total as at 31 March 2015	
	Rs.		Rs.		Rs.		Rs.		Rs.		Rs.		Rs.	
<b>ASSETS</b>														
Cash and Bank Balances	68,497,383		-		-		-		-		-		68,497,383	
Placement With Banks	10,826,535		274,334,070		48,066		-		-		-		285,208,671	
Securities Purchased under Repurchase Agreement	-		428,724,914		-		-		-		-		428,724,914	
Financial Investments - Held for Trading	7,370,358		-		-		-		-		-		7,370,358	
Investment in Debt Securities	-		50,072,122		-		-		-		-		50,072,122	
Loans and Advances	156,074,990		53,571,309		157,482,963		345,135,798		45,281,653		6,816,220		764,362,933	
Lease rentals receivable & Stock out on Hire	325,073,507		353,647,514		1,231,929,615		1,960,701,839		35,531,668		67,363		3,906,951,506	
Financial Investments - Available for Sale	100,130,255		-		-		-		-		80,400		100,210,655	
Financial Investments - Held to Maturity	-		-		-		-		3,165,200		21,605,500		24,770,700	
Other financial assets	-		42,129,334		-		-		-		-		42,129,334	
<b>Total Financial Assets</b>	<b>667,973,028</b>		<b>1,202,479,263</b>		<b>1,389,460,644</b>		<b>2,305,837,637</b>		<b>83,978,521</b>		<b>28,569,483</b>		<b>5,678,298,575</b>	
<b>LIABILITIES &amp; EQUITY</b>														
Due to Banks	41,177,702		29,755,116		76,749,815		24,212,926		-		-		171,895,559	
Due to Customers	76,702,627		810,606,592		1,602,940,278		544,903,689		819,765,855		-		3,854,919,040	
Other Financial Liabilities	-		461,616,857		-		-		-		-		461,616,857	
<b>Total Financial Liabilities</b>	<b>117,880,329</b>		<b>1,301,978,565</b>		<b>1,679,690,093</b>		<b>569,116,615</b>		<b>819,765,855</b>		<b>-</b>		<b>4,488,431,456</b>	
	<b>550,092,699</b>		<b>(99,499,302)</b>		<b>(290,229,449)</b>		<b>1,736,721,022</b>		<b>(735,787,334)</b>		<b>28,569,483</b>		<b>1,189,867,119</b>	

#### 40.7 Operational Risk

An operational risk is the risk arising from execution of a company's business functions. The concept of operational risk is broad and focuses on the risks arising from the people, systems and processes through which a company operates. It also includes other categories such as fraud risks, regulatory and compliance risks, reputation and physical or environmental risks.

## NOTES TO THE FINANCIAL STATEMENTS

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## 41. MATURITY ANALYSIS (CONTRACTUAL)

41.1 An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining at the date of the Statement of Financial Position to the respective contractual maturity dates are given below.

	On Demand	Less than 3 Months	03 - 12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2016
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>							
Cash and Bank Balances	73,385,295	-	-	-	-	-	73,385,295
Placement With Banks	31,372,173	192,676,975	49,017	-	-	-	224,098,164
Securities Purchased under Repurchase Agreement	333,810,726	296,347,801	-	-	-	-	630,158,527
Financial Investments - Held for Trading	6,915,241	-	-	-	-	-	6,915,241
Loans and Advances	152,019,925	58,171,555	258,385,282	617,343,009	97,828,378	4,798,695	1,188,546,845
Lease rentals receivable & Stock out on Hire	378,153,431	278,161,599	1,122,194,929	1,794,058,182	23,672,139	11,499	3,596,251,779
Financial Investments - Available for Sale	-	-	-	-	-	80,400	80,400
Financial Investments - Held to Maturity	-	77,158	447,515	3,088,000	5,868,958	12,188,182	21,669,813
Other financial assets	-	73,802,179	-	-	-	-	73,802,179
Real Estate & Vehicle Stock	-	26,919,440	6,585,225	28,210,500	21,351,315	-	83,066,481
Other Non Financial Assets	-	80,217,322	13,408,337	3,046,166	1,223,000	-	97,894,824
Property, Plant & Equipment	-	-	-	21,871,725	25,845,464	28,094,076	75,811,265
Intangible Assets	-	-	-	-	-	15,608,896	15,608,896
Deferred tax assets	-	-	-	61,419,536	-	-	61,419,536
<b>Total Assets</b>	<b>975,656,790</b>	<b>1,006,374,029</b>	<b>1,401,070,306</b>	<b>2,529,037,118</b>	<b>175,789,254</b>	<b>60,781,749</b>	<b>6,148,709,246</b>
<b>Liabilities</b>							
Due to Banks	22,246,168	18,757,924	6,000,000	-	-	-	47,004,092
Due to Customers	114,851,353	1,034,242,879	1,692,409,186	1,571,289,040	126,569,763	-	4,539,362,221
Debt Instruments issued & other borrowed funds	-	31,110,631	-	-	-	-	31,110,631
Other Financial Liabilities	-	837,025,511	-	-	-	-	837,025,511
Other Non Financial Liabilities	-	8,086,521	-	-	-	-	8,086,521
Current tax liabilities	-	56,345,826	-	-	-	-	56,345,826
Retirement Benefit Liability	-	-	3,376,487	3,755,098	2,503,399	5,614,354	15,249,338
<b>Total liabilities</b>	<b>137,097,521</b>	<b>1,985,569,292</b>	<b>1,701,785,673</b>	<b>1,575,044,138</b>	<b>129,073,162</b>	<b>5,614,354</b>	<b>5,534,184,141</b>

## NOTES TO THE FINANCIAL STATEMENTS

**41. MATURITY ANALYSIS (CONTRACTUAL) (Contd...)**

**41.2** An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining at the end of the previous financial period to the respective contractual maturity dates are given below

	On Demand	Less than 3 Months	03 - 12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31 March 2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>							
Cash and Bank Balances	68,497,383	-	-	-	-	-	68,497,383
Placements With Banks	10,822,744	272,776,379	46,210	-	-	-	283,645,333
Securities Purchased under Repurchase Agreement	-	426,888,521	-	-	-	-	426,888,521
Financial Investments - Held for Trading	7,370,358	-	-	-	-	-	7,370,358
Investment in Debt Securities	-	49,278,340	-	-	-	-	49,278,340
Loans and Advances	153,482,083	35,272,708	108,598,214	293,557,742	40,136,193	6,201,660	637,248,600
Lease rentals receivable & Stock out on Hire	282,486,355	213,150,983	803,360,280	1,573,055,629	31,165,423	66,578	2,903,285,248
Financial Investments - Available for Sale	100,130,255	-	-	-	-	80,400	100,210,655
Financial Investments - Held to Maturity	-	-	-	-	3,094,270	18,056,144	21,150,414
Other financial assets	-	42,129,334	-	-	-	-	42,129,334
Real Estate & Vehicle Stock	-	-	35,119,575	56,335,178	5,685,225	-	97,139,978
Other Non Financial Assets	63,797,646	14,479,012	3,158,668	350,000	-	-	81,785,327
Property, Plant & Equipment	-	-	-	17,665,804	9,141,569	-	26,807,373
Intangible Assets	-	-	-	10,241,083	-	-	10,241,083
Deferred tax assets	-	-	-	18,446,150	-	-	18,446,150
<b>Total Assets</b>	<b>686,586,824</b>	<b>1,053,975,276</b>	<b>950,282,947</b>	<b>1,969,651,586</b>	<b>89,222,681</b>	<b>24,404,782</b>	<b>4,774,124,096</b>
<b>Liabilities</b>							
Due to Banks	34,013,696	26,673,305	71,633,515	23,530,025	-	-	155,850,542
Due to Customers	93,954,085	956,313,737	1,434,989,514	807,036,921	299,666,747	-	3,591,961,005
Other Financial Liabilities	-	461,616,857	-	-	-	-	461,616,857
Other Non Financial Liabilities	-	1,859,218	-	-	-	-	1,859,218
Current tax liabilities	-	26,491,603	-	-	-	-	26,491,603
Retirement Benefit Liability	-	-	91,472	5,954,523	3,969,682	1,459,024	11,474,701
<b>Total liabilities</b>	<b>127,967,781</b>	<b>1,472,954,721</b>	<b>1,506,714,501</b>	<b>836,521,469</b>	<b>303,636,429</b>	<b>1,459,024</b>	<b>4,249,253,927</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 42. COMMITMENTS AND CONTINGENCIES

There were no material contingent liabilities outstanding as at the reporting date.

The Company has no commitments for acquisition of Property, Plant & Equipment incidental to the ordinary course of business.

## 43. EVENTS AFTER THE REPORTING DATE

The Company has issued 7,400,000 ordinary shares by way of a Rights Issue in the proportion of One (01) Ordinary Share for every Five (05) Ordinary shares in the capital of the Company (which is ranked pari passu) and raised Rs. 185,000,000 subsequently, thereby increasing the Stated Capital of the company from Rs.382,373,630/- being the Stated Capital representing 37,000,000 shares to Rs.567,373,630/- representing 44,400,000 shares.

## 44. CAPITAL

The Company maintains an activity managed capital basis to cover risks inherent in the business and meet the capital adequacy requirements of Central Bank of Sri Lanka. The adequacy of the company's capital is monitored based on the measures, rules and ratios adopted by Central Bank of Sri Lanka.

## Capital Management

The primary objective of Company's capital management policy are to ensure that the company complies with externally imposed capital requirements and healthy capital ratios in order to support its business and to maximize shareholders' value.

## 45. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2016 Rs.	2015 Rs.	
Lease & Hire Purchase Receivables	Bank Overdraft	279,366,667	313,366,667	Lease Rental Receivables and Stock Out on Hire
Placement With Banks	Bank Overdraft	34,000,000	-	Placement With Banks
Lease & Hire Purchase Receivables	Term Loan	47,193,955	224,197,557	Lease Rental Receivables and Stock Out on Hire
		360,560,622	537,564,224	

## NOTES TO THE FINANCIAL STATEMENTS

## 46. FINANCIAL REPORTING BY SEGMENT

	Leasing		Hire purchase		Term Loans		Others		Total	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Interest Income	933,631,256	505,660,046	56,032,551	124,017,025	130,926,781	170,636,149	68,688,307	53,459,065	1,189,278,894	853,772,285
Fee Based Income & Others	97,689,895	78,404,649	1,167,893	6,641,968	12,729,023	6,740,541	1,050,117	882,763	112,636,928	92,669,921
Unallocated Income							15,317,540	11,668,433	15,317,540	11,668,433
<b>Total Revenue</b>	<b>1,031,321,151</b>	<b>584,064,695</b>	<b>57,200,444</b>	<b>130,658,993</b>	<b>143,655,804</b>	<b>177,376,690</b>	<b>85,055,964</b>	<b>66,010,261</b>	<b>1,317,233,363</b>	<b>958,110,639</b>
Interest Expenses	(282,782,421)	(202,940,779)	(21,766,189)	(52,642,312)	(85,551,242)	(70,819,621)	(91,121,652)	(83,511,330)	(481,221,503)	(409,914,041)
Fee Based Expenses & Others	(52,012,635)	(38,615,011)	-	(192,545)	(109,903)	(161,550)	(24,766,377)	(6,345,876)	(76,888,915)	(45,314,982)
Impairment Reversal / (Provision)	(126,967,604)	(69,994,275)	(18,922,217)	25,755,598	(1,243,861)	(6,906,233)	(78,706,435)	(64,447,644)	(225,840,117)	(115,592,554)
<b>Net Operating Income</b>	<b>569,558,490</b>	<b>272,514,631</b>	<b>16,512,038</b>	<b>103,579,734</b>	<b>56,750,798</b>	<b>99,489,287</b>	<b>(109,538,499)</b>	<b>(88,294,589)</b>	<b>533,282,828</b>	<b>387,289,062</b>
Unallocated Expenses									(402,801,934)	(289,779,675)
<b>Profits/ (Loss) before Tax</b>									<b>130,480,894</b>	<b>97,509,387</b>
Income Tax expenses									(40,356,230)	(24,707,819)
<b>Net Profit / (Loss) for the period</b>									<b>90,124,664</b>	<b>72,801,568</b>
Other Comprehensive Income									(469,730)	(826,392)
<b>Total Comprehensive Income for the Year</b>									<b>89,654,934</b>	<b>71,975,176</b>
Segment Assets	3,488,564,623	2,546,448,364	107,687,158	356,836,885	1,188,546,842	637,248,600	958,992,986	985,683,599	5,743,791,609	4,526,217,449
Unallocated Assets									404,917,637	247,906,648
<b>Total Assets</b>	<b>3,488,564,623</b>	<b>2,546,448,364</b>	<b>107,687,158</b>	<b>356,836,885</b>	<b>1,188,546,842</b>	<b>637,248,600</b>	<b>958,992,986</b>	<b>985,683,599</b>	<b>6,148,709,246</b>	<b>4,774,124,097</b>
Unallocated Liabilities									5,534,184,140	4,249,253,926
<b>Total Liabilities</b>									<b>5,534,184,140</b>	<b>4,249,253,926</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 47. RELATED PARTY TRANSACTIONS

Details of related party transactions which the company had during the year is as follows,

## 47.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standards- LKAS 24 (Related Party Disclosure), Key Management personnel (KMP) are those having authority and responsibility for planning, directing and controlling the activities of the entity. According to the above definition a person cannot be considered as KMP unless such person have both the authority and responsibility to carry out all of the three activities mentioned in the above definition.

KMPs of the Company include Board of Directors and the General Manager. Other related parties include CFMs of the KMPs who are family members who may be expected to influence or be influenced by that KMP in their dealings with the entity.

	2016 Rs.	2015 Rs.
<b>Compensation to Key Management Personnel</b>		
Short Term Employee Benefits	14,454,750	13,444,350
	<u>14,454,750</u>	<u>13,444,350</u>
<b>Other transactions with Key Management Personnel/ Other related parties</b>		
Fixed Deposits accepted during the year	15,000,000	2,265,195
Fixed Deposits held at the beginning of the year	13,772,515	11,500,000
Consultancy Fee paid during the year	6,510,173	1,791,705

**47.2** Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Management Personnel or their close member of family, or shareholders who have either control, significant influences or joint control over entity.

	Abans PLC Parent Company		Other Related Parties **		Total	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
<b>Nature of Transaction</b>						
Fixed Deposits Accepted during the year	-	-	150,000,000	7,000,000	150,000,000	7,000,000
Fixed Deposits held at the end of the year	-	-	160,023,713	36,355,707	160,023,713	36,355,707
<b>As at 1 April</b>	4,003,095	(27,129,634)	(294,693,792)	(157,817,232)	(290,690,698)	(184,946,866)
Purchase of Articles Consumer Credit Granting	-	(38,705,688)	-	-	-	(38,705,688)
Purchase of Motor Bikes - Lease Granting	-	-	(2,684,141,194)	(2,046,401,718)	(2,684,141,194)	(2,046,401,718)
Collections made on behalf of Abans Finance	958,093,773	226,517,542	-	-	958,093,773	226,517,542
Expense on collection commission	(10,277,499)	(2,339,860)	-	-	(10,277,499)	(2,339,860)
Sale of real Estate Loan Granting	-	-	-	20,660,160	-	20,660,160
Interest income on real estate Loan	-	-	-	338,002	-	338,002
Printing Expenses	-	-	(1,108,138)	(753,316)	(1,108,138)	(753,316)
Rent Income Recognized & Expense Recoveries	4,371,181	3,446,064	(845,510)	(901,633)	3,525,671	2,544,431
Rent Expense Paid	-	-	437,755	2,572,181	437,755	2,572,181
Settlements Paid/(Received)	(935,597,300)	(157,785,330)	2,846,025,650	1,887,609,763	1,910,428,350	1,729,824,434
<b>As at 31 March</b>	20,593,249	4,003,095	(134,325,229)	(294,693,792)	(113,731,979)	(290,690,698)

\*\*Other Related Parties include the following companies

Abans Graphics (Pvt) Ltd  
Crown City Developers (Pvt) Ltd  
Abans Retail (Pvt) Ltd  
Abans Auto (Pvt) Ltd  
Abans Electricals PLC  
Abans Marketing (Pvt) Ltd  
ABS Gardner Dixon Hall International (Pvt) Ltd  
Abans Office Automation (Pvt) Ltd

"Other Related Parties are companies controlled / jointly controlled / significantly influenced by Key Management Personnel.

## 47.3 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business.

# Supplementary Information

130 .....Ten Year Summary

132 .....Glossary of Terms

135 .....Notice of Meeting

Notes (Enclosed)

Form of Proxy (Enclosed)

## TEN YEAR SUMMARY

	*2016	*2015	*2014	*2013	*2012	2011	2010	2009	2008	2007
<b>Income</b>	<b>1,317,233,363</b>	<b>958,110,639</b>	<b>751,979,154</b>	<b>570,344,914</b>	<b>456,093,900</b>	<b>396,244,898</b>	<b>287,674,710</b>	<b>354,520,565</b>	<b>205,558,532</b>	<b>76,546,200</b>
Interest Income	1,189,278,894	853,772,285	688,523,379	541,111,997	434,997,143	369,635,871	269,854,363	338,696,974	184,543,497	68,574,205
Interest Expense	(481,221,503)	(409,914,041)	(387,218,811)	(328,777,272)	(221,598,714)	(181,474,454)	(191,575,112)	(230,983,120)	(73,383,478)	(7,371,583)
<b>Net Interest Income</b>	<b>708,057,391</b>	<b>443,858,244</b>	<b>301,304,568</b>	<b>212,934,725</b>	<b>213,398,429</b>	<b>188,161,417</b>	<b>78,279,251</b>	<b>107,713,854</b>	<b>111,160,019</b>	<b>61,202,622</b>
Fee and Commission Income	111,586,810	91,787,158	48,243,961	24,513,497	19,240,537	-	-	-	-	-
Fee and Commission Expenses	(76,888,915)	(45,314,982)	(22,452,896)	(7,055,624)	(3,855,418)	-	-	-	-	-
<b>Net Fee and Commission Income</b>	<b>34,697,895</b>	<b>46,472,176</b>	<b>25,791,065</b>	<b>17,457,873</b>	<b>15,385,119</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net Gain / (Loss) from Trading	(582,293)	1,830,282	272,657	449,377	(2,869,874)	-	-	-	-	-
Other Operating Income (Net)	16,949,952	10,720,913	14,939,157	4,270,043	4,720,094	26,609,027	17,820,347	15,823,591	21,015,035	7,971,995
<b>Total Operating Income</b>	<b>759,122,945</b>	<b>502,881,616</b>	<b>342,307,447</b>	<b>235,112,018</b>	<b>230,639,768</b>	<b>214,770,444</b>	<b>96,099,598</b>	<b>123,537,445</b>	<b>132,175,054</b>	<b>69,174,617</b>
Impairment (Charge) / Reversal (Prov. For Bad Debts)	(225,840,117)	(115,592,554)	(115,721,812)	(5,143,119)	(2,649,110)	(19,220,718)	(95,177,038)	(31,333,036)	(13,939,427)	(326,633)
<b>Net Operating Income</b>	<b>533,282,828</b>	<b>387,289,061</b>	<b>226,585,635</b>	<b>229,968,899</b>	<b>227,990,658</b>	<b>195,549,726</b>	<b>922,560</b>	<b>92,204,409</b>	<b>118,235,627</b>	<b>68,847,984</b>
<b>Less: Operating Expenses</b>										
Personnel Cost	(166,916,649)	(118,587,829)	(78,998,858)	(69,738,998)	(58,603,261)	(53,341,872)	(36,157,265)	(40,850,660)	(28,824,745)	(13,784,793)
Other Operating Expenses	(205,696,824)	(160,067,903)	(118,563,171)	(93,872,626)	(83,203,335)	(70,204,434)	(67,224,035)	(71,503,989)	(52,934,767)	(33,096,306)
<b>Operating Profit before VAT on FS</b>	<b>160,669,355</b>	<b>108,633,330</b>	<b>29,023,606</b>	<b>66,357,275</b>	<b>86,184,062</b>	<b>72,003,420</b>	<b>(102,458,740)</b>	<b>(20,150,240)</b>	<b>36,476,115</b>	<b>21,966,885</b>
Value Added Tax on Financial Services	(30,188,461)	(11,123,943)	(3,655,613)	(7,585,827)	(8,379,298)	(8,935,538)	-	(1,197,032)	(6,825,205)	(6,269,391)
<b>Profit before Taxation from Operations</b>	<b>130,480,894</b>	<b>97,509,386</b>	<b>25,367,993</b>	<b>58,771,448</b>	<b>77,804,764</b>	<b>63,067,882</b>	<b>(102,458,740)</b>	<b>(21,342,272)</b>	<b>29,650,910</b>	<b>15,697,494</b>
Income Tax Expenses	(40,356,230)	(24,707,819)	(16,672,634)	(18,083,398)	(32,130,568)	(20,568,382)	37,729,196	(2,306,621)	(19,653,086)	(5,300,903)
<b>Profit for the year</b>	<b>90,124,664</b>	<b>72,801,568</b>	<b>8,695,359</b>	<b>40,688,050</b>	<b>45,674,196</b>	<b>42,499,500</b>	<b>(64,729,544)</b>	<b>(23,648,893)</b>	<b>9,997,824</b>	<b>10,396,591</b>

\* Figures as per SIFRS

## TEN YEAR SUMMARY (Contd...)

	*2016	*2015	*2014	*2013	*2012	2011	2010	2009	2008	2007
<b>Assets</b>										
Cash and Bank Balances	73,385,295	68,497,383	105,135,491	33,802,530	24,020,124	12,497,605	7,771,603	4,525,613	13,739,953	1,725,904
Placements with Banks	224,098,165	283,645,333	127,536,938	125,140,325	25,480,046	65,103,633	42,401,609	15,000,000	8,500,000	-
Investment in Government Securities	651,828,340	448,039,936	326,071,980	168,522,407	208,659,434	156,762,970	63,878,767	73,315,520	55,093,236	-
Financial Investments - Held for Trading	6,915,241	7,370,358	7,050,136	8,336,546	8,085,928	11,716,200	-	-	-	-
Financial Investments - Debt Securities	-	49,278,340	49,436,762	-	-	-	-	-	-	-
Loans and Advances	1,188,546,845	637,249,600	742,249,738	836,056,102	973,335,065	773,016,923	324,568,604	194,209,439	140,794,501	45,256,723
Lease Rentals Receivable & Stock Out on Hire	3,596,251,779	2,903,285,248	2,073,588,417	1,549,447,291	1,236,193,230	901,333,337	777,541,018	1,012,680,534	747,511,231	498,283,954
Financial Investments - Available for Sale	80,400	100,210,655	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400
Real Estate and Vehicle Stock	83,066,481	97,139,978	130,860,857	133,841,502	144,617,200	135,883,066	136,058,707	133,343,132	131,738,766	8,202,436
Other Assets	171,697,004	123,914,661	117,875,934	41,400,543	40,906,702	36,477,522	79,322,350	55,775,411	46,752,731	27,130,810
Tax Recoverable	-	-	-	-	6,602,175	6,468,996	13,345,635	10,727,880	-	-
Intangible Assets	15,608,896	10,241,083	9,340,722	12,268,902	10,410,217	12,900,571	-	-	-	-
Property, Plant & Equipment	75,811,265	26,807,373	17,957,131	16,608,243	19,253,353	16,984,244	18,682,524	27,976,307	25,741,470	23,953,967
Deferred Tax Assets	61,419,536	18,446,150	155,429	-	81,683	20,557,523	32,969,828	-	-	-
<b>Total Assets</b>	<b>6,148,709,246</b>	<b>4,774,124,097</b>	<b>3,707,339,935</b>	<b>2,925,504,791</b>	<b>2,697,725,557</b>	<b>2,149,782,590</b>	<b>1,498,621,045</b>	<b>1,527,634,236</b>	<b>1,169,952,288</b>	<b>604,634,194</b>
<b>Liabilities</b>										
Due to Banks & Other Financial Institutions	47,004,092	155,850,542	263,270,842	359,435,796	383,057,225	153,893,325	92,607,209	340,489,122	163,159,067	39,122,549
Due to Customers	4,539,362,221	3,591,961,005	2,600,119,545	1,765,882,547	1,672,108,739	1,519,571,106	1,009,333,058	591,000,334	396,825,828	-
Debt Instruments Issued and Other Borrowed Funds	31,110,631	-	122,265,623	174,325,059	99,374,620	-	-	136,714,790	107,389,187	83,724,207
Other Liabilities	845,112,032	463,476,075	255,500,318	169,836,413	135,377,017	87,281,639	85,686,066	79,202,217	76,906,007	78,237,303
Retirement Benefit Liability	15,249,338	11,474,701	7,411,816	5,833,972	3,716,167	5,619,332	2,659,537	2,589,813	1,038,000	553,000
Current Tax Liabilities	56,345,826	26,491,603	5,876,796	3,376,089	-	-	-	-	14,573,005	4,361,619
Deferred Tax Liability	-	-	-	-	-	-	-	4,773,242	3,952,104	2,524,250
<b>Total Liabilities</b>	<b>5,534,184,140</b>	<b>4,249,253,926</b>	<b>3,254,444,940</b>	<b>2,481,279,402</b>	<b>2,293,633,768</b>	<b>1,791,365,398</b>	<b>1,190,485,870</b>	<b>1,154,763,517</b>	<b>763,843,198</b>	<b>208,522,228</b>
<b>Shareholders' Funds</b>										
Stated Capital	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630
Statutory Reserve	62,554,000	44,529,000	29,968,000	28,228,500	20,201,500	9,519,900	1,020,000	1,020,000	1,020,000	520,000
Investment Fund	-	-	18,454,242	14,723,671	7,833,381	-	-	-	-	-
Reserve on Available for Sale Financial Instruments	-	130,255	-	-	-	-	-	-	-	-
Retained Earnings	169,597,476	97,837,286	22,099,123	18,899,588	(6,316,722)	(33,475,938)	(75,258,455)	(10,528,911)	22,715,460	13,217,636
<b>Total Shareholders' Funds</b>	<b>614,525,106</b>	<b>524,870,172</b>	<b>452,894,995</b>	<b>444,225,389</b>	<b>404,091,789</b>	<b>358,417,592</b>	<b>308,135,175</b>	<b>372,864,719</b>	<b>406,109,090</b>	<b>396,111,266</b>
<b>Total Liabilities and Shareholders' Funds</b>	<b>6,148,709,246</b>	<b>4,774,124,097</b>	<b>3,707,339,935</b>	<b>2,925,504,791</b>	<b>2,697,725,557</b>	<b>2,149,782,590</b>	<b>1,498,621,045</b>	<b>1,527,634,236</b>	<b>1,169,952,288</b>	<b>604,634,194</b>

\* Figures as per SJFRS

## GLOSSARY OF TERMS

## A

## Accounting Policies

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and Presenting Financial Statements.

## Accrual Basis

Recognition of the effects of transactions and other events when they occur without waiting for receipt or payment of cash or its equivalents.

## Amortization

The systematic allocation of the depreciable amount of an intangible asset over its useful life.

## Available for Sale (AFS)

AFS are those non-derivative financial assets that are designed as available for sale or are not classified as loans and receivable, held –to-maturity investment or financial assets at fair value through profit or loss.

## C

## Capital Adequacy

The percentage of risk-adjusted assets supported by capital as defined under the framework of risk based capital standards developed by the Bank for International Settlement (BIS) and as modified to suit local requirements by the Central Bank of Sri Lanka.

## Capital Reserves

Capital Reserves consist of revaluation reserves arising from revaluation of properties owned by the Company and Reserve Fund set aside for specific purposes defined under the Business Finance Act No.42 of 2011 which is not available for distribution.

## Cash Equivalents

Short-term highly liquid investments those are readily convertible to known amounts of cash and which subject to an insignificant risk of changes in value.

## Collective Impairment

Impairment is measured on a collective basis for homogeneous groups of lending facilities that are not considered as individually significant.

## Contingencies

A condition or situation existing at the balance sheet date where the outcome will be confirmed only by the occurrence or non-occurrence of one or more future events.

## Commitments

Credit facilities approved but not yet utilized by the clients as at the Balance Sheet Date.

## Corporate Governance

The Process by which corporate entities are governed. It is concerned with the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

## Credit Risk

Credit risk or default risk is most simply defined as the potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms and conditions.

## D

## Dealing Securities

These are marketable securities acquired and held with the intention to resale over a short period of time.

## Deferred Tax

Sum set aside in the financial statements for taxation that may become payable 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.

## Derecognition

Removal of a previously recognized financial assets or financial liability from an entity's statement of financial position.

## E

## Earnings per Share (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue

## Effective Interest Rate (EIR)

Rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or liability.

## Effective Tax Rate

Provision for taxation excluding deferred tax by divided by the profit before taxation.

## Events after Reporting Date

Transactions that are not recognized as assets or liabilities in the statement of financial position, but which give rise to the contingencies and commitments.

## F

## Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

## Finance Lease

A contract where by a lessor conveys to the lessee the right to use asset for rent over an agreed period of time which is sufficient to amortize the capital outlay of the lessor. The lessor retains ownership of asset but transfers substantially all the risks and rewards of ownership to the lessee.

## Financial Assets

Any asset that is cash, equity instrument of another entity, a contractual right to receive cash or contractual right to receive another financial asset from another entity.

## Financial Instruments

Any contract that gives rise to a financial assets of one entity and financial liability or equity instrument of another entity.

## GLOSSARY OF TERMS

## Financial Liabilities

A contractual obligation to deliver cash or other financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity.

## H

## Held for Trading

Debt and equity investments that are purchased with the intent of selling them within a short period of time.

## Held To Maturity Investment

A non derivative financial asset with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity.

## Hire purchase

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

## I

## Impairment

This occurs when recoverable amount of an asset is less than the carrying amount.

## Individual Impairment

Impairment is measured on an individual basis for non-homogeneous groups of lending facilities that are considered as individually significant.

## Intangible Asset

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

## Interest Bearing Liabilities

Liabilities on which the Company is paying interest.

## Interest Margin

Net interest income as a percentage of average interest earning assets.

## Interest Rate Risk

The risk that the fair value or future cash flows of a financial instruments will fluctuate because of changes in market interest rates.

## Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

## Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

## Interest in Suspense

Interest suspended on Non-Performing Loans, Lease, hire purchase and advances (as per previous accounting standards)

## K

## Key Management Personnel

Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity.

## L

## Liquid Assets

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks and bills of exchange and treasury bills.

## Liquidity Risk

The risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

## M

## Market Capitalization

Number of ordinary shares in issues multiplied by the market value of a share as at the year end.

## Materiality

The relative significance of a transaction or an event, the omission or misstatement of which could influence the economic decisions of users of Financial Statements.

## 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, equity prices and commodity prices.

## N

## Net-Interest Income (NII)

The difference between what a Company earns on assets such as loans and securities and what it pays on liabilities such as deposits refinance funds and other borrowings.

## Non-Performing Loans (NPL)

All loans classified as Non-Performing when a payment of capital and/or interest is in arrears for 6 months or more.

## NPL Ratio (Gross)

Total Non-Performing Advances as a percentage of total advances portfolio (Net of interest in suspense).

## NPL Ratio (Net)

Total Non-Performing Advances as a percentage of total advances portfolio (Net of interest in suspense and Loan loss provision).

## O

## Operational Risk

This refers to the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

## GLOSSARY OF TERMS

## P

## Past Due

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

## Price Earnings Ratio

A valuation ratio of a company's current share price to its per share earnings. It can be calculated by dividing the market Value per share by Earnings per share.

## Probability of Default (PD)

An internal estimate for each borrower grade of the likelihood that an obligor will default on an obligation.

## Prudence

Inclusion of a degree of caution in the exercise of judgment needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.

## R

## Return on Average Assets (ROA)

Net income expressed as a percentage of average total assets, used along with ROE, as a measure of profitability and as a basis of intra-industry performance comparison.

## Revenue Reserve

Reserves set aside for future distribution and investment.

## Return on Equity (ROE)

Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

## Related Parties

Parties where one party has 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

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

## Repurchase Agreement

Contract to sell and subsequently repurchase securities at a specific date and price.

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the **TENTH ANNUAL GENERAL MEETING** of **ABANS FINANCE PLC** will be held on **30 September 2016** at **9.30 a.m.** at Organization of Professional Association of Sri Lanka, No 275/75, Prof. S. Wijesundara Mawatha, Colombo 07 for the following purposes:

1. To receive and adopt the Report of the Directors, the Audited Statement of accounts of the Company for the year ended 31 March 2016 and Report of the Auditors thereon.
2. To re-appoint Messrs. Ernst & Young, Chartered Accountants as the Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.

### BY ORDER OF THE BOARD

Sgd.  
 Varners International (Private) Limited  
 Company Secretaries of Abans Finance PLC,  
 Level 14, West Tower,  
 World Trade Center,  
 Echelon Square,  
 Colombo 01.

24<sup>th</sup> August 2016

### NOTES :-

1. A member unable to attend the above meeting is entitled to appoint a proxy, who need not be a member, to attend and vote in his/her place.
2. The completed Form of Proxy should be deposited at the registered office of the Company at No. 498, Galle Road, Colombo 03 or at the office of the Secretaries at Level 14, West Tower, World Trade Center, Echelon Square, Colombo 1, not less than 48 hours before the time fixed for the meeting.
3. For reasons of security, it is essential that you bring with you, your National Identity Card / Passport.

## NOTES

[illegible]

FORM OF PROXY

I/We\* ..... of  
..... being a member/members \* of ABANS

FINANCE PLC, hereby appoint;

- Mr. Rusi Pestonjee

of Colombo or failing him
- Mr. Kithsiri Bandara Wanigasekara

of Colombo or failing him
- Mr. Channa Dilhan Pathirana

of Colombo or failing him
- Mr. Vishtasp Kairshasp Choksy

of Colombo or failing him
- Mr. Ajith Surendra Ratnayake

of Colombo or failing him

..... of  
..... (National Identity Card Number  
.....) as my/our \* proxy to represent me/us \* 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 30 September 2016 and at every poll which may be taken  
in consequence of the aforesaid meeting and at any adjournment thereof.

- To receive and adopt the Report of the Directors and the Audited Financial Statements for the year ended 31 March 2016 and the Report of the Auditors thereon.
- To re-appoint Merssrs. Ernst & Young as the Auditors of the company for the ensuring year and to authorise the directors to determine their remuneration.

FOR	AGAINST

Signed this ..... day of..... 2016

.....  
Signature of the Shareholder

\* Please delete the inappropriate words.

## FORM OF PROXY (Contd...)

### INSTRUCTIONS FOR THE COMPLETION OF THE FORM OF PROXY

1. Please perfect the Form of Proxy after filling in legibly your name and address and by signing in the space provided and inserting the date of signature.
2. Please return the completed Form of Proxy to the registered office of the Company at No. 498, Galle Road, Colombo 03, or at the Office of the Secretaries at Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 01 after crossing out one or the other of the alternative words indicated by the asterisks on the body of the form. The Form of Proxy shall be lodged with the Company or the Secretaries not less than Forty Eight (48) hours before the time appointed for holding the Meeting.
3. If the Form of Proxy is signed by an Attorney, the relative Power of Attorney should accompany the completed Form of Proxy for registration, if a Power of Attorney has not already been registered with the Company.
4. If the shareholder is a company or body corporate, the Form of Proxy should be under its Common Seal in accordance with its Articles of Association or Constitution.
5. If there is any doubt as to the manner in which the proxy holder should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/ he thinks fit.



## Corporate Information

### NAME OF THE COMPANY

Abans Finance PLC

### LEGAL FORM

A Public Limited Liability Company Incorporated in Sri Lanka on 8 April 2005 under the Companies Act No. 17 of 1982. Re-registered on 15 June 2009 in terms of the Companies Act No. 7 of 2007. A Finance Company licensed by the Monetary Board of the Central Bank of Sri Lanka in terms of The Finance Business Act No. 42 of 2011. A Registered Finance Leasing Establishment under the Finance Leasing Act No.56 of 2000. An approved Credit Agency under the Mortgage Act No.6 of 1949 and the Trust Receipts Ordinance No. 12 of 1947.

**REGISTRATION NO.** – PB 1015 PQ

### STOCK EXCHANGE LISTING

The ordinary shares of the Company are listed on the Colombo Stocks Exchange .

### REGISTERED OFFICE

No. 498, Galle Road, Colombo 3.

### HEAD OFFICE

No. 456, R.A. De Mel Mawatha, Colombo 3.

Tel . 011- 2208888

E-mail : finance@abansgroup.com

**VAT REGISTRATION NO** : 134012439-7000

### BOARD OF DIRECTORS

**Mr. Rusi Pestonjee** - Chairman

**Mr. Kithsiri Wanigasekara** - Managing Director

**Mr. Channa D. Pathirana**

Non-Executive / Non-independent Director

**Mr. Vishtasp Kairshap Choksy**

Independent Non-Executive / Senior Director

**Mr. Ajith S. Ratnayake**

Non-Executive Independent Director

**Mr. R. A. Nanayakkara**

Chief Executive Officer

(appointed w.e.f. 2nd May 2016)

### AUDITORS

M/s Ernst & Young,

Chartered Accountants,

No. 201, De Saram Place,

P.O. Box 101,

Colombo 10.

### INTERNAL AUDITORS

Chief Internal Auditor

Abans Group of Companies

No. 498, Galle Road,

Colombo 3.

### SECRETARIES & LAWYERS

Varners International (Pvt) Ltd.,

Level 14, World Trade Centre Building,

Colombo 1

### BANKERS

Bank of Ceylon

Seylan Bank

People's Bank

Commercial Bank

Pan Asia Bank

Union Bank

Sampath Bank

Hatton National Bank

Abans Finance PLC 456



## **ABANS FINANCE PLC**

No. 456, R. A. De Mel Mawatha, Colombo 03.

Tel. 011 2208888 | Fax. 011 2375517 | Email. [finance@abansgroup.com](mailto:finance@abansgroup.com)

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A Finance Company Licensed by the Monetary Board of the Central Bank  
of Sri Lanka under the Finance Business Act No. 42 of 2011