

EXPLOITABLE NICHE MARKET



ABANS FINANCE PLC
ANNUAL REPORT 2014-2015



Abans
FINANCE

Who we are... ..

Abans finance PLC is a member of the prestigious Abans Group, established in year 2005 with a view 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 enhance the Brand Value and position ourselves in the market.....

... ..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.....



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Exploitable Niche Market... ..

Every business has the desire to expand the business as their key objective. Developing a suitable strategy is essential to provide the direction for achieving the vision of the company. This will ensure Company strength to cope up with the intensifying competition in dynamic business environment.

As the mission of Abans Finance PLC is to power the customer by providing innovative Products, personalized service and diversified financial solutions, selecting on exploitable & profitable Niche market will enable us to enhance the profitability in our business. The profitable niches in the financial services industry has spurred us monitor the customer base relentlessly which creates a value on providing innovative financial solution based on a better customer perceptions.

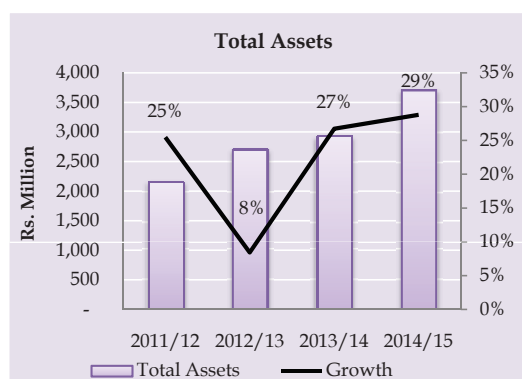
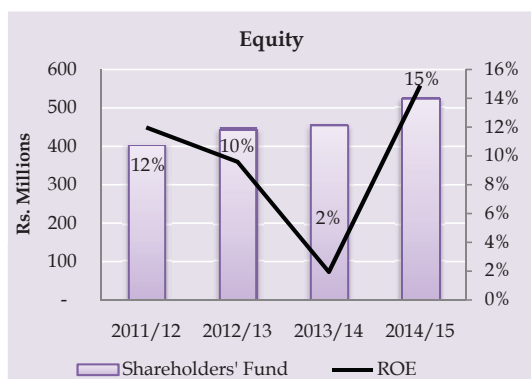
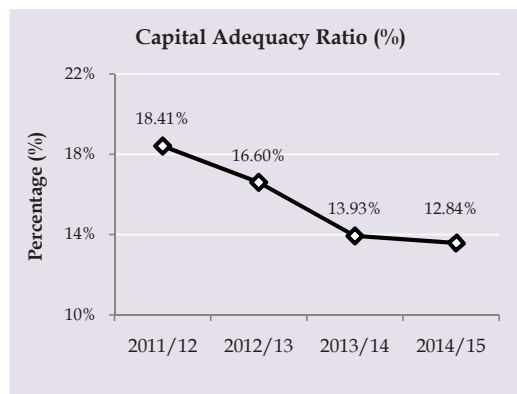
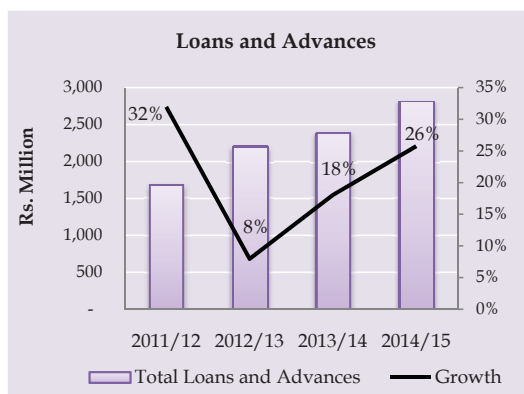
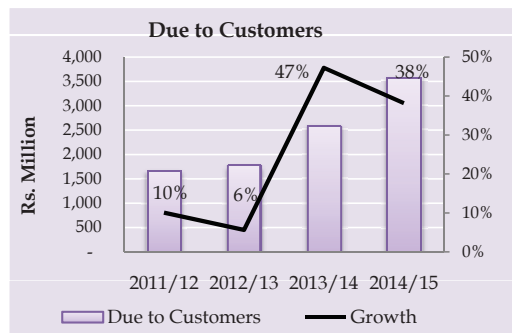
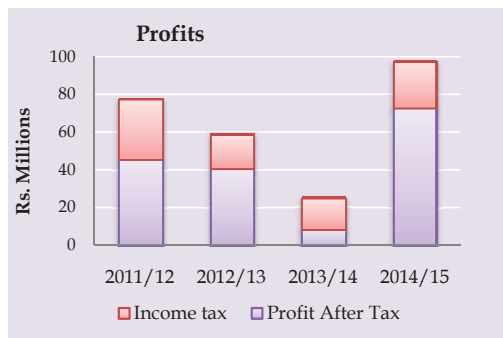
The synergetic effect and strategic alliance with the Abans group would be a critical success factor that we are well positioned in the market for the further expansion in the financial services industry. Further, through the implementation of a business model based on best practices, internally developed strengths and execution on risk management strategies have enhanced company's strength over rivals, creating entry barriers to the market in short term & medium term.

Notable improvement on profits and asset composition growth reflect our core strengths in relation to niche market strategy. This further emphasis creating opportunities for an expansion through combining entrepreneurial spirit with our high caliber employees to obtain the competitive edge on our niche market opportunities. As such Abans Finance PLC is well positioned to move towards the vision of the company.

FINANCIAL HIGHLIGHTS

	2014/15	2013/14	Change
Financial Performance (Rs. '000)			
Income	958,111	751,979	27.41%
Net Interest Income	443,858	301,305	47.31%
Net Fee and Commission Income	46,472	25,791	80.19%
Total Operating Income	502,882	342,307	46.91%
Profit Before Taxation	97,509	25,368	284.38%
Taxation	24,708	16,673	48.19%
Profit After Taxation	72,802	8,695	737.25%
Financial Position at the Year End (Rs. '000)			
Total Assets	4,774,124	3,707,340	28.78%
Loans and Advances to Customers	3,540,534	2,815,838	25.74%
Public Deposits	3,591,961	2,600,120	38.15%
Borrowings	155,851	385,536	-59.58%
Shareholders' Funds	524,870	452,895	15.89%
Profitability			
Return On Assets (%)	1.72%	0.26%	146 bps
Return On Equity (%)	14.89%	1.94%	1295 bps
Net Interest Margin (%)	10.47%	9.09%	138 bps
Cost to Income Ratio (%)	55.41%	57.71%	-230 bps
Investor Information			
Earnings Per Share (Rs.)	1.97	0.24	720.83%
Price to Earnings Ratio (Times)	13.08	122.50	-
Net Asset Values Per Share (Rs.)	14.19	12.24	15.93%
Market Value Per Share (Rs.)	25.50	29.40	-
Market Capitalization (Rs. Mn)	944	1088	-13.24%
Regulatory Ratios			
Capital Adequacy			
- Core Capital Ratio (%) (Minimum - 5%)	12.84%	13.93%	(109) bps
- Total Risk Weighted Capital Ratio (%) (Minimum - 10%)	12.84%	13.93%	(109) bps
Statutory Liquid Asset Ratio (%)	21.33%	16.88%	445 bps
Capital Funds to Total Deposit Liabilities (%) (Minimum - 10%)	14.61%	17.42%	(281) bps

FINANCIAL HIGHLIGHTS Cont'd.....



NON FINANCIAL HIGHLIGHTS

	2014/15	2013/14	Change
CUSTOMER			
Customer Growth Rate	88%	34%	53.99%
Deposit Customer Growth Rate	82%	13%	68.95%
Lending Customer Growth Rate	90%	42%	47.62%
EMPLOYEES			
Labour Turnover Ratio	20%	19%	0.77%
No of Training Hours	1586	1,484	102.00
Profit Per Employees (Rs.)	269,570	50,405	4.35%
GOVERNMENT INSTITUTIONS			
VAT on Financial Services (Rs -'000')	11,124	3,656	204.27%
Income Tax (Inclusive of Deferred Tax) (Rs -'000')	24,708	16,673	48.20%

CHAIRMAN'S MESSAGE

Dear Stakeholder,

It gives me great pleasure to welcome all of you to the Ninth Annual General Meeting of Abans Finance PLC and to present to you the audited Financial Statements and Annual Report for the year ended 31st March 2015.

While I leave it to our Managing Director to elaborate on the year's strategy followed, activities and accomplishments, I will take this opportunity to briefly share my perspective on the Company's performance against the macroeconomic landscape that prevailed in the year and future strategy and plans for the forthcoming year - seeking greater and sustainable success.

THE GLOBAL ECONOMY

The world economy continued to rebound at moderate levels. The advanced nations led by the United States and some Euro nations saw the revival in their consumer confidence and investor sentiments. Some of the Euro zone economies continued to be sluggish whilst Japan, despite fiscal and monetary stimuli regressed towards zero growth.

The emerging and developing nations although still strong managed to maintain the growth momentum given the pressures spurred from structural and policy constraints. The sharp decline in oil prices and the movement in exchange rate had an impact across the world with varying levels of impact. On the geopolitical front, uncertainties intensified by the conflicts in the Middle East and in Russia-Ukraine which together with climate change continued to affect global prospects.

The global economic growth in this setting is set at 3.4 percent in 2014 as was the case in the preceding year and the outlook for 2015 is still modest at 3.5 percent. ('World Economic Outlook April 2015', International Monetary Fund)

THE SRI LANKAN ECONOMY

Amidst uneven global economic trends and internal challenges, Sri Lanka succeeded to maintain a relatively balanced macroeconomic environment. The economy grew resiliently, reaching to a higher growth of 7.4 percent in 2014 which remained ahead of the regional players and those of the advanced nations. Industry and service sectors marked an improved performance whilst vagaries in weather stifled the agriculture sector from reaching to its potential growth.

Global oil prices declined in the second half of the year which was eased to mitigate the inflationary pressure in many economies. Sri Lanka was enabled to benefit from this by curtailing gas, tariffs, fuel and electricity based on a price mechanism. By the end March 2015 the inflation stood at single digit levels consistently.

This was enabled the government to reduce the policy rates further to stimulate the credit growth during the latter part of the year.

The monetary policy continued to be accommodative, underscoring record low market interest rates. Yet, private sector demand for credit was largely sluggish up until the latter part of the year. Inflation complemented by the falling trend in commodity prices in the world market was maintained at mid-single digit for the sixth successive year. The balance of payments marked improvements with a robust official reserve position by narrowing the current account deficit in 2014 to US\$2 billion from a deficit 2.5 billion in 2013 due to the inflows from remittances and the tourist arrivals. The Sri Lankan rupee was stood in a depreciatory situation which is significant in 2014. However the rupee was depreciated against the US\$ by 0.3% and rupee was appreciated against other major currencies. However the Fiscal consolidation, could not reach the anticipated results due to the political climate and economical uncertainty throughout the first half of the year 2015. The outlook for the year is set to achieve upper-mid income status and sustain the growth momentum. (Annual Report 2014, Central Bank of Sri Lanka).

NON-BANK FINANCIAL SECTOR (NBFI)

Benefiting from the eased monetary policy supported by the lower demand for credit, the money markets remained highly liquid. Amidst the low credit appetite in the non-bank financial sector it has been sluggish growth at the beginning of the year 2014. However the credit demand has been picked up during the latter part of the year due to low prevailing interest in the money market. As a result the accommodation has augmented by 16% compared to the previous year. The non business finance sector (NBFI) sustained its positioning in the economy, focusing on maintaining macro-prudential fundamentals. The Central Bank has been implemented mandatory regulations in relation to mergers and acquisitions enabled the sector to further consolidate and improve strength. The nonperforming portfolio was kept lower, reflecting a marginal increase, enabling profitability levels and margins to be increased. The growth in the asset base moderated within a lower level of growth in the private sector credit.

BUSINESS MODEL

Your Company stood to test on its business model which was developed after giving much thought with the aim of maintaining a competitive edge over the other players in the industry. The strategy of operating within a well defined profitable "Niche Market" worked well and resulted in enhanced profits and strength.

CHAIRMAN'S MESSAGE Cont'd.....

Moving away from short term measures of focusing merely on commercial viability within broader markets, the medium term approach of concentrating on profitable "niche market" has indeed set the pace for sustainability in operations.

In the face of complexities within the industry, the Company stood its test on its business model – responding, navigating and managing the operations to mark one of the best year performances in its history. Indeed, the strategy upheld in the year was certainly balanced.

The necessary checks and balances with astute policies in risk management together with the commitment to follow through best practices in corporate governance as per the relevant codes issued by the regulatory bodies further fortified the Company's positioning of being the topmost in the industry.

In such a business setting, we have to commend the team of workers for reaching out to commendable financial performance, improving shareholder returns. The Company was able to sustain net interest earnings and accomplish an impressive pre-tax profit of Rs. 97.5 million, up by 284.38 percent over the previous financial year. The operational discipline supported the Company to maintain the quality of its portfolio with the non performing ratio being within target. Return on Shareholders' Funds were sound at 14.89 percent.

The financial position as at the year-end was healthy and sound. The capital adequacy ratio of 12.84 percent was marginally above the norms stipulated by the Central Bank of Sri Lanka. Based on the financial results achieved by the Company.

OUTLOOK

Having marked the corporate journey through the years, upholding the right blend between our business strategy with a corporate culture that nurtures governance, environmental and social responsibility; the ensuing years will no doubt bring greater achievements for the Company.

The stronger prospects that lay ahead for the global economy in the medium to long term coupled with Sri Lanka's aspirations to reach a higher level of economic activity and social development, our Company has the true potential to reach excellence in operations - exploring internal prospects in terms of outreach, product versatility, value Addition, group synergies and strategic social responsibility; whilst reaching out to opportunities.

We have the necessary financial capability to reach out to our future aspirations - backed by the strength of the Abans brand; solid repute and standing of the parent company within the financial domain and its

well-knit subsidiary network; performance oriented and dynamic team; perceptive investments in modern technology to suit the new-age world of business; and effective risk management.

We will remain focused in engaging key stakeholders and foster good relations in our mission of creating shared value. The commitment to social responsibility will continue. We are well set to ensure that these aspirations are met in line with our corporate journey underscored by responsibility, accountability and professionalism. I am confident that my Board along with our Managing Director and his management team is well equipped and committed in this regard.

COMPLIANCE FOR GREATER GOVERNANCE

During the year under review, the Board focused more on improving its effectiveness towards governance while introducing comprehensive evaluations mechanisms and adopting policies on Corporate Governance. Going forward, we ensure that we will continuously commit improvements on transparency, accountability and reporting.

APPRECIATIONS

As I take on the responsibilities of chairman, I owe it to my colleagues at the Boards of Abans Finance PLC to extend my sincere gratitude for their support given to take forward the mission of this outstanding organisation.

My admiration is with the Managing Director and his management team to navigate the operations amidst challenges. I am confident of their spirit of management to brace future endeavours. I am conscious of the role played and extend my commendation to all employees for reaching to excellence in operational duties - a job well done!

Whist extending a thank you to all stakeholders namely the customers, Bankers and other business partners for their trust and confidence placed in our corporate mission, thus far, I call upon all, to rally and support our concerted efforts toward greater goals and prosperity.



Rusi Pestonjee
Chairman

28th July 2015

MANAGING DIRECTOR'S REVIEW

OVER VIEW

Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs) or Non-Bank Financial Institutions (NBFIs) represented 7% of the country's financial system. The LFC/SLC sector total assets registered a 18.9% growth in 2014 (2013- 20.3%) and accounted for Rs. 853 Bn. The Accommodations/ Loans and Advances amounted to Rs. 641 Bn as at end of 2014. This is a modest growth of 16% in comparison to 17.3% in 2013. Finance Leases, Hire Purchase and Secured Advances were the major components. Total Deposits of the sector grew by 22.7% in 2014 (2013-32.7%) to Rs. 414 Bn. The sector profits recorded an increase, mainly due to increased Net Interest Income and posted Rs. 13.9 Bn in 2014 compared to Rs. 7.7 Bn in 2013. Return on Assets (ROA) and Return on Equity (ROE) registered 3.10 % and 13.1%, respectively in comparison to 2.1% and 8.2% in 2013. Gross NPL ratio of the sector as at end of 2014 was 6.9%.

FINANCIAL PERFORMANCE

The company recorded a 24.0% growth in Interest Income in comparison to a 5.86% growth in Interest Expense during FY 2014/2015. The Total Interest Income for the year was Rs. 853.8Mn and the Interest Expense was Rs. 409.9 Mn. The company earned Net Interest Income of Rs. 443.9 Mn during the year under review which is a 47.31% growth. Total Operating Income of Rs. 502.9 Mn (2013/14 - Rs. 342.3 Mn) is a 46.91% growth. After impairment charges of Rs. 115.6 Mn (2013/14- Rs. 115.7 Mn), Net Operating Income for the year recorded Rs. 387.3 Mn, a growth of 70.92%. Pre-Tax Earnings for the year registered Rs. 97.5 Mn as against Rs. 25.3 Mn in the previous year. The company posted Net Earnings of Rs. 72.8 Mn in 2014/2015 in comparison to Rs. 8.7 Mn in 2013/2014. Return on Equity (ROE) for the year was Rs. 14.89% which is above the Industry Average of 13.1%. Return on Assets (ROA) for the year was 1.72% as against the in Industry Average of 3%.

Total Assets registered a 28.77% growth in Financial Year 2014/2015 (Industry Average -18.9%) and stood at Rs.4,774.1 Mn as at 31st March 2015. Accommodations / Loans and Advances grew by 25.74% which is well above the industry average of 16% and reached Rs. 3,540.5 Mn as at end of the year. The company recorded a 38.15% growth (Industry Average- 22.7%) in deposits during 2014/2015. The deposit Base as at 31st March 2015 stood at Rs. 3,591.9 Mn.

REGULATORY REQUIREMENTS

The proposed Consolidation Program of the Central Bank of Sri Lanka made it compulsory for the company to have a core capital of Rs. 1 Bn by 1st January 2016, a minimum level of Total Assets of Rs.8 Bn and compliance with Corporate Governance Practices to a defined level. The proposed program is now in

abeyance and meeting the above standards is not an essential pre-requisite at this stage. However, the high growth in risk assets due to growth in business requires the company to enhance its core capital in line with regulatory capital requirements. The Company will be compelled to infuse capital in order to maintain statutory ratios on capital adequacy. The consideration of options available to the company to fulfill this need will be a priority on the agenda of the company in order to increase the core capital beyond the Rs. 1 Bn mark that will ensure a further growth in the financial position and performance.

OUTLOOK

The business remains in a good position structurally to capitalize on broader market trends. There are still a number of issues left to resolve and we will make further progress on these in 2015/2016. Our 2014/2015 results show a business powered by our continued strength in the provinces.

LFCs / SLCs will encounter enormous competition in lending during the new financial year as well. The competition that prevails in the market for finance leases, the core product of SLCs and LFCs will be driven by competitive interest rates and service delivery times. In order to be competitive in the four wheeler segment, the company will have to offer competitive rates that will narrow interest margins from this segment. The scalability of the operation will be of importance in view of the low margins. We were able to overcome the impact in FY 2014/2015 as a result of our concentration on the two wheeler market at premium rates.

We will continue to engage in the two wheeler segment on finance leases to build our Advances portfolio with a greater magnitude. We have already organized our network of branches to a status that will assist to enhance delivery points with the assistance of the Hero two Wheeler showrooms and the Dealer network of the Abans Group. The sharing of common facilities including the IT platform of Abans PLC., is in place strengthening the recovery mechanism as well. The operational model of the company in respect of the two wheeler segment is an informal strategic alliance that has provided an enormous potential for growth for all parties.

We will build finance leases on four Wheelers, gradually in competition with others. A secured loan portfolio in addition to personal loans will ensure the prevalence of a fully diversified lending portfolio as a part of credit related risk mitigation.

Revenue growth will also be accelerated to move beyond Rs. 1 Bn mark and reach the next level of income generation. Our Statement of Financial Position as at end of 2015/2016 will remain strong.

MANAGING DIRECTOR'S REVIEW

We have set out benchmarks for all key financial indicators to ensure a performance that will be far above the industry averages. The early 2015/2016 performance has been encouraging and we expect this performance to continue throughout the year.

APPRECIATION

I am grateful to our Chairman, Mr. Rusi Pestonjee, for his advice and for the leadership given to the Board. Senior Director, Mr. V.K. Choksy and Audit Committee Chairman, Mr. Ajith S. Ratnayake contributed immensely in providing counsel to improve standards within the company to whom I offer my grateful thanks. Mr. Channa Pathirana, Non-Executive Director, was a source of strength for the development of the business on a continuous basis. I place on record my gratitude to Mr. Pathirana for his commitment.

Advisor to the Board, Dr. (Mrs.) S. Dubash was of immense strength to us, particularly in the IT front and it is my obligation to place on record my thanks for her valuable advice. I appreciate M/s Ernst & Young, External Auditors and the Chief Internal Auditor for the valuable services rendered. I am grateful for the hard work and dedication of the General Manager, Key Management Personnel and the Staff across the company during the year. Finally, my sincere thanks and appreciation go out to our customers and other stakeholders for their loyalty and continued patronage during the year under review.



Kithsiri Wanigasekara
Managing Director / CEO

28th July 2015

BUSINESS MODEL

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 8th April 2005 under the Companies Act No. 17 of 1982 and was re-registered in terms of new Companies Act No. 7 of 2007 on 15th June 2009.

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

The Company currently operates with ten Branches and nine Service Centres and Windows whilst developing and implementing strategies of reaching the customers with soundest financial solution in line with the mission of the organization. The approaches develop a core on differentiating the financial portfolio through niche market strategy has fostered the Abans Finance PLC to widen opportunities for growth, prosperity and success in the financial services industry.

Further the company has stepped up based on a clear direction in order to build the strength for the following years. Focusing on niche market and group synergy at Abans group has reflected as a core strengths in differentiating our portfolio and preserving public confidence has enabled to create driving forces to capitalize the brand value and position ourselves in the market.

Group Structure

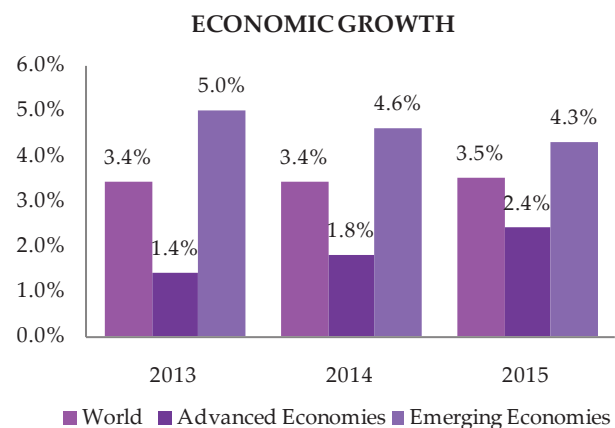
Abans Finance PLC is a member of Abans Group and is a subsidiary of Abans PLC, which holds 89.26 percent of shares of Abans Finance PLC. Accordingly the Company's Parent and Ultimate Parent Company is Abans PLC.

OPERATING ENVIRONMENT

Global Economic Environment and Outlook

As per World Economic Outlook of IMF, Global growth in 2014 was a modest 3.4%, reflecting an improvement in growth in advanced economies relative to the previous year and a decline in emerging market and developing economies. Mainly the Medium and Long-term trends, Global shocks, and many country or region-specific factors affected global activities in 2014.

According to IMF, growth is projected to be higher in 2015 relative to 2014 in advanced economies, but weaker in emerging markets, reflecting more subdued prospects for some large emerging market economies and oil exporters.



Source: IMF world economic outlook April-2015.

The following table demonstrates the economic growth relating to Advanced Economies and Emerging Economies.

Year	Economic Growth Rate (%)		
2013	3.4	1.4	5.0
2014	3.4	1.8	4.6
2015	3.5	2.4	4.3

Source: IMF world economic outlook April-2015.

Sri Lankan Economic Environment and Outlook

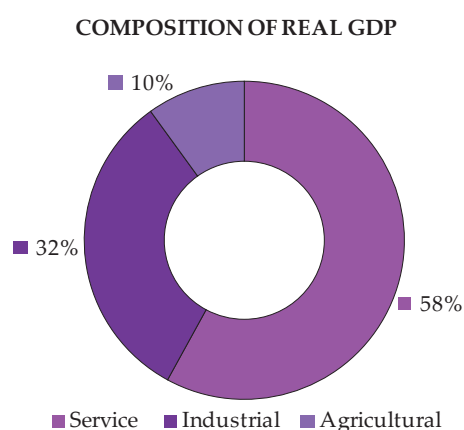
The Sri Lankan economy performance remains stable with the Real GDP growth of 7.4% in 2014 as against 7.2% in 2013 and which was significantly higher than the GDP growth of other South Asian Countries as well as Global Average Growth Rate. Accordingly, GDP per capita increased to US dollars 3,625 in 2014 from US dollars 3,280 in the previous year.

BUSINESS MODEL

Year	Real GDP Growth Rate (%)
2013	7.2
2014	7.4

Source: Annual Report of Central Bank of Sri Lanka- 2014

The service sector remained the key contributor to GDP, with a share of 58%, followed by industry and agriculture sectors accounting for 32% and 10% respectively.



Source: Annual Report of Central Bank of Sri Lanka- 2014

Inflation remained low at the rate of 3.3% in 2014 as against 4.7% in 2013 was also lower than the expected level of Central Bank, 4% to 6% in 2014, the inflation remained at single digit level as a result of a reduction in oil prices, prudent monetary policy and improved global economic conditions.

Year	Inflation (%)
2013	4.7
2014	3.3

Source: Annual Report of Central Bank of Sri Lanka- 2014

Budget deficit continued to decline to 5.2% as a percentage of GDP in 2014 in comparison to 5.8% in 2013.

The country's external sector remained stable during 2014, while the overall Balance Of Payments (BOP) recorded a surplus of USD 1.37 billion, mainly due to improved current account balance along with continued inflows to the financial account, in terms of Foreign Direct Investment (FDI) and receipts to the government. The Exchange rate policy in 2014 remained flexible with the minimum interventions

from the Central Bank of Sri Lanka. Even at present, Sri Lankan Rupee remaining stable against the USD mainly due to favourable conditions of BOP.

The Central Bank kept relatively relaxed monetary policy in 2014 in order to achieve economic growth through stimulating private sector credit growth, and develop a sustained low inflation environment. As a result in 2014, the average lending interest rate was 11.9%, relatively lower than 15.2% of 2013. Despite the above the average weighed deposit rate was reduced to 6.2%, compared to 9.4% of 2013.

Year	weighted Lending Rate (%)	weighted Deposit Rate (%)
2013	15.2	9.4
2014	11.9	6.2

Source: Annual Report of Central Bank of Sri Lanka- 2014

Non Bank Financial Institutions (NBFI) Sector performance

NBFI sector comprises of Licensed Finance Companies (LFCs) and Specialized Leasing Companies (SLCs), which represents 7% of the Sri Lankan financial system. In 2014 NBFI sector showed favorable conditions due to relaxed monetary policy, continuous business and recovery process of Central Bank. The consequent expansion of the above sector branch network shows rapid growth in business.

Year	No of NBFI Branches
2012	972
2013	1060
2014	1132

Source: Annual Report of Central Bank of Sri Lanka- 2014

In 2014, growth in the accommodations portfolio and liquid Assets aided to the growth of 18.9% of total assets base of NBFI reaching Rs 853Bn. However the growth of NBFI in terms of assets had declined to 18.9% compared to 20% in 2013.

Year	Assets Growth Rate (%)
2013	20.00
2014	18.90

Source: Annual Report of Central Bank of Sri Lanka- 2014

BUSINESS MODEL

Composition of Assets of the NBFi Sector

	2014 Rs Bn.	2013 Rs Bn.	Change %
Total assets.	853.00	717.60	18.90
Total Accommodations	641.40	553.10	16.00
Leasing.	276.00	249.10	10.80
Hire Purchases	121.00	122.20	(0.98)
Other Loans.	246.00	181.80	35.31
Liquid Assets.	82.400	57.40	43.55

Source: Annual Report of Central Bank of Sri Lanka- 2014

The main contributory factor of the growth in the accommodation portfolio is due to the record growth in Leasing product. In 2014, the average lending interest rate was 11.9%, relatively lower than 15.2% of 2013, as a result the focus of the customers has turned in to the finance leasing products.

However Hire Purchase in the industry has further declined compared to the previous year 2013/14. This is because finance companies curtailed 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 Purchases.

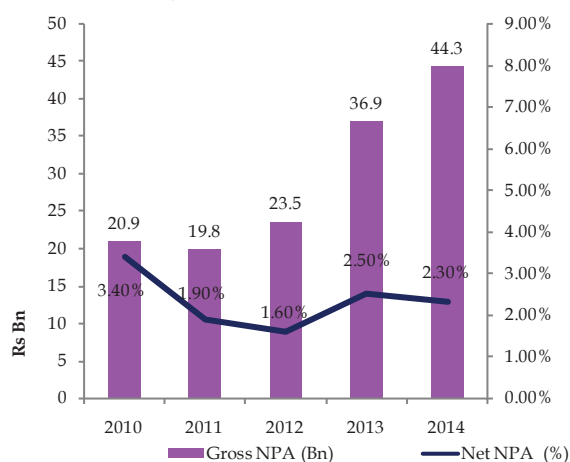
Composition of Liabilities of the NBFi Sector

Item	2014 Rs. Bn	2013 Rs. Bn	Change. %
Public Deposits.	414.00	337.30	22.70
Borrowings.	217.10	192.30	12.90
Capital Funds.	117.20	97.40	20.30

Source: Annual Report of Central Bank of Sri Lanka- 2014

The share of public deposit among the funding sources has been increased by 22.7% from Rs. 337.3Bn to Rs. 414Bn as the government increased fixed deposit interest rates for the senior citizens. Therefore Finance Companies introduced fixed deposit scheme with special interest rates, accordingly Public Deposit has become main funding source of the sector.

Non Performing Advances of the NBFi sector



Source: Annual Report of Central Bank of Sri Lanka- 2014

The overall amounts of non-performing accommodations (NPAs) were increased from Rs. 36.9 Bn in 2013 to Rs. 44.3Bn in 2014. The high lending interest rates that prevailed during 2012/2013 and gold price fluctuations in the international market which impacted the business of pawning resulted in increased NPA.

Profitability indicators of NBFi sectors

Year	Net Interest Margin (%)	ROA (%)	ROE (%)
2011	34.30	5.90	7.60
2012	18.90	4.20	7.40
2013	8.20	2.10	6.60
2014	13.10	3.10	8.00

Source: Annual Report of Central Bank of Sri Lanka- 2014

NBFi sector profit increase is because of increased net interest margin despite the increased operational cost, In addition to the above, the mergers and acquisitions enhanced the sector to further consolidate and improve strength reflecting a marginal increase in profitability levels.

BUSINESS MODEL

STAKEHOLDERS

Stakeholder Analysis

Our relationship with all our stakeholders impact directly and indirectly on our business activities and reputation. Accordingly we have identified the following stakeholders that we require to engage with in developing the strategies.

- ❖ Customers
- ❖ Employees
- ❖ Investors
- ❖ Government Institutions and Regulators
- ❖ Business Partners
- ❖ Society

Stakeholders Engagement

We engage with our stakeholders for several constructive reasons such as to communicate about business strategies and activities in response to their expectations, to minimizing reputational risk and to enhance their favourable influence over our 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

Material Economic aspects

Economic performance facilitates the Company in business growth and profitability which will benefit not only the organization but also to the customers, society and the nation as a whole. Therefore, the management considers the stable growth supported with reasonable margins as a major aspect. Abans Finance focuses on the market presences which is a critical factor to serves the rural areas.

Material Environment aspects

Every business encounters the challenges of reduction of natural resources which in turn the business have to focuses on moving towards alternative resources, reducing waste, recycling and reusing the materials. The Company insists on social responsibility amongst employees for effective and efficient use of materials and energy.

Employees

Abans Finance recognizes the human capital and depends on them to deliver the most possible service to customers. Therefore, the Company has taken every action to motivate the human resources by means of monetarily and non-monetarily. The Company complies with the labour legislations and promotes

reorganization and rewarding system, equal opportunity, free from discrimination & harassment and training and education opportunities in order to retain the human assets.

Society

The Company's branch and Service Center network supports to serve better to the community. Further the Company's engagement in Corporate Social Responsibility activities, ethical behavior in conducting business and compliance with the laws and regulations while engage in business activities, facilitate engaging with the society.

Customers

The Company maintains a transparent mechanism when offering financial products and services to its customers. We ensure that the communications to the customers carries accurate information to educate our customers. Further, the Company places high importance on customer privacy and maintains secure systems that ensures the customer information is kept with due care.

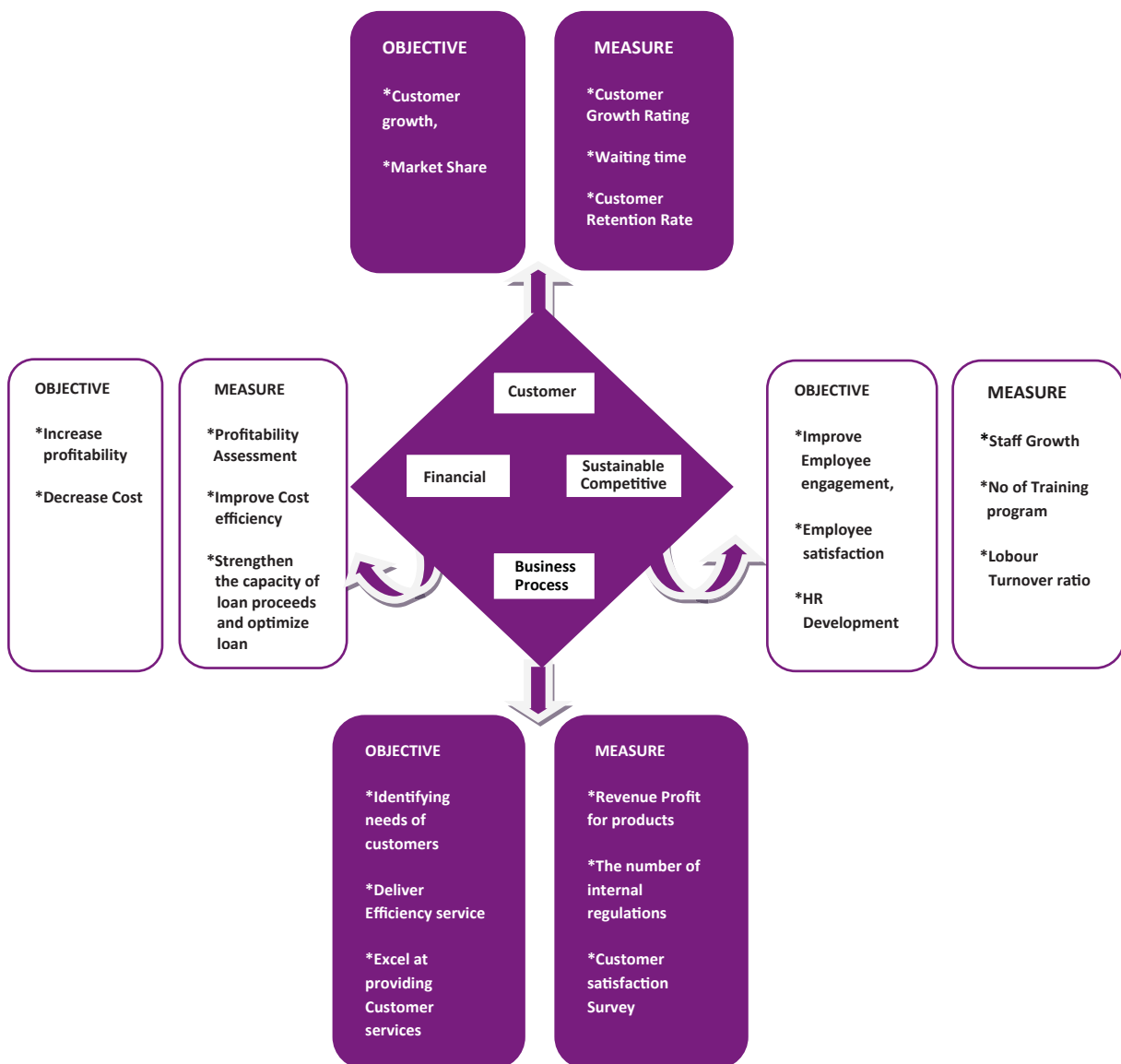
BUSINESS MODEL

STAKEHOLDERS

BALANCE SCORECARD

Balance scorecard is not only an indicator of appraisal system, but also a strategic management system. The use of Balance Scorecard breaks the traditional single use financial of indicator methods which measure performance it adds the future drivers in the financial indicators, which is customer factors, internal business process and employee learning and growth.

Based on above Balance scorecard (BSC) performance management evaluation index system of Abans Finance is divided in to four angles, that are Customers, Business Process, Financial and Enterprise sustainable competitive advantage. Following flow chart demonstrate BSC of Abans Finance PLC.



MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

INTERNAL CAPITAL FORMATION

Internal capital constitutes financial capital and Institutional capital. This 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 our strength on profitable niche market with the group synergy. The precise execution of niche market strategy in financial service industry by the management of the company coupled with the internally developed strengths and execution of risk management strategies have enabled us to achieve the best performance in the year under review. Further, achievement includes growth in investing in the Human capital, Technology, setting up of service centers, expansion of branch network and service network.

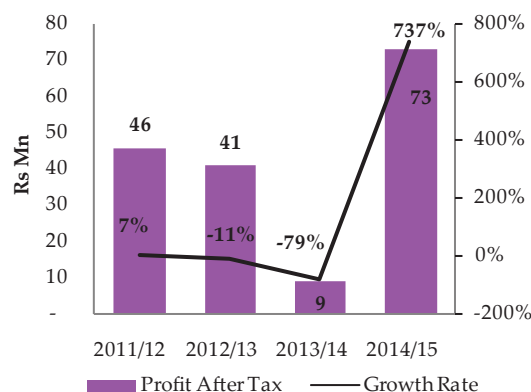
Statement of Comprehensive Income

Indicators	2014/15 "Rs 000"	2014/13 "Rs 000"	Change %
Net Interest Income	443,858	301,305	47.31
Net Fee and Commission Income	46,472	25,791	80.19
Net Gain from Trading	1,830	273	571.28
Other Operating Income (net)	10,721	14,939	(28.24)
Total Operating Income	502,882	342,307	46.91
Impairment Charges	115,593	115,722	(0.11)
Net Operating Income	387,289	226,586	70.92
Operating Expenses	278,656	197,562	41.05
VAT & NBT on Financial Services	11,124	3,656	204.30
Profit before Taxation from Operations	97,509	25,368	284.38
Provision for Income Taxation	24,708	16,673	48.19
Profit for the Year	72,802	8,695	737.25

Profitability

The profit for the year in 2014/15 revealed an exemplary growth of 737% to Rs. 72.80Mn from Rs. 8.69 Mn in 2013/14. This is the highest best performance achieved by the company in the history. The growth of the Net profit was led by the persistence concentration on niche marketing strategy and efficient management of treasury investments.

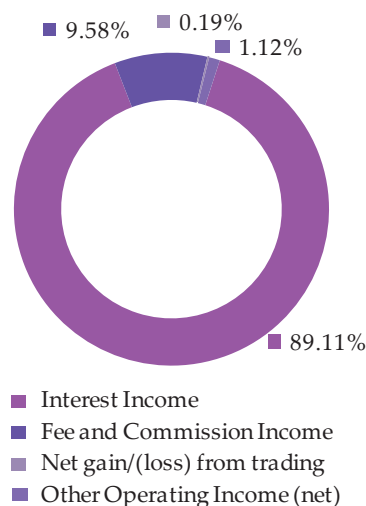
Profit After Tax



Gross Income

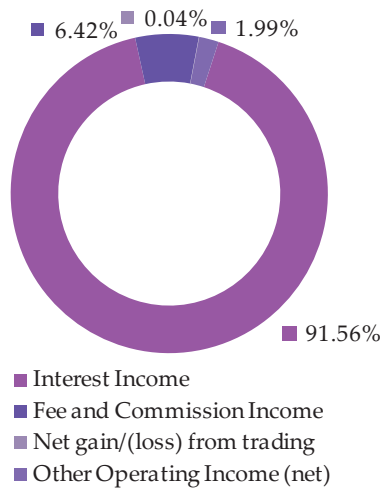
Gross income constitutes interest income, fee and commission income, net gain / loss from the trading and other operating income. Gross income was Rs. 958 Mn depicting an increase of 27.41% over Rs. 752 Mn in 2013/14. The following chart demonstrates the composition of Gross Income.

Composition of Gross Income - 2014/15



MANAGEMENT DISCUSSION AND ANALYSIS
VALUE CREATION AND INTERNAL CAPITAL FORMATION

Composition of Gross Income 2013/14



Interest Income

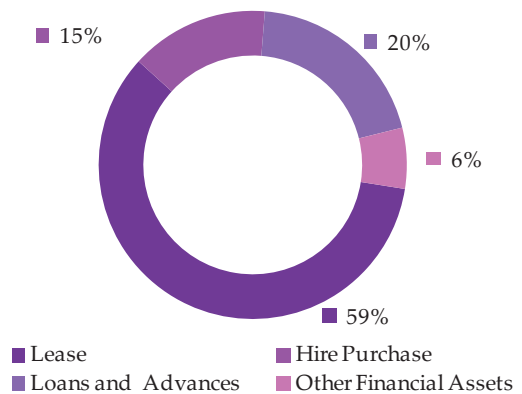
Interest income of the company rose by 24% to a healthy level of Rs. 854Mn and accounted for 89.11% of the total income. The interest income comprise of interest income from Leasing, Hire Purchase, Loans & Advances and Treasury & other Assets.

Growth in the interest income was mainly supported with high growth achieved in the interest income from leasing which recorded 107%. The company’s strategy on enhancing Hero Leasing portfolio successfully contributed to enhance the interest income on Leasing.

Net Interest Income (NII)

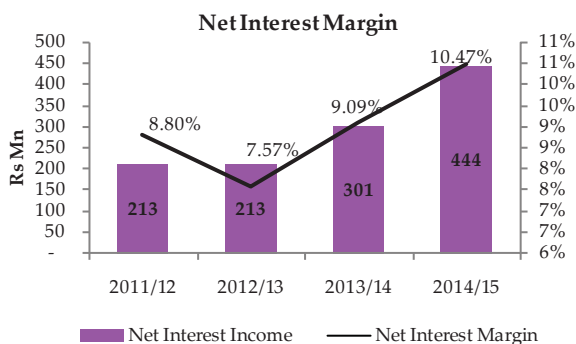
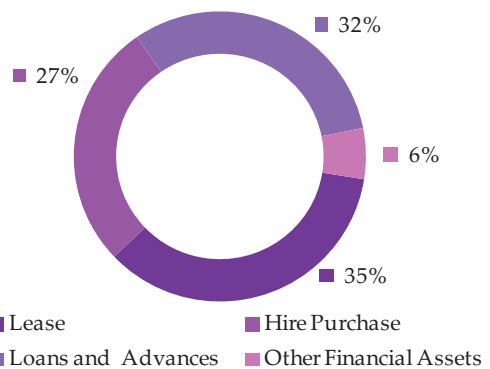
Indicator	2014/15 "Rs.000"	2014/13 "Rs.000"	Change %
Lease rentals receivable & Stock out on hire	629,677	432,669	45.53%
Loans and Advances	169,517	217,077	(21.91%)
Other Financial Assets	54,579	38,778	40.75%
Gross Interest Income	853,772	688,523	24.00%
Due to bank	20,645	54,542	(62.15%)
Due to customers	384,362	299,134	28.49%
Debt Instrument and others	4,907	33,543	(85.37%)
Interest Expenses	409,914	387,219	5.86%
Net Interest Income	443,858	301,305	47.31%

Composition of Interest Income 2014/15



Net Interest Income of the company has risen by 47.31% to a healthy level of Rs.443.86 Mn compared to Rs. 301.3Mn in 2013/14. Despite reduction in market interest rates for both lending and borrowing, the company was able to achieve healthy net profit due to niche marketing strategy adapted. The net interest margin for the year ended 31st March 2015, recorded 10.47% compared to 9.09% in the previous year.

Composition of Interest Income 2013/14



MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

Interest Expenses

Interest expense of the company deployed an increase of 5.86% compared to a healthier improvement in deposit base of 38.15%, being single contributory factor to interest expense. The company is able to manage the growth of interest expense compared to previous year due to low interest rates prevailed during the year under review.

Net Fee and Commission Income

Fee and commission income comprise of the credit related fees, commissions and service charges. Fee and commission Income has increased by 90.26% amounting to Rs 43.54 Mn compared to 2013/14 as a result of increment in Lease facilities granted. Service charges have significantly contributed to enhance the fees and commission income source by Rs 36.5 Mn. Meanwhile Fee and Commission Expense has also increased by 102% amounting to Rs 22.86 Mn during the year under review. Fee and Commission expense includes the Brokerage Fees paid for the inducement of business. The increase in Brokerage Fee is evidence by the high growth in the volume of Hero Leasing during the year under review.

Net Gain/Loss from Trading

Net Trading income comprises of income earned from trading securities portfolio which are in the form of Dividend income, Gain or Loss in marking to market of the portfolio and profits realized through disposal of securities.

The low interest rate environment prevailed during the year enabled the finance companies to benefit from volatiles in the securities in the trading market. As a result, gain from marking to market valuation of existing dealing securities led to increase the net gain from trading by Rs 1.56 Mn.

Other Operating Income

Other operating income of Rs.10.7Mn in 2014/15 consisted of Bad debts, Recoveries, Rent Income from leases, Income from sale of investment in units. The company has recorded a reduction of 28.24% in comparison to Rs.14.94Mn recorded in the year of 2013/14. This decline was mainly due to reduction of write off recoveries.

Impairment Charges for loans and other Losses

Indicator	2014/15 Rs."000"	2013/14 Rs."000"	Change %
Loans and Advances	6,906	40,965	(83.14)
Lease and stockout on hire	44,239	44,338	(0.22)
Other Debtors	64,448	30,419	111.86
Total Impairment Charge	115,593	115,722	(0.11)

Total Impairment charge has marginally decreased by 0.11% compared to 2013/14, due to reduction in impairment of loans and advances to Rs 6.9Mn for the year under review compared to Rs 40.9Mn for 2013/14. This is due to tightened credit origination standards for property mortgages which decelerate the growth in Revolving and Mortgage facilities based on the past experience. Further, the reduction in impairment also witnessed the curtailment of portfolio delinquency.

However impairment charges on other debtors increased to Rs 64.4Mn during the year under review compared to Rs 30.4Mn in 2013/14. This is due to the strategy followed by the company to dispose the reprocessed assets quickly in order to avoid further deterioration. Even though the Non-Performing ratio is relatively higher than the industry average, the company is confident that it can be recovered in the following years since they are collateralized.

The impairment provisions are calculated based on credit risk assessment of accommodations both on an individual basis (for significant facilities) and a collective basis in compliance with the Sri Lanka Financial Reporting Standards. An analysis of Individual vs. Collective Impairment Provision for Loans & Advances and Other Financial Assets as at the reporting date is as follows;

MANAGEMENT DISCUSSION AND ANALYSIS

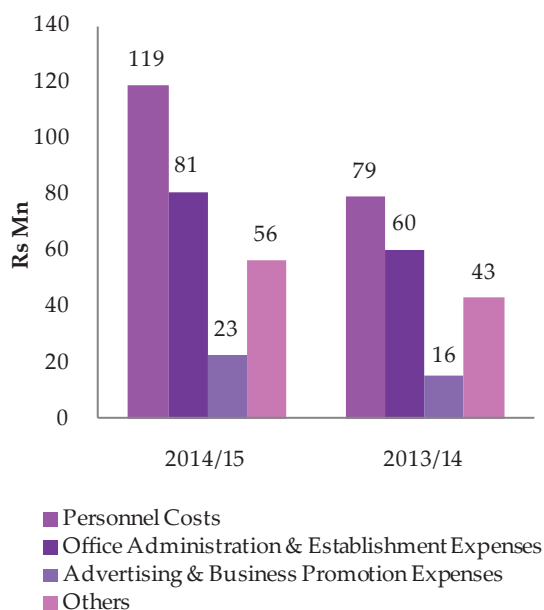
VALUE CREATION AND INTERNAL CAPITAL FORMATION

Indicator	2014/15 Rs."000"	2013/14 Rs."000"	Change %
Loans and Advances			
Individual	11,631	11,239	3.49
Collective	50,173	51,958	(3.44)
Total	61,804	63,197	(2.20)
Loans and Stockout on hire			
Individual	69,241	17,112	304.64
Collective	126,372	134,815	(6.26)
Total	195,613	151,926	28.75
Other Financial Assets			
Individual	5,776	-	100.00
Collective	96,851	38,228	153.35
Total	102,628	38,228	168.46
Total Impairment Provision	360,045	253,351	42.11

Total Operating Expenses

Operating Expenses comprise Personnel Expenses, Depreciation of Property, Plant & Equipment, Amortization of Intangible Assets, Professional & Legal Expenses, Office Administration & Establishment Expenses and Advertising & Business Promotion Expenses.

Total Operating Expenses



The main contributors towards operating expenses are Personnel cost and Office Administration & Establishment Expenses which has increased by 50% and 34% respectively opposed to 2013/14. The company continues investment in Human Capital and infrastructure with the expansion of operations has resulted in the increase of operating expenses.

Taxation

Indicator	2014/15 Rs."000"	2013/14 Rs."000"	Change %
VAT & NBT on Financial Services	(11,124)	(3,656)	204
Provision for Income Tax	(24,708)	(16,673)	48

According to the applicable tax rules, the Company is liable for VAT and NBT on Financial services at 11% (w.e.f. January 2015) and 2% respectively, and also the company's profit is taxed at 28%. The income tax expense of the company for the year ended 31st March 2015 amounted Rs 24.71 Mn compared to Rs 16.67 Mn in 2013/14.

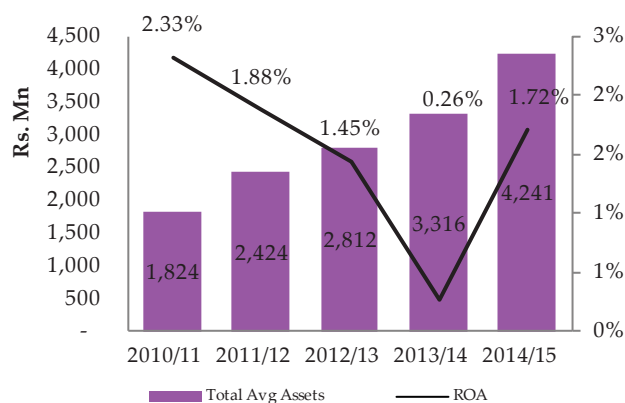
Tax expense has increased simultaneous to the increment in operating profit. Nevertheless VAT & NBT on Financial services has increased by higher rate due to change in law applicable on VAT on FS amounted to Rs 7.47Mn. Leases became liable for VAT on FS and exempted from normal VAT with the removal of the exemption with effect from October 2014.

Return on Assets

The total assets of the company recorded a growth of 28.78% and stood at Rs.4.77Bn as at 31 March 2015 compared to Rs.3.71Mn as at 31 March 2014.

Return on Assets (ROA) was 1.72% in the current year. It is an Improvement of a 562% over the comparative year.

Average Total Assets & Return on Assets

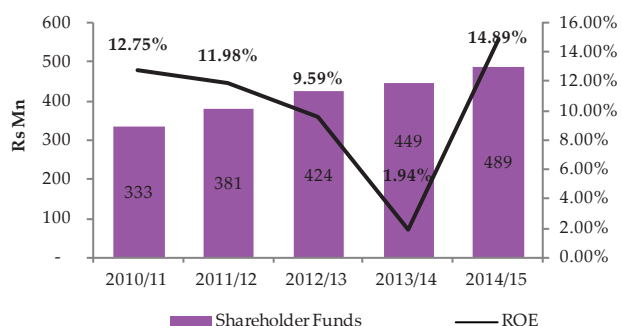


MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

Return on Equity

As at end of the financial year under review, the Return on Equity recorded 14.89% which significantly higher than the Weighted Average Fixed Deposit Rate and Average of twelve month Treasury Bill rate of 8.12% and 6.40% respectively.

Average Shareholder Fund's & Return on Equity



Financial Position

Assets & Liabilities

A summary of the Assets and Liabilities portfolio of the company is given bellow;

Indicator	2014/15 Rs."000"	2013/14 RS."000"	Change %
Total Assets	4,774,124	3,707,340	28.77
Gross Loans and Receivables	3,801,468	2,815,838	35.00
Investments	888,544	510,176	74.16
Total liabilities	4,249,254	3,254,445	30.57
Customer Deposits	3,591,961	2,600,120	38.15
Borrowings	-	122,266	100.00
Total Shareholders' Funds	524,870	452,895	15.89

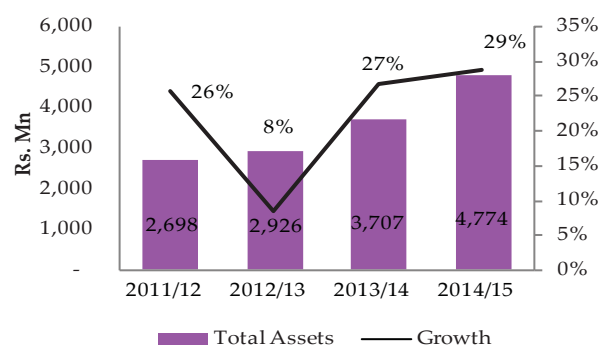
The company recorded a growth of 28.77% in Total Assets compared to the growth of 26.72% in 2013/14. Growth in the public deposits was at 38.15% compared to previous year.

Total Assets

Indicator	2014/15 Rs."000"	2013/14 Rs."000"	Change %
Cash and Treasury Assets	849,460	608,181	39.67
Financial Investments Held for Trading	7,370	7,050	4.54
Financial Investments Available for Sale	100,211	80	4.54
Loans and Advance	637,249	742,250	(14.15)
Lease rentals receivable & Stockout on hire	2,903,285	2,073,588	40.01
Real Estate Stock	97,140	130,861	(25.77)
Other Assets	179,409	145,329	92.30
Total Assets	4,774,124	3,707,340	28.77

The total Assets of the company recorded a growth of 28.77% and amounted to Rs. 4,774 Mn as at 31st March 2015 compared to Rs. 3,707 Mn as at end of the previous year. The growth was supported by increment in total accommodation (Net) and growth in the Liquid Assets.

Assets Growth



The growth in Total Accommodations is mainly supported by the increase in Hero Leasing product. Management continuation of the niche market strategy pertaining to the two wheeler product, through developing a core business model with the synergetic effect and the alliance of the Group, were critical success factor to obtain a notable growth in lease portfolio.

Cash and Treasury Assets

Cash and Treasury assets comprises of Securities purchased under resale agreement, Placement with Banks, Investments in Treasury Bonds, Investment in Debt Securities, current accounts with Banks and cash in hand. Total Cash and treasury assets grew by 39.67% amounted to Rs. 849Mn as at 31st March 2015, over the position of Rs. 698.13 Mn reported as at 31st March 2014, in order to meet the immediate cash requirements of depositors and growing daily operations as well as to be compliance with liquidity requirements of Central Bank of Sri Lanka.

MANAGEMENT DISCUSSION AND ANALYSIS

VALUE CREATION AND INTERNAL CAPITAL FORMATION

Financial Assets Held for Trading

Financial Assets Held for Trading amounted to Rs. 7.37 Mn comprise the company's investment in the public quoted shares of Banking & Finance, Hotels & Travels, Power & Energy and Diversified Holdings. Gain from marking to market value of financial assets held for trading amounted to Rs. 4.59 Mn in 2014/15.

Financial Investments - Available for Sale

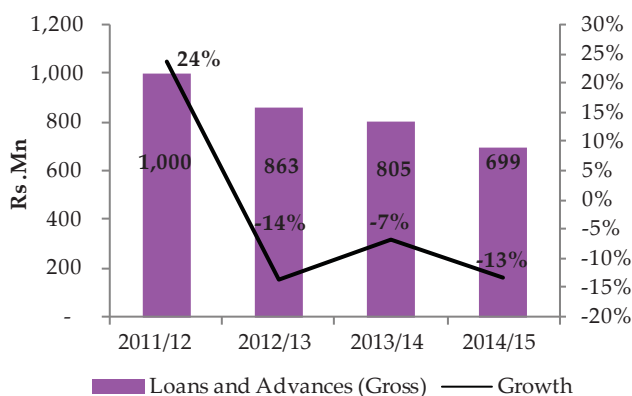
Financial Investments - Available for Sale comprising investment in units and equity securities of Credit Information Bureau of Sri Lanka increased by Rs. 100Mn, due to new investment in units amounted to Rs. 100Mn.

Gross Loans and Receivable

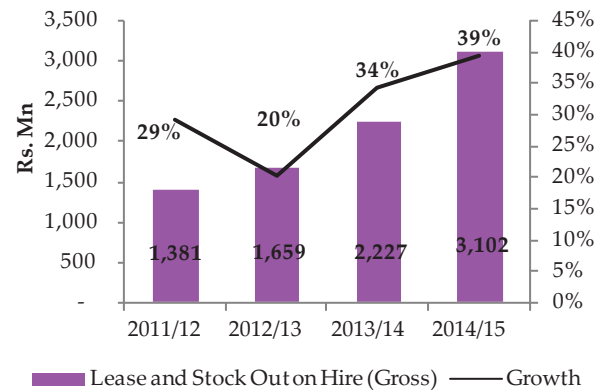
Indicator	2014/15 Rs."000"	2013/14 Rs."000"	Change %
Lease	2,660,749	1,447,433	83.83
Hire purchase	419,474	744,390	(43.65)
Consumer Credit	22,192	35,332	(37.19)
Lease and Stock Out on Hire (Gross)	3,102,415	2,227,155	39.30
Real Estate Loans	6,748	9,012	(25.13)
Mortgage Loans	320,500	365,795	(12.38)
Vehicle Loans	8,891	11,322	(21.47)
Personnel Loans	115,453	115,264	0.16
Loans against Fixed Deposits	92,517	68,619	34.83
Staff Loans	23,048	16,337	41.08
Revolving Loans	112,808	219,098	(48.51)
Related Party receivables	19,088	-	100.00
Loans and Advances (Gross)	699,052	805,447	(13.21)
Total Loans and Receivable	3,801,468	3,032,601	25.35

Total Loans and Receivables were increased by 25.35% during the year under review which is amounted Rs.3,801 Mn as at 31st March 2015 compared to Rs.3,033 Mn at the end of the previous year. This growth is well above the industry average of 16%.

Loans and Advances



Lease and Stock Out on Hire



Loans and Advances were declined by 13.21% during the year under review which amounted to Rs.699 Mn as at 31st March 2015 compared to Rs. 805 Mn at 31st March 2014. This is mainly due to decrease in Mortgage Loans and Revolving Loans by 12.38% and 48.51% respectively.

Payment delays in the government construction projects have created the cash flow problems to loan customers and as a result repayment of the Loans Capital and Interest deviated in the year of under review. Therefore the management promptly imposed restrictions on the disbursement of Mortgage and Revolving Loans. Further the management is confident that this situation will change in the forth coming year.

Year on Year it is notable a higher growth in Hero Leasing product with the implementation of the core business model in exploitable Niche Market. As such Hero Leasing has increased by 158.61% which is amounted to Rs. 2,160 Mn in the current year compared to Rs. 835 Mn in the previous year.

Leasing of other products were decreased by 18.21% compared to the previous year due to continuation of management focus on two wheelers products which resulted to declining the granting of other Leasing products in the year under review. Further because of favorable changes in VAT regulations for Leasing, Company Hire Purchase portfolio reduced by 43.65% compared to the previous year.

Assets Quality

The challenges in the business environment have resulted in the sector facing difficulties in maintaining the Asset Quality. Non Performing Loans (NPL) Ratio of the NBFI sector has risen up to 6.9% in 2014 (December) from 6.7% in the previous year.

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

The Company also had an impact on the Assets Quality which resulted in high impairment during the year. The gross portfolio of Non Performing Accommodations of the Company rose to 13.21% during the year under review from 11.78% in the previous year 2013/14.

Total Liabilities

Indicator	2014/15 Rs."000"	2013/14 Rs."000"	Change %
Due to Banks	155,851	263,271	(40.80)
Due to Customers	3,591,961	2,600,120	38.15
Debt Instruments Issued and Other borrowed funds	-	122,266	(100.00)
Other Financial and Non Financial Liabilities	501,442	268,789	86.56
Total Liability	4,249,254	3,254,445	30.57

During the year under review the Company recorded 30.57% an increase on Total Liabilities compared to the previous year. This was mainly driven by the significant increase in the mobilization of the public deposits.

Public Deposits

The Company's Public Deposits grew significantly by 38.15% and reached Rs. 3,592 Mn during the year under review. The industry average growth rate stood at 22.7%.

Introduction of diversified deposit schemes have contributed to attract more public deposits above the industry average which utilized to fund the expanded operations.

Due to Banks and Debt Instruments

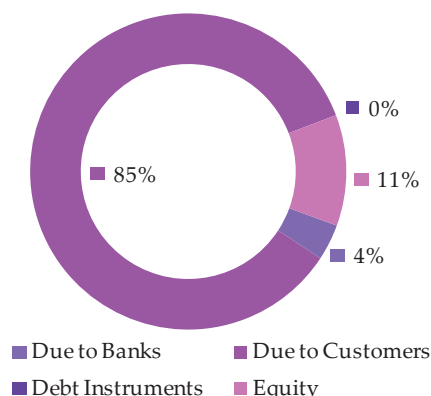
Due to banks comprising loan facilities obtained from banks and utilized bank overdraft facilities decreased to Rs.155.85Mn, during the year compared to Rs. 263.27Mn as at 31st March 2014.

The company has fully paid off the short term borrowing obtained through commercial papers which amounted to Rs.122.26 Mn. High growth in public deposits has contributed to decline in borrowing from other sources.

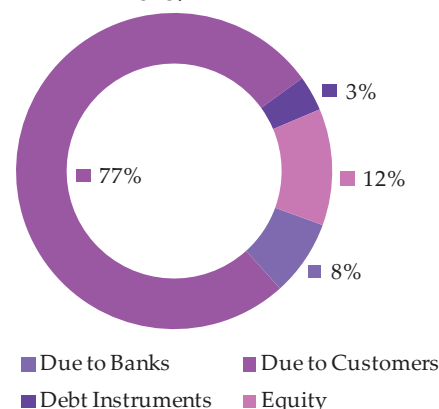
Funding composition

Funding composition of the company includes Equity Capital, Public Deposits, Bank Loans and Debt securities. The composition has changed slightly due to rise in Public Deposits.

Composition of Liabilities
2014/15



Composition of Liabilities
2013/14



Cash Flow

The favourable balance of cash and cash equivalents stood at Rs. 745.03 Mn as at 31st March 2015 compared to Rs.499.57 Mn as at 31st March 2014. Operating activities contributed by Rs. 591.65 Mn for the favourable balance whilst net cash used in investing and finance activities amounted to Rs.120.99Mn and Rs. 225.21 Mn respectively.

Shareholder's Funds

The shareholders fund grew by 16% and amounted to Rs.524.87 Mn as at 31st March 2015 compared to Rs.452.89 Mn as at 31st March 2014. The main contributory factor to this increase is the achievement of substantial profit after tax during the year under review.

MANAGEMENT DISCUSSION AND ANALYSIS

VALUE CREATION AND INTERNAL CAPITAL FORMATION

Liquidity Position

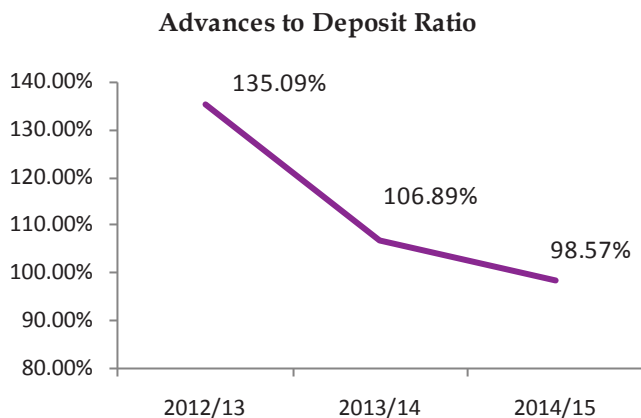
Advances to Deposits Ratio

Indicator	2012/13	2013/14	2014/15
Advances to Deposits ratio	135.09%	106.89%	98.57%

A lending institution that accepts deposits must have a certain measure of liquidity to maintain its normal daily operations and to cover withdrawals made by its customers.

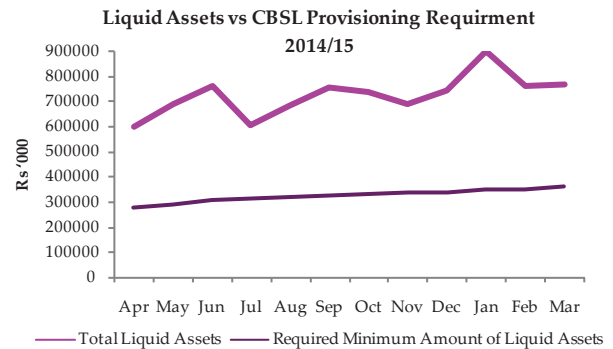
The Company's advance to deposit ratio stand at 98.57% which interpret that the company have adequate liquidity to maintain the normal daily operations while maximizing the profitability.

The following demonstrate the movement of Advances to Deposit Ratio.



Liquid Assets Ratio

As per the directions of the Central Bank of Sri Lanka every finance company should maintain a minimum holding of liquid assets which is total of 10% of Time Deposits & Face Value of Certificate of Deposits, 15% of Savings Deposits and 10% of Outstanding Borrowings excluding secured borrowings and borrowings considered as capital funds. Abans Finance PLC by adhering to such requirements, have enabled to maintain a healthy liquidity.



Capital Adequacy

Finance companies are highly leveraged institutions and they depend on borrowed funds and on minimal Capital. Therefore, the companies need to maintain stipulated level of capital. The Abans Finance PLC successfully maintained core capital and total Capital ratio of 12.84% as at 31st March 2015, which well above the minimum statutory requirement of 5% and 10% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

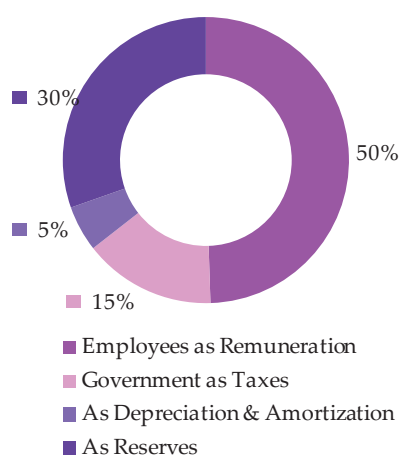
Economic Value Generated and distributed

The Company continued to create value for itself for growth and to meet any unforeseen event. 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:

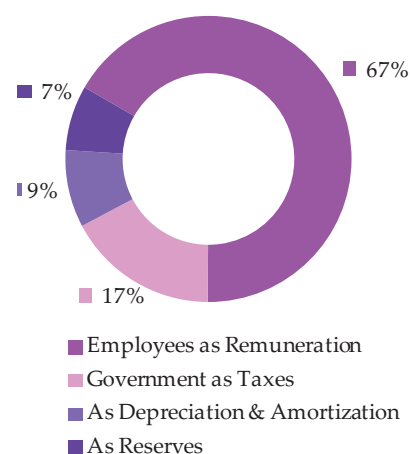
Value Addition and Distribution

For the year ended 31 March	2015 Rs.'000	%	2014 Rs. '000	%
Value Added				
Income earned by providing Financial Services	956,280		751,706	
Cost of Services	(602,883)		(517,887)	
Value added by financial services	353,397		233,819	
Net gain / (loss) from trading	1,830		273	
Impairment	(115,593)		(115,722)	
Total Value Added	239,634		118,370	
Value Allocated				
Employees as Remuneration	118,588	49.49	78,999	66.74
Government as Taxes	35,832	14.95	20,328	17.17
Shareholders as Dividends	-	-	-	-
Retained within the Business				
- As depreciation & amortization	12,412	5.18	10,348	8.74
- As reserves	72,802	30.38	8,695	7.35
Total Value Allocated	239,634	100.00	118,370	100.00

Value Distribution - 2014/15



Value Distribution - 2013/14



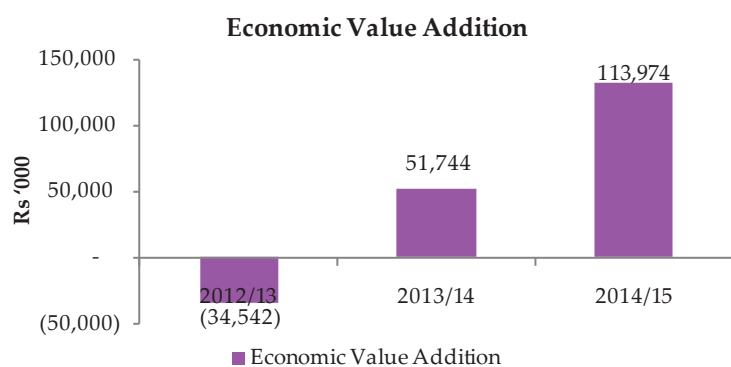
MANAGEMENT DISCUSSION AND ANALYSIS

VALUE CREATION AND INTERNAL CAPITAL FORMATION

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;

	2015	2014	2013
For the year Ended 31st March	Rs."000"	Rs."000"	Rs."000"
Shareholders Funds	524,870	452,895	444,225
Accumilated Provision for Impairment chargers	360,045	253,351	142,869
	884,915	706,246	587,094
Profit Attributable to:			
Shareholders	72,802	8,695	40,688
Add-Impairment Provision	115,593	115,722	5,134
	188,395	124,417	45,831
Economic Cost(Average Tresaurry Bill Rate+2% Risk Premium)	8.41%	10.29%	13.69%
Economic Cost	74,421	72,673	80,373
Economic Value Addition	113,974	51,744	(34,542)



MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

Sources and Utilization of Income

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

For the year ended 31 March	2015 Rs. "000"	%	2014 Rs. "000"	%
Sources of Income				
Loans & Advances	799,194	83.41	649,745	86.40
Government Securities	32,025	3.34	19,401	2.58
Other Financial Assets	22,553	2.35	19,377	2.58
Fee & Commission Income	91,787	9.58	48,244	6.42
Others	12,552	1.31	15,212	2.02
Total	958,111	100.00	751,979	100.00
Utilisation of Income				
To Employees				
Personnel Expenses	118,588	12.38	78,999	10.51
To Suppliers				
Interest Paid	409,914	42.78	387,219	51.49
Other Expenses	192,971	20.14	130,668	17.38
Depreciation & Amortization	12,412	1.30	10,348	1.38
Provision for Credit Losses	115,593	12.06	115,722	15.39
To Government				
VAT & NBT on Financial Services	11,124	1.16	3,656	0.49
Income Tax (Inclusive of Deferred Tax)	24,708	2.58	16,673	2.22
To Shareholders				
Dividends				
Retained Profit	72,802	7.60	8,695	1.16
Total	958,111	100.00	751,979	100.00

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

INSTITUTIONAL CAPITAL

Institutional Capital entails non financial aspects such as organizational knowledge, brand value, corporate culture, systems and procedures, business ethics etc. These Non Financial aspects are required for an organization to create a sustainable value for the stakeholders. Unlike the Financial Capital, a value cannot be placed on these components.

Organizational Knowledge

Abans Finance, a member of Abans Group playing an innovative role in fulfilling customer needs in 2006. The Company entered into NBFI sector as a Leasing Company and upgraded to a Finance Company in 2007 and registered with the Monetary Board of Central Bank of Sri Lanka as a Licensed Finance Company. The Company is growing towards becoming a most soundest financial service provider, based on past experience, new thinking and synergies which arise from Abans Group.

Brand Value

Further improvement of the reputation emphasize that Abans Finance is providing highest quality financial services for nearly ten years. We recognize the importance of the brand and constantly evolved creating to the needs of Customer base with the support of the large conglomerate, Abans. Abans Finance PLC has conducted Customer satisfaction surveys continuously to monitor the progression on the quality of financial service.

Business Ethics and Integrity

Ethics would emphasis morally right things in the value system. Therefore development of such a ethical culture in our value system is more important to Abans Finance. The Organization tends to maintain the integrity continuously to reflect our ethical behavior towards our stakeholders. The Company pays close attention to implement right ethical decisions on its day to day operations with active participation which emphasis the commitment from all levels of the organization. These clearly enable us to demonstrate the ethical behavior towards our stakeholders.

Information Technology

Information Technology demonstrates a vital role in executing day to day operations at Abans Finance PLC. During the year under review several changes that has been contributed to enhance the overall efficiency. The further expansion of operations may comprise large transactions and data that are essential to arrive decisions both strategically and tactically. As such the Company implements advance technologies to formulate information for more accessible.

Further the Company is continuously improving its management information system for strategic decision making purposes which create a value on our future strategy. Further the information system considers security policies to strengthen the controls on data privacy.

Operations

The efficiency of Abans Finance operates with the resources optimization principles of shared services and centralized services. The key functionalities of Credit Administration and Disbursement Services and Procurement, Payment, Payroll and Human Resources, Finance and Treasury functions are centralized. Credit Approvals, Deposits mobilization and some other functions are decentralized through delegated authority, while Head office monitors and controls it.

Corporate Culture

The promotion of the team culture is vital where employees are contributing towards realizing the overall vision of the company. Each individual and each team is respected, rewarded and recognized for the competence, capabilities, knowledge he or she demonstrated towards the goals of the organization. This clearly emphasis the culture is embedded with an entrepreneurial spirit within Abans Finance. The Company has developed an effective incentive scheme to appraise the staff who performs exceptionally.

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

EXTERNAL CAPITAL FORMATION

External Capital of Abans Finance comprises of Investors' Capital, Customer Capital, Employee Capital and Social and Environmental Capital. These capitals are originated through value created by the company through its business activities for the maximizing the stakeholders wealth.

INVESTOR CAPITAL

Market Capitalization

The Stated Capital of Abans Finance as at 31st March 2015 was Rs. 382.4Mn which comprise of Rs. 370Mn as share capital and Rs. 12.4Mn share premium which represent 37 Mn fully paid up ordinary shares. These ordinary shares were listed in the Diri Savi Board of Colombo Stock Exchange w.e.f 27th June 2011. The Market value of shares as at 31st March 2015 stood at Rs. 25.50 and the Market Capitalization stood at Rs. 943.5Mn.

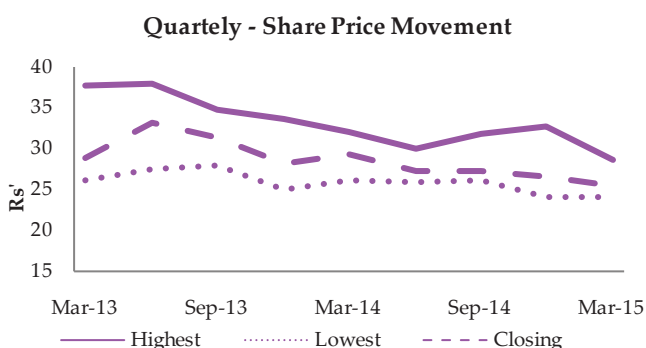
Market Price of the shares

The highest and lowest values recorded during the year under review were Rs. 32.70 and Rs. 24.00 respectively. A summary of prices are given bellow.

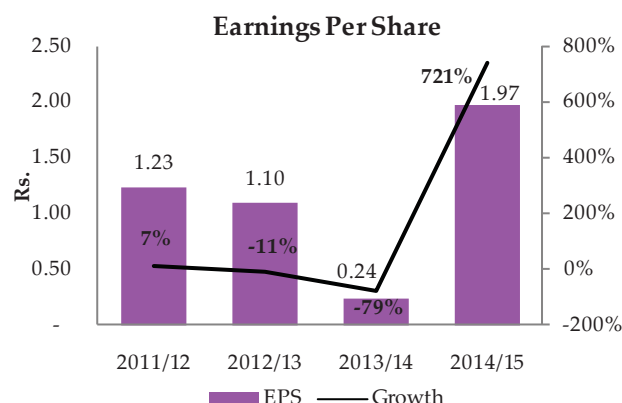
Market Price	2014/15	2013/14
Highest Market Price (Rs.)	32.70	38.00
Lowest Market Price (Rs.)	24.00	25.10
Price as at 31 March (Rs.)	25.50	29.40

The quarterly movement of share prices during the year as follows;

Earnings

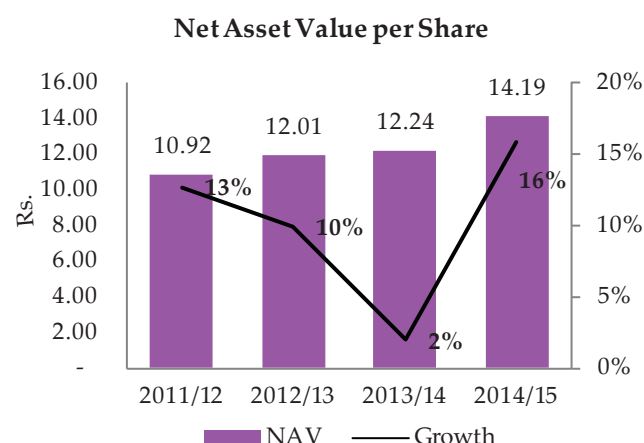


The basic earnings per share for the period has drastically increased by 721% to Rs. 1.97 from Rs 0.24 in the year 2013/14. The profit after tax of the company Recorded Rs. 78.2 Mn. The graphical representation of



Net Asset Value per Share

At the end of the financial year under review, the Net Asset Value (NAV) per share stood at Rs.14.19 compared to Rs.12.24 in previous year. Recorded 16% increment compared to previous year. The graphical representation of NAV for the last four years is given bellow.



Return on Equity

As at end of the financial year under review, the Return on Equity recorded 15% which significantly higher than the Weighted Average Fixed Deposit Rate and Average of twelve month Treasury Bill Rate of 8.12% and 6.40% respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

VALUE CREATION AND EXTERNAL CAPITAL FORMATION

Public Share Holding

The percentage of shares held by the public as at 31st March 2015 was 10.34%. There were 706 number of Public Share Holders as at 31st March 2015.

Distribution of Shareholding

Distribution of Shareholding as at the end of the financial year under review and the previous year are as follows;

No. of shares held	As at 31.03.2015				As at 31.03.2014			
	No. of Shareholders		No. of Shares		No. of Shareholders		No. of Shares	
	No.	%	No.	%	No.	%	No.	%
1-1000	531	74.68	130,104	0.35	484	74.35	113,231	0.31
1001-5000	121	17.02	323,648	0.87	110	16.9	279,986	0.76
5001-10000	24	3.38	192,013	0.52	28	4.3	214,514	0.58
10,001-50,000	21	2.95	394,702	1.07	12	1.84	231,419	0.63
50,001-100,000	6	0.84	523,267	1.41	9	1.38	743,409	2.01
100,000-500,000	6	0.84	1,741,321	4.71	6	0.92	1,713,435	4.63
500,000-1,000,000	1	0.14	669,939	1.81	1	0.15	679,000	1.84
over 1,000,000	1	0.14	33,025,006	89.26	1	0.15	33,025,006	89.26
Total	711	100.00	37,000,000	100.00	651	100.00	37,000,000	100.00

Individual/Institutional Shareholding

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

Shareholding	As at 31.03.2015				As at 31.03.2014			
	No. of Shareholders		No. of Shares		No. of Shareholders		No. of Shares	
	No.	%	No.	%	No.	%	No.	%
Individual	671	94.38	3,464,249	9.36	637	97.85	3,592,967	9.71
Institutional	40	5.62	33,535,751	90.64	14	2.15	33,407,033	90.29
Total	711	100.00	37,000,000	100.00	651	100.00	37,000,000	100.00

Resident/Non Resident Shareholdings

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

Shareholding	As at 31.03.2015				As at 31.03.2014			
	No. of Shareholders		No. of Shares		No. of Shareholders		No. of Shares	
	No.	%	No.	%	No.	%	No.	%
Resident	709	99.72	36,987,849	99.97	649	99.69	36,989,800	99.97
Non Resident	2	0.28	12,151	0.03	2	0.31	10,200	0.03
Total	711	100	37,000,000	100.00	651	100	37,000,000	100.00

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

Twenty Major Share Holders of the Company

Twenty largest Shareholders as at the end of the year under review and the previous year are as follow,

NAME OF THE SHAREHOLDER	As at 31st March 2015		NAME OF THE SHAREHOLDER	As at 31st March 2014	
	NO.OF SHARES	(%)		NO.OF SHARES	(%)
Abans PLC	33,025,006	89.26	Abans PLC	33,025,006	89.26
Mr. P N Pestonjee	669,939	1.81	Mr. P N Pestonjee	679,000	1.84
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	Mr. K Kunenthiran	370,000	1.00
Mrs. C V Sumanadasa	370,000	1.00	Mrs. C V Sumanadasa	370,000	1.00
Mrs. S Dubash	133,334	0.36	Mrs. S Dubash	133,334	0.36
Mr. R Pestonjee	127,887	0.35	Mr. R Pestonjee	106,801	0.29
Ab Securitas (Pvt) Ltd	100,000	0.27	Ab Securitas (Pvt) Ltd	100,000	0.27
Cleantech Pvt Ltd	100,000	0.27	Cleantech Pvt Ltd	100,000	0.27
A B Cold Storage (Pvt) Ltd	100,000	0.27	A B Cold Storage (Pvt) Ltd	100,000	0.27
Mrs. K S Rodrigo	90,000	0.24	Mr. A W A Kumaradasa	91,063	0.25
Mrs. Aban Pestonjee	66,667	0.18	Mrs. K S Rodrigo	90,000	0.24
Mrs. H I Salgado	66,600	0.18	Mrs. S F Zubair	77,871	0.21
British American Technologies (Pvt) Ltd	39,146	0.11	Mrs. Aban Pestonjee	66,667	0.18
Mr. G C Goonetilleke	39,034	0.11	Mrs. H I Salgado	66,600	0.18
People'S Leasing & Finance Plc	27,300	0.07	Paramadamma Buddhist Institute	51,208	0.14
Dr. K Poologasundram	25,000	0.07	Mr. G C Goonetilleke	34,044	0.09
Mr. Abdul Rahuman Ibrahim	20,906	0.06	Dr. K Poologasundram	25,000	0.07
Mr. N W G Tissa Chandrasiri	20,000	0.05	Dr. S A Leelananda	20,000	0.05
	36,130,919	97.65		36,246,694	97.96
OTHERS	869,081	2.35	OTHERS	753,306	2.04
TOTAL	37,000,000	100	TOTAL	37,000,000	100

Directors' Shareholdings

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

NAME OF THE DIRECTOR	As at 31st March 2015		As at 31st March 2014	
	No. of shares	%	No. of shares	%
Mrs. Saroshi Dubash **	N/A		133,334	0.36
Mr. R Pestonjee	147,887 *	0.40	106,801	0.29
Mr. C D Pathirana	NIL	-	NIL	-
Mr. K B Wanigasekara	NIL	-	NIL	-
Mr. V K Choksy	NIL	-	NIL	-
Mr. A S Ratnayake ***	NIL	-	N/A	

* This includes 20,000 shares Held Jointly

** Ceased w.e.f 08th April 2014.

*** Joined w.e.f 16th May 2014.

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

Communication with Shareholders

The Company gives considerable importance for the maintenance of superior relationships with the Shareholders. The Company uses the Annual General Meeting as a formal opportunity for effective communication between the Company and Shareholders. Hence all the Shareholders are encouraged to actively participate in the Company's AGM. The Chairman of the Company and Chairmen of the Board-Sub Committees and External Auditor normally attend the Annual

General Meeting and are available to answer questions.

The Company website, www.abansfinance.lk functions as an additional channel for communication with shareholders and other stakeholders. Further, Corporate Disclosures and other news releases / price sensitive information are communicated firstly to Colombo Stock Exchange to maintain information equity.

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 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.	94
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	105
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.	29
7.6 (iv)	The Public Holding percentage.	Management Discussion and Analysis – External Capital Formation – Investor Capital.	28
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.	95
7.6 (vi)	Information pertaining to material foreseeable risk factors of the Entity	Risk Management Report.	84 - 91
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.	32 - 36 & 40
7.6 (viii)	Extents, locations, valuations and the number of buildings of the Entity's land holdings and investment properties.	Company does not have any Land / Land & Building as PPE and / or Investment properties, other than Real Estate Stock.	N/A

**MANAGEMENT DISCUSSION AND ANALYSIS
VALUE CREATION AND EXTERNAL CAPITAL FORMATION**

Rule No.	Disclosure Requirements	Section Reference	Page No.
7.6 (ix)	Number of shares representing the Entity's Stated Capital.	Notes to the Financial Statements -Note 35	131
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).	28
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.	27
	- 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 .	76 - 78 & 30 - 31
7.6 (xvi)	Related Party transactions exceeding 10% of the Equity or 5% of the Total Assets whichever is lower.	The Company does not have major transections with its related parties . However, Note No. 46 discloses the transactions with related parties.	149

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

EMPLOYEE CAPITAL

Focus to achieve our business strategies, we need talented people who deliver superior result. To support and enable our employees to give their best, we undertake to encourage them to be creative, flexible, efficient and collaborative, generating fresh ideas and innovative practices.

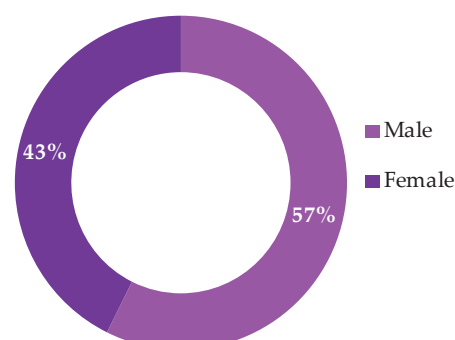
Human recourse management is centralized across the Abans Group of Companies. Within the centralized structure, Human Resource division of the Abans Finance is headed by the Manager - HR who reports to General Manager or/and Managing Director together with the Deputy General Manager (Abans Group)

Employee strength

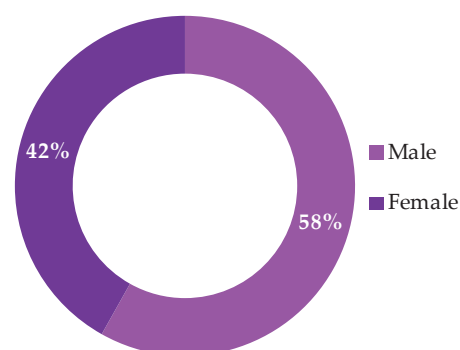
Abans Finance is armed with 267 numbers of highly motivated employees (At the reporting date) are well focused on the success of the Company. The Staff strength was increased by 55% (from 172 to 267 employees) during the year under review.

We build staff strength by providing equal opportunities in order to fulfil their career aspirations through training, skill development, motivation and creating sense of team spirit. Abans Finance ensures that no employee is subject to any sort of discrimination based on gender. The overall gender balance seems to be balanced, and 57% of the total employees are males and 43% are females.

Gender Composition 31 March - 2015



Gender Composition 31 March - 2014



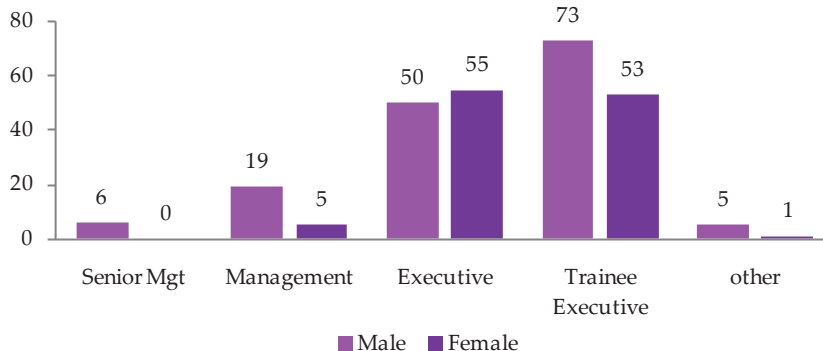
The following table demonstrates the workforce based on gender distribution across the hierarchy of the company.

Work Force by Gender & Grade

Gender & Grade	As at 31 March 2015			As at 31 March 2014		
	Male	Female	Total	Male	Female	Total
Senior Mgt	6	-	6	5	-	5
Management	19	5	24	16	3	19
Executive	50	55	105	43	39	82
Trainee Executive	73	53	126	30	25	55
other	5	1	6	6	5	11
Total	153	114	267	100	72	172

MANAGEMENT DISCUSSION AND ANALYSIS
VALUE CREATION AND EXTERNAL CAPITAL FORMATION

Work Force by Grade and Gender 2014/15



Work Force by Grade and Gender 2013/14



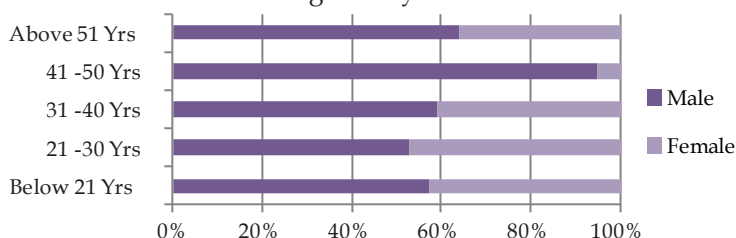
Work force by Gender & Location

The following table demonstrates the workforce based on Gender distributed geographically across the country.

Gender & Province	FY 2014/15			FY 2013/14		
	Male	Female	Total	Male	Female	Total
Central	19	10	29	14	7	21
Eastern	4	1	5	2	-	2
North Central	10	7	17	7	2	9
North Western	12	4	16	5	2	7
Nothern	3	-	3	2	1	3
Sabaragamuwa	10	7	17	7	3	10
Sourthern	17	10	27	6	5	11
Uva	8	2	10	6	1	7
Western	70	73	143	51	51	102
Total	153	114	267	100	72	172

Further age analysis of employees based on the age demonstrate that Abans Finance PLC is empowered by young and dynamic staff where 66% of them are below 30 years of age, under a well experienced and qualified senior Management. A graphical presentation of this analysis is given bellow.

Age Analysis



Age Years	Male	Female
Below 21	4	3
21-30	92	83
31-40	33	23
41-50	17	1
Above 51	7	4
Grand Total	153	114

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

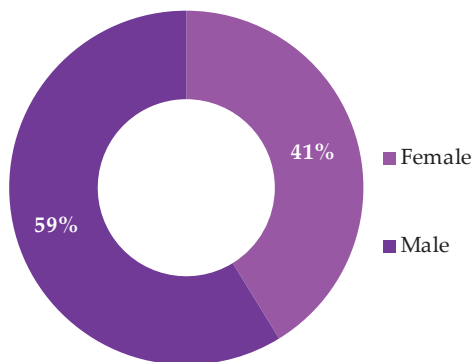
Recruitment and Retention

Recruitment of experienced and qualified staff and retention of them is equally important for a business for its performance and building an image in the industry to achieve goals and objectives.

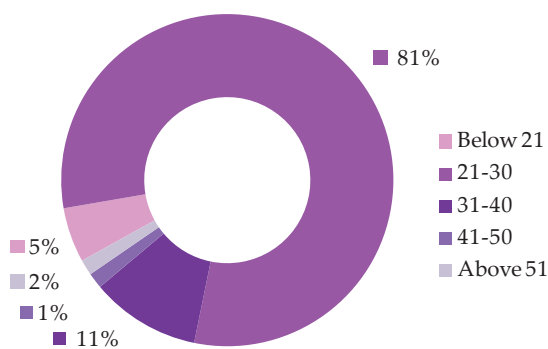
We adopt and maintain fair recruitment procedures that are responsive to the market. Our main priority is staff career development, duly supported by training (on the job and off the job), development and succession planning, and whenever the need arises we recruit from outside. A transparent procedure is in place for all staff recruitment and we adopt best industry practices for retaining staff. We offer an attractive remuneration package, regular employee engagement, training and development, career paths, diversity and equal opportunity, maternity leave and retirement benefits as factors influencing retention.

The Company recruited a total of 131 staff during the year under review which can be analyzed as follows;

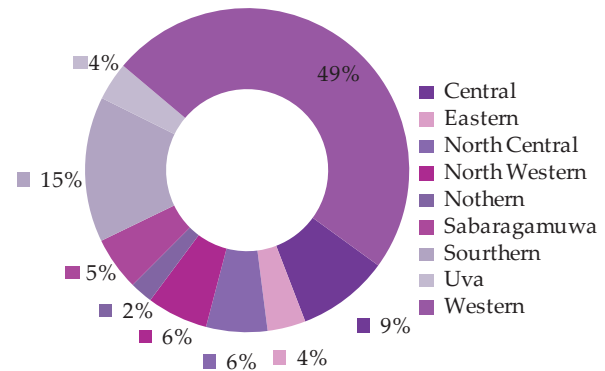
Recruitment based on Gender - 2014/15



Recruitment based on Age - 2014/15



Recruitment based Geographical Location - 2014/15



A total of 36 staff have left the Company during the year under review and staff turnover ratio stood at 20% in 2013/14 compared to 19.23% in the previous year.

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

- Performance related incentives
- Vehicle and fuel allowance 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 – OPD claims, Personal accident cover etc.
- Reimbursement of professional membership fees.

Succession Planning

With careful planning and preparation, organizations can manage the changes that result from a generational transfer of leadership as well as the ongoing changes that occur regularly when key employees leave an organization.

Abans Finance has Board approved Succession Plan for Board of Directors as well as Key Management personnel in order to ensure high quality replacements for those individuals who currently hold positions that are key to the company’s success. The succession plan is reviewed periodically by the Board of Directors and CEO to identify individuals who display potential needed for progression into the

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

targeted positions and leadership within the company, and provide training and development for these employees.

Work-Life Balance

Work-Life Balance is one of the important practices of human resource for employee well being and their performance. The Company encourages the staff to be more aware of balancing their work-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.

Defined Benefit Plans

The Company contributes to Employee Provident Fund and Employee Trust Fund and details are as follows;

Contribution to EPF

- Contribution by the employee 8%
- Contribution by the employer 12%
- Contribution to ETF by the employer 3%

The Company provides for Gratuity for permanent employees who have completed five years of services based on the legislations applicable in Sri Lanka. 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 2015 was Rs. 11,474,701/-

Training and development

Training and development presents a prime opportunity to enhance the knowledge base of all employees. Training and developing our pool of employees are a key aspect in developing performance oriented culture that keeps the Company ahead of competition. During the year under review, the Company invested Rs. 1,107,052 (2013/14 - Rs. 984,600/-) to provide a total of 1,586 man-hours of training across all categories of staff. Employee training needs are identified through analysis of individual training requirement (during staff appraisal), discussions with department heads and 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).

The following table summarizes the training programmes conducted during 2014/15

Category	2014/15	2013/14
No. of Programmes	46	53
No. of Participants	129	111
Man Hours of Training	1,586	1,484
Total Training Cost (Rs)	1,107,052	984,600

The key areas covered for the training programs (Internal and External programmes) are as follows;

Subject	No of training Programmes during 2014/15
Accountancy	5
Banking & Finance	7
Contemporary Issue	2
Credit, Documentation and Recoveries	7
Information Technology	1
Marketing	3
Risk Management, Compliance and Corporate Governance	8
Taxation	5
Treasury Management	2
Others	6
Total	46

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

Entertainment

Abans Finance was the one of the Group Companies which joined in the walk organized by the Abans Group in support of the Sri Lankan world Cup campaign.



**MANAGEMENT DISCUSSION AND ANALYSIS
VALUE CREATION AND EXTERNAL CAPITAL FORMATION**

CUSTOMER CAPITAL

Abans Finance PLC is a member of the prestigious Abans Group. The Company’s principle lines of the business include acceptance of Time and Savings Deposits and lending such as Finance Leasing, Hire Purchases, Mortgage Loans, Revolving Loans and involve in Real Estate Development and Capital Market Operations. Currently Abans Finance PLC operates with ten fully fledged Branches and five Customer Service Centers.

Abans Finance has a diverse customer base consisting of individuals and corporate. The Company offers tailor - made financial services which are of high quality that satisfies diverse needs of our customers. The Company has enhanced its customer base substantially during the year under review.

An analysis of the customer base of the company as at end of the year under review and previous year are as follows.

	Segment	No. of customer 2015		No. of customer 2014	
		Corporate	Individuals	Corporate	Individuals
Lending Product	Leasing	109	15,742	61	6,736
	Hire Purchase	21	2,303	24	2,090
	Loan	9	1,296	10	1,353
	Sub Total	139	19,341	95	10,179
Deposits Product	Fixed Deposits	21	4,181	18	1,700
	Savings	1	1,744	4	1,538
	Sub Total	22	5,925	22	3,238
Total		161.00	25,266	117	13,417

PRODUCT PORTFOLIO



Acceptance of Deposits



Granting Lease Facilities



Granting Hire Purchase



Granting Mortgage Loans



Granting Personal Loans



Real Estate Development



Other Loans

MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND EXTERNAL CAPITAL FORMATION

LEASE AND HIRE PURCHASES

The company provides special packages with flexible payment schemes to suit the customer requirements which include the following.

- Leasing brand new and reconditioning vehicles
- Easy payment for home applicants and office equipment
- Leasing of Plant and Machinery

To create a niche market in leasing business the company has strategically focused on providing leasing facilities for motor bikes and added a new segment of business to the company, namely the "Hero Leasing" product as a part of its finance leasing portfolio.

HERO LEASING

Within a limited period of time from the introduction of the new product, Abans Finance has been able to penetrate the market in respect of this 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 Abans Group, the Company can further strengthen this product significantly in future.

LOANS

The Company offers a range of loan products to cater to various customer needs. Abans Finance principle loan facilitates including the following.

- Personal Loans
- Mortgage Loans
- Real Estate Loans
- Revolving Loans
- Vehicle Loans

DEPOSITS

The Company promotes Fixed and Saving Deposits as its major funding source. Significant improvements achieved in the deposit base as discussed earlier. The Company offers Fixed Deposits with a flexible maturity period, such as one month, three months, Six months, twelve months and thirteen months, eighteen months, twenty four months, thirty six months, forty eight months and Sixty months. Interest on fixed deposits is offered on monthly basis and on maturity basis 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 feedback and suggestions on the service provided to them. All customer feedback and complains received are forwarded to relevant departments for immediate solutions.

BRANCH RE-LOCATIONS

During the year under review the company has relocated two of its branches to prominent locations.



Re- location of Anuradhapura Branch

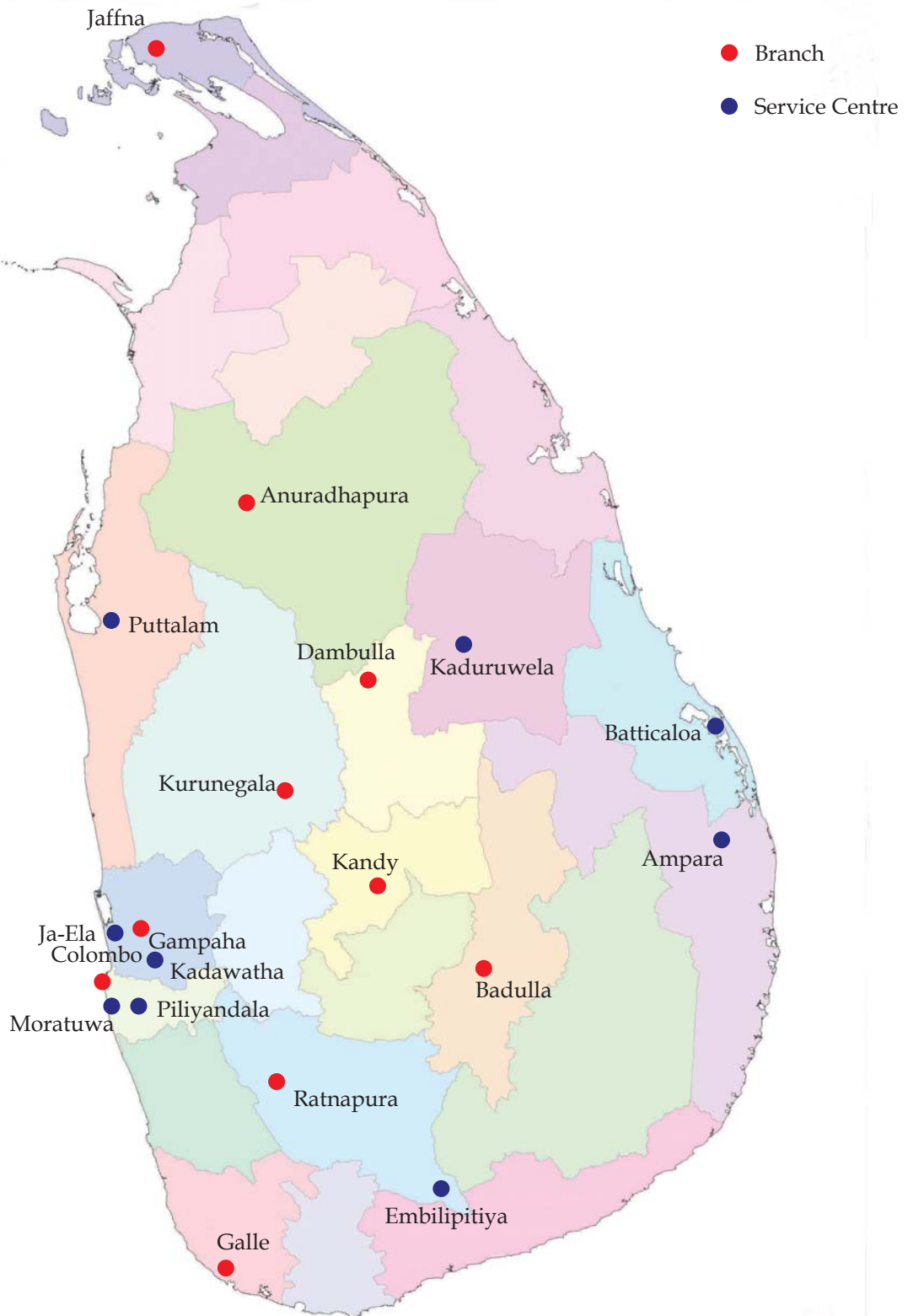


Re- location of Gampaha Branch

MANAGEMENT DISCUSSION AND ANALYSIS
VALUE CREATION AND EXTERNAL CAPITAL FORMATION

BRANCH NETWORK

The Company continued to enhance efficiency and effectiveness in operations in the Branch network through its competent operational management and other experienced officers. As such branch network of the company provides an excellent financial service to the customers by fulfilling their financial needs scattered a over the country while contributing a notable percentage to the company’s total lending portfolio. Further during its 10 year operations Abans Finance has expanded its operations to Ten Branches and Nine Service Centers.



MANAGEMENT DISCUSSION AND ANALYSIS VALUE CREATION AND INTERNAL CAPITAL FORMATION

SOCIAL & ENVIRONMENTAL CAPITAL

Corporate social responsibility (CSR) refers to companies taking responsibility for their impact on society. As evidence suggests, CSR is increasingly important to the competitiveness of enterprises. It can bring benefits in terms of risk management, cost savings, access to capital, customer relationships, and human resource management.

Operating in a responsible and sustainable manner is important to Abans Finance, whilst we run our business in line with the expectations of stakeholders; we also see corporate responsibility as a discipline that helps us to minimizing reputational risk and to enhance their favorable influence over our business environment.

We aim to demonstrate these responsibilities through our actions and within our corporate policies. We focus our CSR activities in the following key impact areas:

WORK PLACE

We are committed to ensuring that our entire business is conducted according to professional, ethical and legal standards. To support this, we have developed a Statement of Mission and Vision, which seeks to define what we stand for as an organization, and to bring employees together under a clear common purpose.

Health & Safety

We shall provide, and strive to maintain, a clean, healthy and safe working environment providing a workplace where our employees feel safe is not only a legal obligation, but a fundamental factor in building their engagement with the company. Through management intervention, awareness campaigns and a culture that encourages employees to raise concerns about the workplace safety.

MARKET PLACE

Customers

We have a passion for excellence and we take pride in our ability to solve our customers' problems, focusing on delivering financial solutions in a timely manner. We aim for true customer satisfaction by understanding our customers' requirements.

Environment

We recognize the importance of understanding the impact of our activities on the environment, seeks to reduce the impact of our footprint in environment and we will achieve this by energy and water efficiency and waste reduction, all of which are subject to continuous review.

Community

As a responsible corporate citizen the Company will strive to play its part, in the economic prosperity of the community, and some of the key activities engaged are providing training and development opportunities to young school leavers and under graduates, who are trained in all aspects of financial management. These trainings have empowered these students to move into different business organizations on a permanent basis.

Abans Finance has also trained scores of university graduates and exposed them to the requirement of the private sector so as to enhance their career prospects. The Company as part of its obligations has identified the importance in practical training and has assisted them to fulfill their aspirations in training, while giving priority to them, as and when job opportunities arise within the Company.

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 various directorships within Abans Group of Companies.

MR. KITHSIRI WANIGASEKARA MANAGING DIRECTOR / CHIEF EXECUTIVE OFFICER

Appointed to the Board on 1 June 2009. He became Managing Director / Chief Executive Officer with effect from 1 January 2012, having previously held the position of Executive Director. He has a wealth of industry knowledge with over twenty five years of experience in the finance industry before joining Abans Finance PLC. Served as the Chairman and the Managing Director of Sinhaputhra Finance PLC from December 1990 to September 2007. A past Chairman of the Finance Houses Association (FHA) of Sri Lanka from 1998 to 2000. A member of the Committee of the Ceylon Chamber of Commerce during the same period. Currently serves as a member of the Council of Management of the FHA. The National Bronze Award Winner and the Provincial Silver Award Winner in the Extra Larger Category at the Sri Lankan Entrepreneur of the year 2005 contest organized by the Federation of Chamber of Commerce of Sri Lanka (FCCSL). He was also the Silver Award Winner for the most outstanding Entrepreneur of the Central Province in 2000. A Past Chairman of the Kandy Hotels Co. (1938) Ltd., the owning company of "Queen's Hotel and Hotel Suisse" from 1994 to 2001.

DR. (MRS.) SAROSHI DUBASH NON -EXECUTIVE DIRECTOR - UP TO 8 APRIL 2014

Appointed to the Board on 8 April 2005. The Chairperson of the Integrated Risk Management Committee (IRMC) and a member of the Remuneration Committee and the Nomination Committee until the retirement. She also holds directorships in Abans PLC, Abans Electricals PLC, Abans Construction (Pvt) Ltd, Abans Tours (Pvt) Ltd, Abans Investments (Pvt) Ltd, Abans Graphics (Pvt) Ltd, Abans Marketing (Pvt) Ltd, Abans Retail (Pvt) Ltd, Crown City Developers (Pvt) Ltd, P.N.P Logistics (Pvt) Ltd, AB Technologies (Pvt) Ltd, Abans Development (Pvt) Ltd,

Abans Auto (Pvt) Ltd, and Abans Office Automation (Pvt) Ltd. Within the group, she is mainly involved in administering the supply chain functions of import, purchasing, wharf clearing, warehousing, inventory control, distribution and information systems. Retail Accounts and Hire purchase departments also come under her purview and she heads the Human Resources and Training Departments to ensure the continuous training and development of Abans Employees. Her major projects include sourcing a 3 PL Partner, introducing a ERP system for Abans channels and spread heading e-commerce initiatives, such as "buyabans.com, the online retail arm of Abans. New initiatives are providing administrative support for hotels coming up in Bentota & Nuwara Eliya. In collaboration with ARC the "Australian Retail College" she is establishing a business that undertakes retail training. She is the Managing Director of Abans Logistics (Pvt) Limited which is a fully fledged Logistic company that deals with freight, transport, warehousing, distribution, container yards and other logistic operations. She handles the inventory and distribution of Abans Auto. She is the alternative Director to Mr. Tito Pestonjee in the Colombo City Centre Operation. Mrs. Dubash was the Chairperson of the Womens' Chamber of Industry and Commerce and a member of WILAT (Women in Logistics and Transport) Mrs. Dubash holds a PHD in Philosophy, and MBA (USA) and an honours degree in chemistry (London).

MR CHANNA DILHAN PATHIRANA NON - EXECUTIVE DIRECTOR

Appointed to the Board on 26 November 2007. The Chairman of the Integrated Risk Management Committee (IRMC) w.e.f. 29 April 2014. 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 and having qualified as a Marketer from the Chartered Institute of Marketing (UK).

BOARD OF DIRECTORS

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 one 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.

MR. AJITH S. RATNAYAKE FCA, FCMA (UK), ACCA, CMA, FCMI, FCMA, CGMA INDEPENDENT NON EXECUTIVE DIRECTOR - WITH EFFECT FROM 16 MAY 2014

Appointed to the Board on 16 May 2014. The Chairman of the Audit Committee with effect from 16th May 2014. Mr. Ajith S. Ratnayake is the founder Director General of the Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), where he served for fifteen 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. Rathnayake served in a number of private sector enterprises in Sri Lanka and in multinational companies abroad in diverse positions, including as CEO and CFO. In his last assignment before SLAASMB, he headed the setting up of the Finance Division of a joint venture Vodafone (UK) established in Fiji.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE

Dear Stakeholder,

It is my pleasure to present the Corporate Governance Report on behalf of the members of the Board of Directors of Abans Finance PLC for 2014/2015. We believe that a robust governance structure is a mechanism that harmonises the interests of a wide range of stakeholders while contributing to sustainable growth. The Board is responsible for the leadership, oversight, control, development and long-term success of the Company. It is also responsible for instilling the appropriate culture, values and behaviour throughout the organisation. We believe that good governance ultimately produces a better business environment and improves long-term performance.

The Corporate Governance framework of Abans Finance PLC is governed by the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Securities and Exchange Commission of Sri Lanka (SEC), the Listing Rules (Section 7.10) of the Colombo Stock Exchange (CSE), the Direction No. 03 of 2008 on Corporate Governance and amendments thereto for Licensed Finance Companies issued by the Central Bank of Sri Lanka.

The Board plays a dynamic role in implementing high quality governance and is assisted by four Sub Committees, namely, Audit Committee, Remuneration Committee, Nomination Committee and Integrated Risk Management Committee which are chaired by Non-Executive Directors. These Sub-Committees are constituted with written terms of reference and the Board delegates certain functions to the Sub-Committees without diluting its authority. The contribution of Independent Directors towards implementation of good governance is vital to sustain the transparent governance practices.

During the year under review, the Board focused more on improving its effectiveness towards governance while introducing comprehensive evaluations, mechanisms and adopting policies on Corporate Governance. Going forward, we ensure that we will continuously commit to further improvements on transparency, accountability and reporting.

The Corporate Governance Report on pages 44 to 78 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.



Rusi Pestonjee
Chairman / Non-Executive Director

28th July 2015

CORPORATE GOVERNANCE REPORT

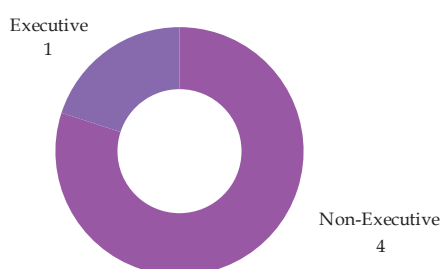
Introduction

The members of the Board of Directors of Abans Finance PLC believe that strong Corporate Governance is essential for delivering sustainable value, enhancing a culture of business integrity and maintaining investor confidence. In pursuit of the highest standards of corporate governance, the Directors confirm that the Company applies a governance approach that complies with the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by Central Bank of Sri Lanka and subsequent amendments thereto, Listing Rules of the Colombo Stock Exchange and Code of Best Practice on Corporate Governance – 2013 jointly issued by the Institute of Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka.

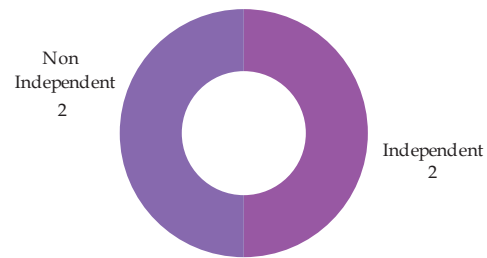
Composition of the Board and Balance

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 Board of Directors currently has 5 members; two Non Executive (Non-Independent) Directors 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 / CEO. The Board comprises of individuals with appropriate skills, expertise and qualities. 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. During the year Dr. (Mrs.) Saroshi Dubash (Non-Executive Director) ceased to be a member of the Board w.e.f. 8th April 2014 in compliance with the Finance Companies (Corporate Governance) Direction No. 03 of 2008 upon completion of nine years of service and Mr. Ajith S. Ratnayake (Independent Non-Executive Director) was appointed w.e.f. 16th May 2014. 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 - The 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 clear information for deliberations and high-quality decision-making and that their time is allocated to the right things.

The CEO is accountable to the Board for all aspects of the performance and management of the Company. This includes developing business strategies for Board approval and achieving timely and effective implementation whilst managing the risks. The CEO provides the leadership and environment within the Company to implement the Board's policies and achievement of the Company's objectives.

Appointment and Re-election of Directors

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. During the year under review, Mr. Ajith S. Ratnayake, who was appointed w.e.f. 16th May 2014, Mr. K. B. Wanigasekara and Mr. V. K. Choksy retired at the last AGM and were re-elected by the shareholders with the unanimous support of the other Directors. The Directors who are appointed for casual vacancies and nominated for re-election submit affidavits and declarations and obtain prior approval from the Director, NBFI 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.

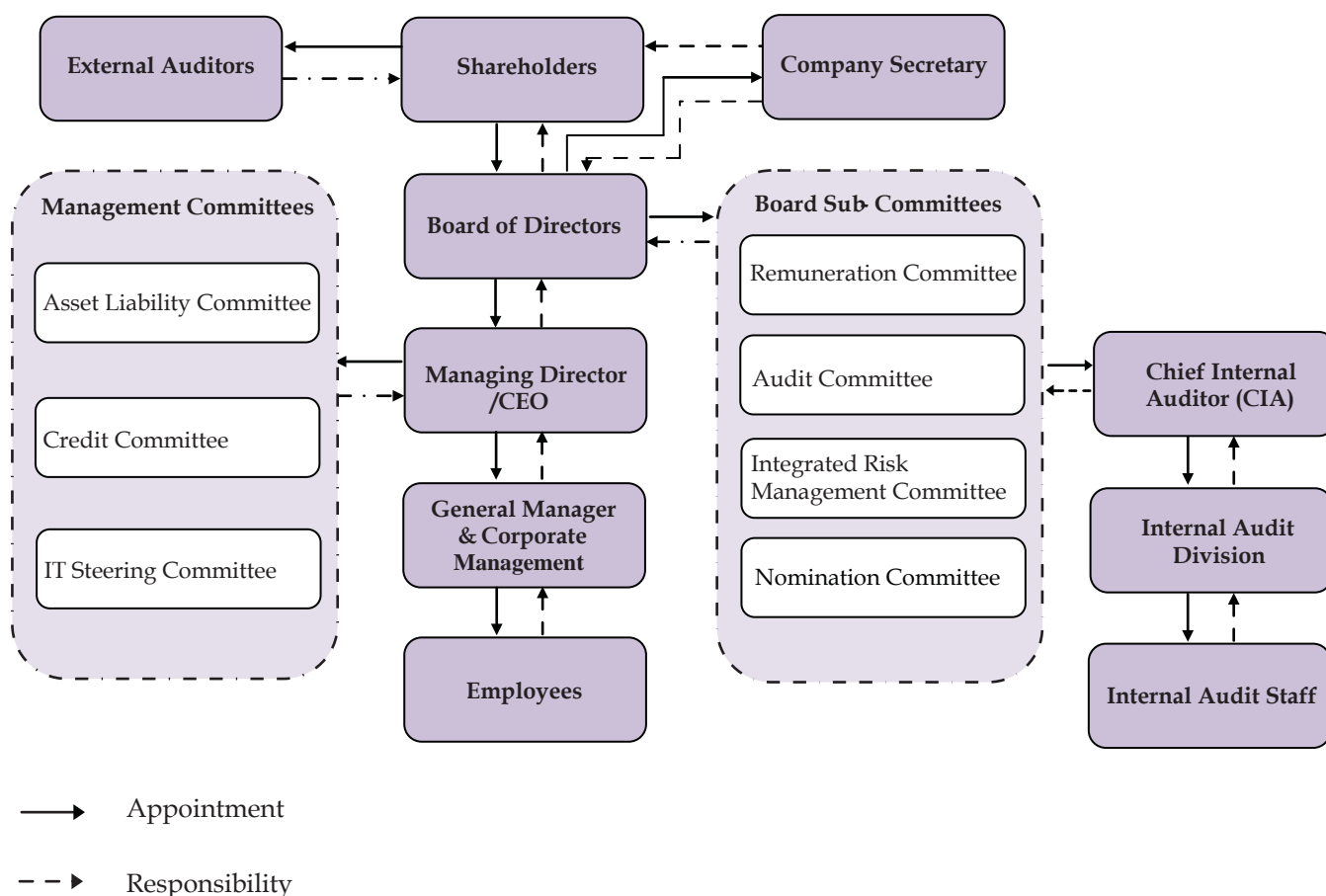
CORPORATE GOVERNANCE REPORT

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 Directors’ Independence. Accordingly, 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.

Board Sub Committees

The Board has established Board Sub Committees such as Audit Committee, Remuneration Committee, Nomination Committee and Integrated Risk Management Committee. Each committee plays a vital role in helping the Board to discharge its duties as well as ensuring 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.



CORPORATE GOVERNANCE REPORT





























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 of the Company 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 effectively.

Board and Board Sub Committee Meetings and Attendance

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

Name of Director/ Board or Board Subcommittee	Mr. V. K. Choksy	Mr. Ajith S. Ratnayake	Mr. Rusi Pestonjee	Mr. Channa Pathirana	Mr. Kithsiri Wanigasekara
Main Board	12  12  12	12  11  11	12  12  10	12  12  08	12  12  12
Remuneration Committee	02  02  02	02  02  01	02  02  02		
Audit Committee	29  29  29	29  28  28			
Nomination Committee	01  01  01		01  01  01		
Integrated Risk Management Committee				04  04  04	04  04  04



No. of Held Meetings



No. of Eligible Meetings



No. of Attended Meetings

CORPORATE GOVERNANCE REPORT

Management Committees

The Management Committees operate under the guidance of the Managing Director / CEO and General Manager 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 Liability Committee (ALCO), Credit Committee and IT Steering Committee. The membership and their scope / functions are summarized below.

Name of the Committee	Composition	Scope / Functions
Asset Liability Committee	Managing Director / CEO General Manager Head of Branches Head of Deposits Head of Credit & Recoveries Head of Finance Manager - Risk and Compliance Manager - Corporate Affairs	Monitor and manage liquidity and market risks, pricing, funding and capital planning, profit planning and growth projections and investment management
Credit Committee	Managing Director / CEO General Manager Head of Branches Head of Credit & Recoveries	Review and make recommendations on Credit Policy and procedures, portfolio delinquency management and Credit evaluation process
IT Steering Committee	Managing Director / CEO General Manager Head of Credit & Recoveries Head of Deposits Manager-Risk and Compliance Manager-IT	Review, monitor and prioritize major IT projects, planning and management of IT investment and information system security related matters

Governance in Action - Key initiatives during the year

The Company is committed to high standards of Corporate Governance and business integrity, which are essential to maintaining the trust of its investors and other stakeholders. Despite several challenges in the business environment, the Board was committed to make every effort to further develop the governance practices. The following table summarizes the adoption of new policies and procedures on Corporate Governance during the year under review.

CORPORATE GOVERNANCE REPORT

Month	Adoption of new Policies & Procedures on Corporate Governance
July 2014	<ul style="list-style-type: none"> • Procedure to seek independent professional advice by directors at the finance company's expense. • Schedule of matters specifically reserved to the Board of Directors for decision making. • Procedure to enable all directors to include matters and proposals in the agenda for regular Board meetings. • Directors to have access to advice and services of the Company Secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.
October 2014	<ul style="list-style-type: none"> • Procedure on the engagement of an External Auditor to provide Non-Audit Services • Related Party Transactions Guide
November 2014	<ul style="list-style-type: none"> • Framework for self-evaluation of Directors.
December 2014	<ul style="list-style-type: none"> • Board completed the self-evaluation process of Board of Directors.
January 2015	<ul style="list-style-type: none"> • Board reviewed the Duties and Responsibilities of Key Management Personnel • Sub-committee evaluation framework for Audit, Remuneration, Integrated Risk Management and Nomination Committees as well as Performance evaluation of a Board Member - without the presence of the member whose performance is evaluated.
February 2015	<ul style="list-style-type: none"> • Board conducted the performance evaluation of each individual Director, without the presence of the member. • Board reviewed and approved the outcome of the self-evaluation of the Integrated Risk Management Committee and Audit Committee.
March 2015	<ul style="list-style-type: none"> • Roles and Responsibilities of Board of Directors. • Board reviewed and approved outcome of the self-evaluation of the Nomination Committee and Remuneration Committee.

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 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.

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 Listing Rules - Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

CORPORATE GOVERNANCE REPORT

SECTION ONE - 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 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.

A. DIRECTORS

A.1 The Board

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.

Section	Rule	Degree of Compliance
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 wherever necessary. During the year, Board met 12 times. Please refer page 46 for the details of attendance at Board meetings held during the year.
A.1.2	Board’s responsibilities - Formulation and implementation of a sound business strategy	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. A three year strategic plan has been approved by the Board in July 2015 covering the period, 2015/16 to 2017/18.
	- CEO, Executive Directors and Senior Management team possess the skills, experience and knowledge	The Managing Director / CEO, General Manager and other Key Management Personnel possess extensive skills, knowledge and experience.
	- CEO and Key Management Personnel (KMP) succession planning	A Board approved succession plan is in place for the Key Management Personnel and the plan was reviewed by the Board in May 2015.
	- Implementing security and integrity of information, internal controls, business continuity and risk management	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 Company is in the process of finalizing the risk management policy and procedures.
	- Ensuring compliance with laws, regulations and ethical standards	The Board has established a separate Compliance Unit to ensure that the Company has complied with the relevant laws, regulations and ethical standards.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
	- Ensuring all stakeholder interests are considered in corporate decisions	The Board considers the stakeholder interests in the decision making process.
	- Recognizing sustainable business development	The Board recognizes the importance of sustainable development in corporate strategy and business development.
	- Ensuring that the Company's values and standards are set with emphasis on adopting appropriate Accounting Policies	The Company's accounting policies are reviewed annually so as to be current with new developments, changing business requirements and best practices.
	- Fulfilling other Board functions is vital, given the scale, nature and the complexity of the organization	The Board has attempted to fulfill the obligations towards all stakeholders during the year.
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>
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 46.
A.1.7	Every Director should receive appropriate training	Every Director is provided 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.

CORPORATE GOVERNANCE REPORT

A.2 Chairman and Chief Executive Officer

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.

Section	Rule	Degree of Compliance
A.2.1	If CEO and Chairman is one person justification in the Annual Report	Since Managing Director / CEO's and Chairman's roles are segregated, a specific disclosure is not made.

A.3 Chairman's Role

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.

Section	Rule	Degree of Compliance
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.

A.4 Financial Acumen

The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.

Section	Rule	Degree of Compliance
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 pages 41 & 42 of the Annual Report for the profile of the Directors.

CORPORATE GOVERNANCE REPORT

A.5 Board Balance

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.

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 44 under "Composition of the Board 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 44 under "Composition of the Board and balance"
A.5.3	Evaluation of independence of Non- Executive Directors	
A.5.4	Signed declaration of Independence by the Non- Executive Directors	The extent of compliance with this requirement is disclosed in page 45 under "Determination of Independence of 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 2014/15.
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.	All concerns raised by Directors at Board Meetings and the final decisions are recorded in the Minutes of the meetings.

CORPORATE GOVERNANCE REPORT

A.6 Supply of Information

The Board should be provided with timely information in a form and of quality appropriate to enable it to discharge its duties.

Section	Rule	Degree of Compliance
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.

A.7 Appointments to the Board

There should be a formal and transparent procedure for the appointment of new Directors to the Board.

Section	Rule	Degree of Compliance
A.7.1	Nomination Committee	Nomination Committee makes recommendations to the Board on all new appointments to the Board. Refer page 83 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	<p>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.</p> <p>Further, prior approvals for such appointments are obtained from Central Bank of Sri Lanka in terms of regulations applicable to Finance Companies.</p>

CORPORATE GOVERNANCE REPORT

A.8 Re Election

All Directors should be required to submit themselves for re-election at regular intervals and at least once in every three years.

Section	Rule	Degree of Compliance
A.8.1 - A.8.2	Re-election of Directors	Mr. Ajith S. Ratnayake, who was appointed by the Board of Directors w.e.f. 16 th May 2014, retired and was re-elected at the last Annual General Meeting (AGM). Mr. V. K. Choksy and Mr. K. B. Wanigasekara, also retired and were re-elected at the last AGM in compliance with this requirement. Mr. R. Pestonjee and Mr. C. D. Pathirana will retire at this AGM and being eligible offer themselves for re-election with the unanimous support of the other Directors.

A.9 Appraisal of Board Performance

The Board should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.

Section	Rule	Degree of Compliance
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 46 under "Board and its Sub Committees' effectiveness".

A.10 Disclosure of information in respect of Directors

Shareholders should be kept advised of relevant details in respect of Directors.

Section	Rule	Degree of Compliance
A.10.1	Annual Report disclosure in respect of Directors (Name, Qualifications, etc.)	Profiles of the Board of Directors are given on pages 41 to 42 of the Annual Report.

CORPORATE GOVERNANCE REPORT

A.11 Appraisal of Chief Executive Officer (CEO)

The Board should require at least annually to assess the performance of the CEO.

Section	Rule	Degree of Compliance
A.11.1	Targets for CEO at the commencement of each fiscal year	MD/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. DIRECTORS' REMUNERATION

B.1 Remuneration procedure

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.

Section	Rule	Degree of Compliance
B.1.1	Setting up of Remuneration Committee	The committee determines the compensation and benefits of the Executive Director who is the Managing Director / CEO 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 with Non-Executive Directors. Refer the Remuneration Committee report on page 81.
B.1.3	Disclosure in the Annual Report about the Remuneration Committee members	Remuneration Committee report is given on page 81.
B.1.4	Remuneration of Non-Executive Directors	The Non-Executive Directors (Independent) receive a fee for being a Director of the Board and additional fee whenever they serve on 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.

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B.2 The level and make up of Remuneration

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.

Section	Rule	Degree of Compliance
B.2.1 - B.2.9	Level and make up of remuneration of Executive Directors including performance element in pay structure	The Remuneration Committee gives due consideration to the provisions of these sections and arrives at final recommendations as specified.
	- Remuneration packages in line with industry practices	Remuneration committee ensures that remuneration packages are in line with the industry practices.
	- Executive share option	The Company does not have an executive share option scheme.
	- Non Executive Directors' remuneration	The Non-Executive Directors (Independent) receive a fee for attending meetings of the Board and additional fee whenever they serve on the Board Sub-committees.

B.3 Disclosure of Remuneration

Annual Report of the Company should contain a statement of remuneration policy and details of remuneration of the Board as a whole.

Section	Rule	Degree of Compliance
B.3.1	Disclosure in the Annual report about the (a) Remuneration Committee members (b) statement of remuneration policy (c) aggregate remuneration paid	Please refer the Remuneration Committee report on page 81 and Note No. 11 to the Financial Statements.

C. RELATIONS WITH SHAREHOLDERS

C.1 Constructive use of the Annual General Meeting (AGM) and Conduct of General Meetings

Board should use the AGM to communicate with shareholders and should encourage their participation.

Section	Rule	Degree of Compliance
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 share holders 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.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
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.

C.2 Communication with Shareholders

The Board should implement effective communication with shareholders.

Section	Rule	Degree of Compliance
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 functions 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.
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

CORPORATE GOVERNANCE REPORT

C.3 Major and material transactions

Directors should disclose all proposed corporate transactions which would materially alter the net asset base of the Company.

Section	Rule	Degree of Compliance
C.3.1	Disclosure of major and material transactions	The Company did not enter into major transactions during the year.

D. ACCOUNTABILITY AND AUDIT

D.1 Financial Reporting

The Board should present a balanced and an understandable assessment of the Company's financial position and prospects.

Section	Rule	Degree of Compliance
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 31 st March, 2015 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 thereunder 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 93 to 96.
D.1.3	Annual Report disclosure stating Board's and Auditors' responsibility	Directors' Responsibility for Financial Reporting is given on page 97.
D.1.4	Management discussion and analysis	Management Discussion and Analysis is given on pages 15 to 40.
D.1.5	Directors' assumption of the going concern of the business	Please refer the Report of the Board of Directors on pages 93 to 96.
D.1.6	Serious loss of Capital	This situation has not arisen during the year and the likelihood of such a situation is remote. However, should such a situation arise, an Extra ordinary General Meeting would be convened to keep the shareholders informed thereof.
D.1.7	Disclosure of related party transactions	Refer the Note No. 46 to the Audited Financial Statements.

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D.2 Internal control

The Board should maintain a sound system of internal control to safeguard shareholders' investments and Company assets.

Section	Rule	Degree of Compliance
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 79 to 80 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 98.

D.3 Audit Committee

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.

Section	Rule	Degree of Compliance
D.3.1	Composition of the Audit Committee	The Audit Committee comprises two Independent Non-Executive Directors with the appointment of Mr. Ajith S. Ratnayake, w.e.f. 16 th May 2014. Please refer Audit Committee Report on pages 79 to 80.
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.

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Section	Rule	Degree of Compliance
D.3.4	Disclosure made in the Annual Report about the Audit Committee	Refer the Audit Committee Report on page 79.

D.4 Code of Business Conduct and Ethics

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.

Section	Rule	Degree of Compliance
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 43.

D.5 Corporate Governance Disclosures

The Board should include this in the Annual Report setting out the manner and extent for it to be complied.

Section	Rule	Degree of Compliance
D.5.1	Disclosure of corporate governance compliance	This requirement is met through presentation of this report.

E. INSTITUTIONAL INVESTORS**E.1 Shareholder Voting**

Institutional shareholders are required to make considered use of their votes and encouraged to ensure that their voting intentions are translated into practice.

Section	Rule	Degree of Compliance
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 Evaluation of Governance Disclosure

Institutional investors are encouraged to give due weight to all relevant factors in the Board structure and composition.

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F. OTHER INVESTORS

F.1 Investing / Divesting Decisions

Section	Rule	Degree of Compliance
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 Shareholder Voting

Section	Rule	Degree of Compliance
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. SUSTAINABILITY REPORTING

G.1 Principles of Sustainability Reporting

Section	Rule	Degree of Compliance
G.1.1	Economic Sustainability	Refer Pages 15 to 25 to the Annual Report
G.1.2	The Environment	Refer Page 40 to the Annual Report
G.1.3	Labour Practice	Refer Pages 32 to 36 to the Annual Report
G.1.4	Society	Refer Page 40 to the Annual Report
G.1.5	Product Responsibility	Refer Pages 37 to 38 to the Annual Report
G.1.6	Stakeholder identification, engagement and effective communication	Refer Pages 13 to 14 to the Annual Report
G.1.7	Sustainable reporting and disclosure should be formalized.	Refer Pages 10 to 40 to the Annual Report

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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 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
2.	THE RESPONSIBILITIES OF THE BOARD OF DIRECTORS	
2 (1)	Strengthening the safety and soundness of the Company	
	(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	<p>The Company's strategic plan covering the period, 2015/16 to 2017/18 was approved by the Board in July 2015. The above strategic plan includes the overall risk management policy, procedures and mechanisms with measureable goals.</p> <p>The business strategy is reviewed by the Board on a regular basis with management updates at Board meetings on execution of the agreed strategy.</p>
	(c) Identifying and managing risk	<p>The Board is primarily responsible for the overall risk framework of the Company. In 2012, the Board appointed an Integrated Risk Management Committee, to identify 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.</p> <p>IRMC is supported by Asset and Liability Committee (ALCO), Credit Committee (CC) and IT Steering Committee.</p>

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Section	Rule	Degree of Compliance
(d)	Communication policy with all stakeholders	<p>The Board has adopted a policy to govern communication with shareholders, including other stakeholders such as depositors, creditors and borrowers.</p> <p>The Company has also taken action to communicate the financial information such as Interim and Audited Financial Statements by publishing in 3 newspapers (Bi Annual) and publishing in the Colombo Stock Exchange (CSE) web-site. The company has displayed the Audited Statement of Comprehensive Income, Statement of Financial Position and the Independent Auditor's Report at the Head Office and at all Branches / Service Centers in addition to the submission of the annual report to shareholders of the company.</p>
(e)	Integrity of the internal control system and management information system	<p>Board reviews the adequacy and the integrity of the Company's internal control system by way of internal audit reports submitted by the Internal Auditors of the Company to the Board Audit Committee. Board Audit Committee minutes have been submitted to the Main Board.</p> <p>The Board is in the process of reviewing the integrity and adequacy of the Management Information System.</p>
(f)	Identifying and designating Key Management Personnel	<p>The Board of Directors, General Manager, Head of Credit and Recoveries, Head of Deposits, Head of Branches, Head of Finance, Manager -Risk & Compliance / Compliance Officer, Manager - IT and Manager - Corporate Affairs of the Company have been identified and designated as Key Management Personnel of the Company.</p>
(g)	Authority and responsibilities of the Board and Key Management Personnel	<p>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.</p>
(h)	Oversight of affairs of the Company by Key Management Personnel	<p>Affairs of the Company are reviewed and discussed at Board Meetings by the Board on a monthly basis. Key Management Personnel are invited for board meetings to discuss the operations and performance of the Company.</p>

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Section	Rule	Degree of Compliance
	(i) Periodically assess the effectiveness of its governance practices, including: <ul style="list-style-type: none"> 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 	<p>Article 26 of the Articles of Association of the Company provides procedure for selection, nomination and election of Directors. The Board has appointed a Nomination Committee as a Board Sub-Committee with clear written terms of reference to recommend to the Board of Directors on selection, nomination and election of Directors.</p> <p>In order to avoid conflicts of interest, the Director/s who have an interest on the matter under discussion refrain from engaging in deliberations and as well as voting. Further, a Board approved policy is in place to avoid conflicts of interest.</p> <p>The Board and the Board Sub Committees have a formal self-evaluation process annually in order to identify and rectify the weaknesses.</p>
	(j) Succession plan for Key Management Personnel	There is a Board approved succession plan in place for the Board of Directors including MD / CEO and for other KMPs.
	(k) Regular meetings with the Key Management Personnel	Key Management Personnel are represented at monthly Board meetings when the need arises to explain matters relating to their area of responsibility.
	(l) Understanding Regulatory environment	<p>The Compliance Officer and the Company Secretaries apprise any changes in regulatory environment to the Board and Board Sub-Committees.</p> <p>A summary of returns submitted to CBSL is tabled at Board Meetings on a regular basis for the awareness of the Members of the Board. Further, directions issued by CBSL have been discussed regularly at Board meetings.</p>
	(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). Article 40 (4) reveals the process of hiring external auditors at the AGM.
2 (2)	Appointment of the Chairman and the Chief Executive Officer and define and approve functions and responsibilities	<p>The Board has appointed the Chairman and the Chief Executive Officer (CEO).</p> <p>Functions and responsibilities of the Chairman and the CEO are in place.</p>

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Section	Rule	Degree of Compliance
2 (3)	Directors' ability to seek independent professional advice	A Board approved policy is in place to enable the Directors to seek independent professional advice, at the expense of the company. However, no such advice has been taken during the year under review.
2 (4)	Dealing with conflicts of interest	In terms of Section 29(5) of the Articles of Association of the Company, any Director or his / her relatives or a concern in which he / she has substantial interest, is interested in a transaction entered into or to be entered into by the Company abstains from deliberation on that matter and voting on any Board resolution in relation to such transaction. Accordingly, he / she is not counted in the quorum for the relevant agenda item at the Board meeting. Further, a Board approved policy is in place to deal with conflict of interest.
2 (5)	Formal schedule of matters specifically reserved for the Board Decision	A Board approved formal schedule of matters specifically reserved for Board decision 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.
2 (7)	Publish corporate governance report in the Annual Report	Annual corporate governance report has been published in the Annual Report 2014/2015. This report from pages 44 to 78 serves this requirement.
2 (8)	Annual self-assessment by the Directors and maintain such records	The extent of compliance with this requirement is disclosed on page 46 under "Board and its Sub Committees effectiveness".
3.	MEETINGS OF THE BOARD	
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 the meetings with due notice given with Board papers. Approval obtained through circulation has been kept at minimal.
3 (2)	Arrangements for Directors to include matters and proposals in the agenda	A board approved procedure has been implemented to enable all directors to include matters and proposals in the agenda for regular board meetings.

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Section	Rule	Degree of Compliance
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 meeting and non -attendance of consecutive three meeting did not arise. Refer Page 46 for details on individual 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 Board approved 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 the minutes of Board Meetings. The Board Minutes are circulated to the Directors via email and printed copies are enclosed with the Agenda of the next meeting together with the Board papers. The Company Secretaries provide certified copies of the Minutes at any time at the request of any director of the Company. A formal Board approved 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 deliberations made by each member and the decisions / resolutions made in sufficient details to satisfy the requirements of the direction.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
4. COMPOSITION OF THE BOARD		
4 (1)	The number of directors	The extent of compliance with this requirement is disclosed on page 44 under "Composition of the Board and balance"
4 (2)	Period of service of a Director	The extent of compliance with this requirement is disclosed on page 44 under "Composition of the Board and balance"
4 (3)	Board balance	The extent of compliance with this requirement is disclosed on page 44 under "Composition of the Board and balance"
4 (4)	Independent Non-Executive Directors and the criteria for independency	The extent of compliance with this requirement is disclosed on page 44 under "Composition of the Board and balance" and on page 45 under "Determination of independence of Non-Executive Directors"
4 (5)	Appointment of Alternate Directors	No alternate directors were appointed during the year.
4 (6)	Skills and experience of Non-Executive Directors	The Directors are eminent persons with the required knowledge, expertise and experience to bring an independent judgment and their profiles are given on pages 41 to 42.
4 (7)	More than half the quorum of Non-Executive Directors in Board meetings	During the year, the Board resolved that the quorum to transact business is at least one half of the directors. As per Article 34 (1) of the Articles of Association of the Company at least one half of the number of Directors constituting the quorum at a meeting are Non-Executive Directors. All Board meetings held during the Financial Year were duly constituted.
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 Pages 41 to 42 and Report of Board of Directors on Pages 93 to 96.
4 (9)	Procedure for the appointment of new Directors and for the orderly succession of appointments to the Board	Article 26 provides the procedure for appointment and removal of Directors. Further, on behalf of the Board, the Nomination Committee deals with the requirements of this direction.
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 44 under "Appointment and Re-election of Directors"

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
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.
5. CRITERIA TO ASSESS THE FITNESS AND THE PROPRIETY OF DIRECTORS		
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.
6. DELEGATION OF FUNCTIONS		
6 (1)	Delegation of work to the Management	In terms of Article 28, the Board is empowered to 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.
7. THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER		
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 42.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
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 41.
7 (4)	Chairman to; (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key and appropriate issues are discussed by the Board in a timely manner	Functions and responsibilities of the Chairman approved by the Board includes the requirements stipulated. The annual self-assessment of the Board includes a criterion that 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.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
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 assistance of Key Management Personnel and is accountable to the Board to recommend the Company's strategy, implementation, and ensure appropriate internal controls are in place to assess and manage risks.

8. BOARD APPOINTED COMMITTEES

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"> (a) Audit Committee (b) Integrated Risk Management Committee (c) Remuneration Committee (d) Nomination Committee <p>Each Committee has a Secretary, and the Secretary arranges its meetings, maintain minutes and carries out other secretarial functions under the supervision of the Committee Chairman and minutes of the Sub-Committees are submitted to Board.</p> <p>The Company has presented a report on the performance, duties and functions of each Board Sub-Committee on pages 79 to 83.</p>
8 (2)	<p>Audit Committee</p> <p>(a) The Chairman to be a Non-Executive Director with relevant qualifications and experience</p>	<p>The Chairman of the Audit Committee, Mr. Ajith S. Ratnayake was appointed w.e.f. 16th May 2014 and 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 42 for the complete profile of Mr. Ajith S. Ratnayake.</p>

CORPORATE GOVERNANCE REPORT

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. 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 to 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.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
	(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, <ul style="list-style-type: none"> - 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 - Independence of Internal Audit Functions 	<p>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.</p> <p>Audit Committee has reviewed and approved the Internal Audit Program.</p> <p>The Committee has carried out a performance appraisal of the Internal Audit division.</p> <p>Circumstances have not arisen during the year under review.</p> <p>Circumstances have not arisen during the year under review.</p> <p>The Committee ensured the independence of the Internal Audit Function.</p>
	(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, General Manager and other members of the Key Management Personnel may 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 sets out the authority and responsibility of the Committee.
	(n) Regular meetings	The Audit Committee met 29 times during the financial year under review. Please refer page 46 for details of the attendance of the committee members.
	(o) Disclosures in the Annual Report	The "Board Audit Committee" report on pages 79 to 80 include the details of activities of the Audit Committee. Please refer page 46 for details of the attendance of the committee members.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
	(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)	Integrated Risk Management Committee	
	(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 namely, General Manager, Head of Finance, Head of Credit & Recoveries, Head of Branches, Head of Deposits, Manager Risk & Compliance / Compliance Officer, Manager IT and Manager Corporate Affairs who supervises 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 and Operational and Liquidity through appropriate risk indicators and management information. However, the Management is in the process of introducing a Board approved Asset Liability Management policy and risk limits to monitor on a continuous basis.
	(c) Review and measurement of management level committee risk	Assets and Liabilities Committee and Credit Committee review the adequacy and effectiveness in addressing the specific risk and managing risks. However, the committee is in the process of establishing and reviewing specific quantitative and qualitative risk limits.
	(d) Corrective action to mitigate the risk	The risk indicators introduced have been reviewed and corrective actions have been taken to mitigate risks. Further, the Company is in the process of setting 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	The Committee refers such matters, if any, to the HR division for necessary action. However, the specific risk and limits are identified by the Committee and such decisions are taken collectively. No such matters have arisen during the year.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
	(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 function. Compliance Unit reviews the Company's compliance with laws, regulations guidelines on a regular basis and reports non-compliances, if any, to the Board. The Audit Committee reviews adequacy of Internal Control mechanism of the Company in order to maintain the independence and objectivity of the Internal Audit function.

9. RELATED PARTY TRANSACTIONS

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 transactions, which gives a 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.
9 (4)	Monitoring of related party transactions defined as more favorable treatment including, <ul style="list-style-type: none"> (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 	<p>The Company has established a Board approved documented procedure to monitor the Related Party Transactions in order to avoid more favorable treatment to such parties.</p> <p>The Company is in the process of implementing, monitoring and reporting the process through the IT system.</p>

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
10.	DISCLOSURES	
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	Compliance with applicable Accounting Standards and regulatory requirements has been reported under "Directors' responsibility for Financial Reporting" on page 97.
	(b) A report by the Board on the Finance Company's internal control mechanism	Directors' Statement on Internal Control system over financial reporting is given on page 98.
	(c) The External Auditors' certification on the effectiveness of the internal control mechanism	The Company has obtained an assurance report from the External Auditors on the effectiveness of the Internal Control Mechanism.
	(d) Details of directors and the transactions with the Finance Company	This is disclosed under "Report of the Board of Directors" on pages 93 to 96.
	(e) Fees / remuneration paid by the Finance Company to the directors in aggregate	Fees and remuneration paid is disclosed under Note No. 11 to the Financial Statements.
	(f) Total net accommodation and the net accommodation outstanding to the related parties as a percentage of the capital funds	Net accommodations granted to related parties as a percentage of capital funds is as follows, Loans & Advances - 3.64% Lease and Stock out on Hire - 0.01%
	(g) The aggregate values of remuneration paid and the value of transactions with the Key Management Personnel	The aggregate value of remuneration paid to KMP (as per CBSL) - Rs. 26,699,100/- The aggregate value of transactions of the Company with KMP (as per CBSL), Loans and Advances - Rs.4,547,807/- Deposits - Rs.16,967,876/-
	(h) A report confirming compliance with prudential requirements, regulations, laws and internal controls	This is disclosed under "Report of the Board of Directors" on pages 93 to 96.
	(i) Non-Compliance reporting	There are no significant lapses which require to be disclosed to the public.
	(j) The External Auditors' certification of the compliance with the corporate governance direction	The Company has obtained a certificate from External Auditors over the compliance with corporate governance direction.

CORPORATE GOVERNANCE REPORT

SECTION THREE - 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 rule 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	Degree of Compliance
7.10.1 NON EXECUTIVE DIRECTORS		
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 44 under "Composition of the Board 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	Cessation and the appointment of Directors during the year under review has not impacted the requirements under 7.10.1 (a)
7.10.2 INDEPENDENT DIRECTORS		
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 44 under "Composition of the Board 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 45 under "Determination of Independence of Non-Executive Directors"

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
7.10.3	DISCLOSURES RELATING TO DIRECTORS	
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 45 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 pages 41 to 42 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	The appointment of Mr. Ajith S. Ratnayake w.e.f. 16 th May 2014 was announced to the Colombo Stock Exchange on 19 th May 2014 together with a brief resume.
7.10.4	CRITERIA FOR DETERMINATION OF INDEPENDENCY OF DIRECTORS	
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.
7.10.5	REMUNERATION COMMITTEE	
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	With the appointment of Mr. Ajith S. Ratnayake, w.e.f 16 th May, 2014, the requirement has been fulfilled. Refer the Remuneration Committee Report on page 81.
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 81 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 81 for details.
	(ii) A statement of remuneration policy;	Refer the Remuneration Committee Report on page 81 for details.
	(iii) Aggregate remuneration paid to Executive and Non-Executive Directors	Refer the Note No. 11 of the Audited Financial Statements.

CORPORATE GOVERNANCE REPORT

Section	Rule	Degree of Compliance
7.10.6	AUDIT COMMITTEE	
7.10.6 (a)	<p>The Audit Committee shall comprise a minimum of two Independent Non-Executive Directors or a majority of Independent Non-Executive Directors whichever is higher</p> <p>One Non-Executive Director shall be appointed as Chairman of the Audit Committee by the Board</p> <p>The Chief Executive Officer and Chief Financial Officer shall attend Audit Committee meetings</p> <p>The Chairman or one member of the Committee should be a member of a recognized professional accounting body</p>	<p>The Board Audit Committee comprises two Independent Non-Executive Directors with the appointment of Mr. Ajith S. Ratnayake, w.e.f. 16th May 2014. Please refer Audit Committee Report on page 79 for the composition of the Audit Committee.</p> <p>Mr. Ajith S. Ratnayake (Independent Non-Executive Director) functions as the Chairman of the Board Audit Committee.</p> <p>Chief Executive Officer and Chief Financial Officer attend the meetings regularly by invitation.</p> <p>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 42 for the complete profile of Mr. Ajith S. Ratnayake.</p>
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 79 to 80 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 79 to 80 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 79 to 80 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 79 to 80 for the Board Audit Committee Report.

BOARD 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 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 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
(w.e.f. 16 May 2014)
- Mr. V.K. Choksy
Independent Non-Executive Director and Senior
Director

The Chairman of the Committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka and the retired founder Director General of the Sri Lanka Accounting and Auditing Standards Monitoring Board.

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 Nine 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. V K Choksy	29	29
Mr. A S Ratnayake	28	28

The Managing Director, General Manager, Chief Internal Auditor, Head of Finance, Manager Risk and Compliance/Compliance Officer, Head of Credit, and Head of Branches and other officers attended meetings by invitation based on the items under discussion. The Audit Committee met the external auditors without the presence of the management on two occasions during the year to facilitate the 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 so that they show a true and fair view of the financial position and performance based on 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 prior to submission to the Board.

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.

BOARD AUDIT COMMITTEE REPORT

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.

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.

Before the audit commenced for the period under review, the committee discussed and agreed with the external auditors the nature and scope of the audit. The auditors were provided opportunities to meet the Audit Committee without the presence of the management.

DETERMINATION OF 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.



Ajith S. Ratnayake
Chairman
Audit Committee

28th July 2015

BOARD REMUNERATION COMMITTEE REPORT

THE COMPOSITION

The Board appointed Remuneration Committee comprised of two Non Executive Directors and one Independent Non Executive Director at the beginning of the year. At the end of the financial year the composition changed to two Independent Non Executive Directors and one Non Executive Director by reason of the joining on the Board of Mr. Ajith Ratnayake. 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
Dr. (Mrs.) S. Dubash	- Non-Executive Director ceased w.e.f. 8 April 2014
Mr. Ajith S. Ratnayake	- Independent Non-Executive Director Appointed w.e.f. 16 May 2014

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;

1. The determination of remuneration and other benefits of Key Management Personnel and the establishment of performance parameters.
2. 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.
3. To introduce policies and parameters of the remuneration structure for all staff members of the company and monitor the implementation thereof.
4. 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.
5. Evaluation and recommendation on the promotion of the Management grade staff.
6. Evaluation of performance of the Managing Director/CEO and the Key management personnel.
7. 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.

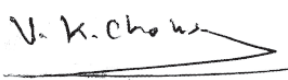
MEETINGS

The committee held two meetings during the financial year. The attendance by members is given in the Corporate Governance Report on page 46 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 11 to the Financial Statements. This comprises fees for all the committees of the company that serves on.


V. K. Choksy
Chairman
Remuneration Committee.

28th July 2015

BOARD INTEGRATED RISK MANAGEMENT COMMITTEE (IRMC) REPORT

Integrated Risk Management Committee functions as a Board Sub-Committee in compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008. The Committee assists the Board of Directors to assess and competently manage Credit risk, Market risk, Liquidity risk, Operational risk and Strategic risk on a regular basis. The Committee is chaired by a Non-Executive Director and consists of Managing Director / CEO, General Manager and other Key Management Personnel supervising above risks. The scope and functions of the Committee confirms to the provisions of the Corporate Governance Direction.

COMPOSITION OF THE COMMITTEE

The composition of the committee as at 31 March 2015 is as follows,

- Mr. Channa Pathirana - Chairman
(Non Executive Director), w. e. f
29 April 2014
- Mr. Kithsiri Wanigasekara - Managing
Director/CEO
- Mr. M. K. Nambiyarooran - General Manager
- 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

Dr. (Mrs.) S. Dubash functioned as the Chairperson of the Committee until her cessation from the Board w.e.f. 8 April, 2015 in compliance with the Corporate Governance Direction.

MEETINGS

The Committee held four meetings during the year under review and the attendance of the Committee members at meetings is given on page 46 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 meetings and a Risk Assessment Report is circulated within the prescribed period 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 and Capital Adequacy
- Review performance of the Company
- Review adequacy of impairment in line with relevant accounting standards
- Review liquidity position, impact on market volatility, performance of equity portfolio and related issues
- Review progress on operational risk throughout the Company
- Review of Business Continuity Plan related issues
- Assess adequacy and effectiveness of Management Committees, namely Credit Committee and Asset and Liability Committee (ALCO)
- Compliance with laws and regulations
- Propose appropriate measures for corrective action as part of the risk mitigation process

On behalf of the Board Integrated Risk Management Committee,



Channa Pathirana
Chairman

Integrated Risk Management Committee
28th July 2015

BOARD NOMINATION COMMITTEE REPORT

Nomination Committee functions as a Board Sub - Committee in compliance with 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. The Committee comprised of two Non - Executive Directors as at the end of the year and the composition of the Committee during the year was as follows :

- Mr. Rusi Pestonjee - Chairman (Non - Executive Director)
- Mr. V.K Choksy - Independent Non-Executive Director / Senior Director
- Dr. (Mrs) S. Dubash - Non-Executive Director
(ceased to be a director w.e.f. 8th April 2014)

The Company Secretary functions as the secretary to the committee.

MEETINGS

The Committee meets depending on the necessity to discuss matters that comes within it's scope. The Committee held one meeting during the year under review and the attendance of the Committee members at that meeting is given on page 46 of the Annual Report.

FUNCTIONS

- Recommendation of the appointment and re-appointment of Directors to the board after considering qualifications, competencies, independence and relationships which have potential to give rise to conflicts on the business of the Company while ensuring the selection of a mix of competent directors, each of whom can add value and create independent judgment as to the formulation of sound corporate strategies and policies.
- Ensuring that the Directors are fit and proper persons to hold Office in conformity with the criteria prescribed by the Central Bank of Sri Lanka and ensuring compliance with Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No. 03 of 2011.
- Annual evaluation of the composition of the Board to ascertain whether the combined knowledge, skills and experience of the Board matches the strategic demand required by the Company and to make recommendations to the Board with regard to any changes.

On behalf of the Board Nomination Committee,



Rusi Pestonjee
Chairman / Nomination Committee
28th July 2015

RISK MANAGEMENT REPORT

OVERVIEW

Risk-taking is an integral part of finance business. 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 upon a number of factors such as its size, complexity of business activities, business volume etc, it is believed that generally the financial institutions face Credit, Market, Liquidity, Operational, Compliance / Legal / Regulatory and Reputation risks. Accordingly, Abans Finance too is exposed to the above risks with the prevalent uncertainties in today's business environment.

RISK GOVERNANCE

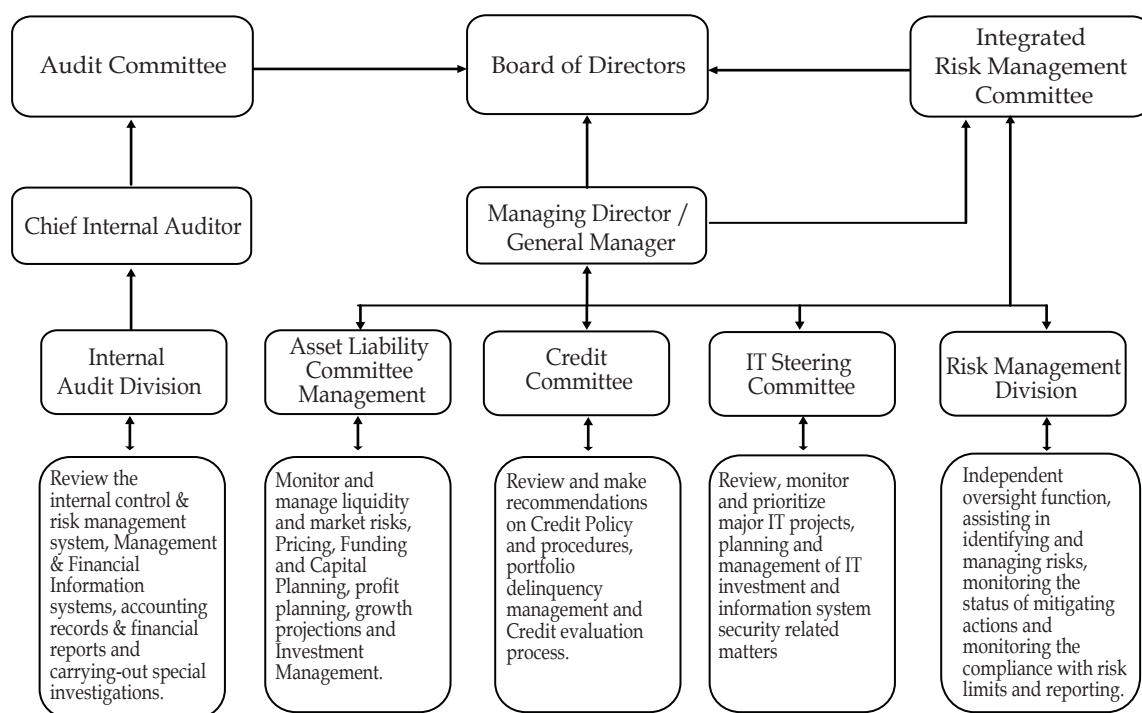
Abans Finance believes that effective Risk Management begins with effective risk governance. The Company has an established risk governance structure implemented under the guidance of an active and engaged Board of Directors supported by an experienced management team. The Board of Directors, either 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 delegated authority levels to the CEO, GM 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 assists 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 management structure of the Company can be summarized as follows,



RISK MANAGEMENT REPORT

Integrated Risk Management Committee (IRMC)

The Board appointed IRMC is based on the Finance companies (Corporate Governance) Direction No. 3 of 2008. The IRMC assumes the responsibility to identify Risks related to Credit, Market, Operations, Liquidity, Strategy and recommends to the Board specific action to be initiated to mitigate these risks.

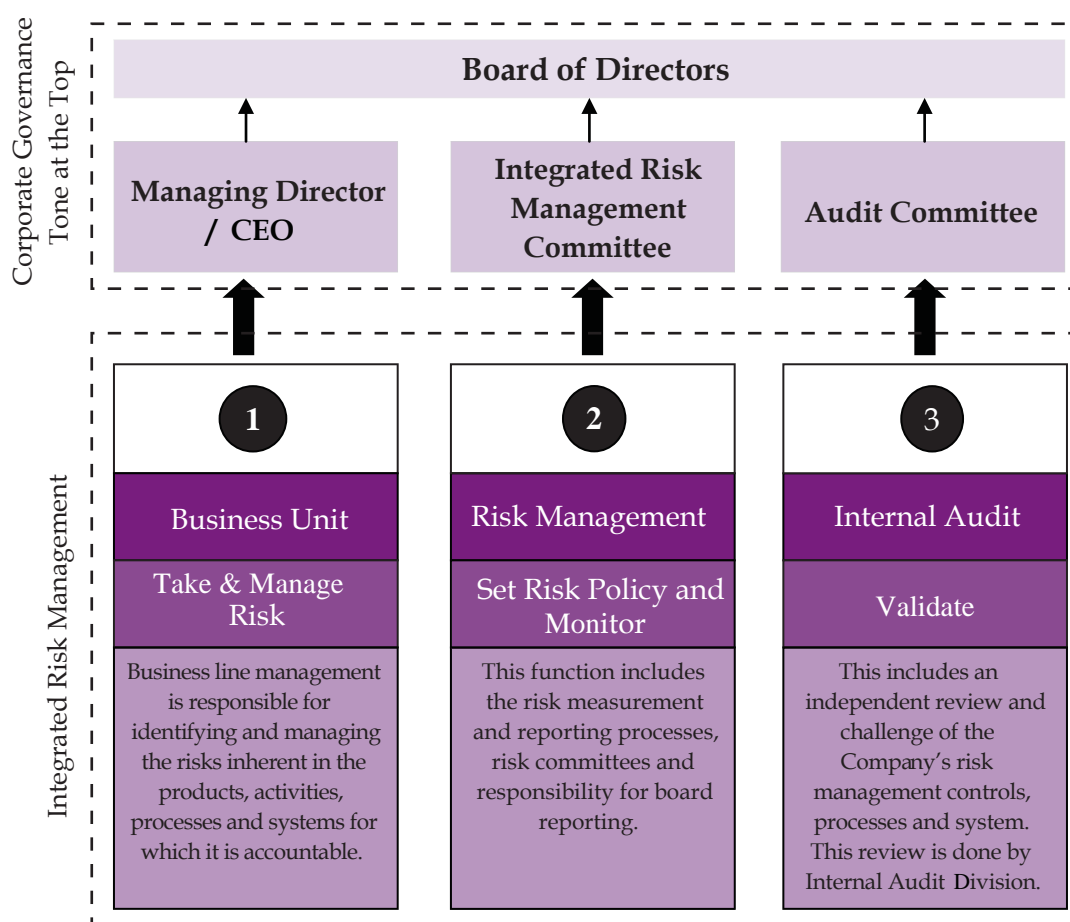
Management Committees

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 for the risks they assume. 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 risks 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.

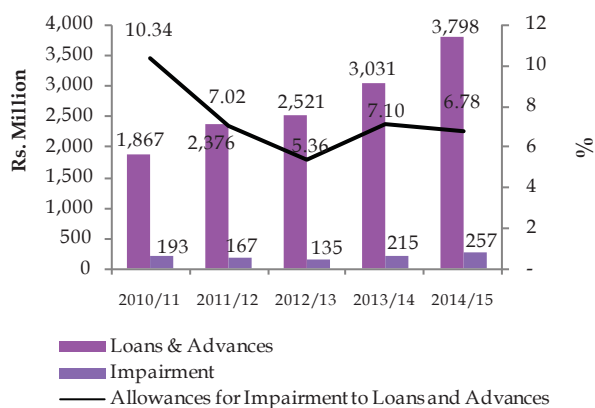
RISK MANAGEMENT REPORT

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 respectively with the delegation of the Board of Directors and it is monitored by the Integrated Risk Management Committee.

Credit Risk Management has as its priority, the maintenance of the Asset quality of the company’s credit portfolio with particular attention to accepted industry norms. The Company conducts impairment tests collectively as well as individually for individually significant Loans and Advances by assessing all credit facilities for objective evidence of impairment in accordance with IFRSs. The Impairment provisions are charged to Income Statement as cost for Asset quality deterioration.

Allowances for Impairment to Loans and Advances

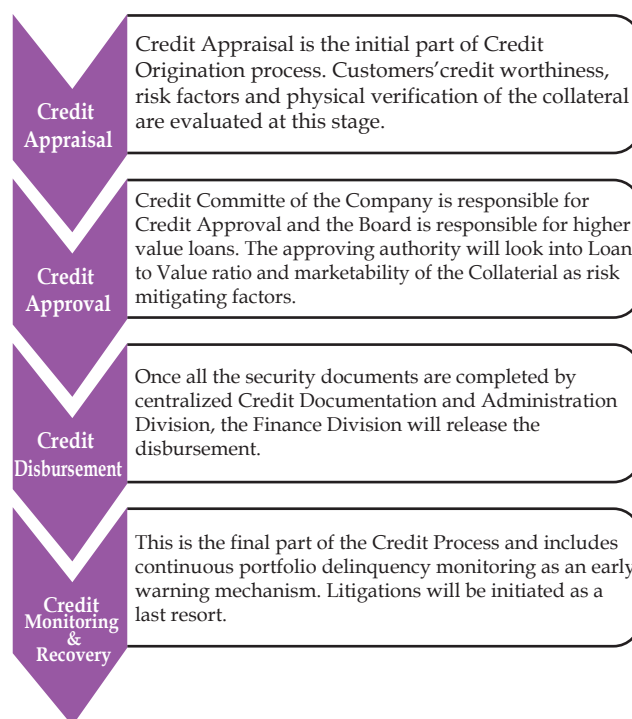


Credit Process

Many credit problems reveal basic weaknesses in the credit origination and monitoring processes. The Company had established 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 the credit and source of repayment, integrity and reputation of the borrower, risk profile of the borrower, borrower’s repayment history, legal capacity of the borrower, borrower’s 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 facilitates 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 risks by a strong internal credit process. The following figure defines the process,

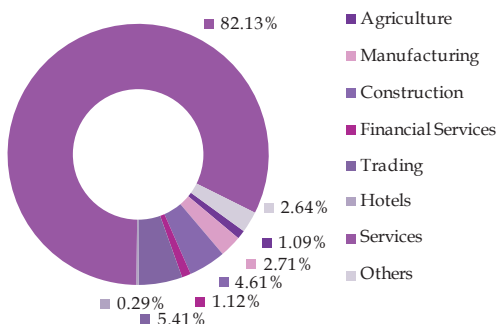


Credit Concentration

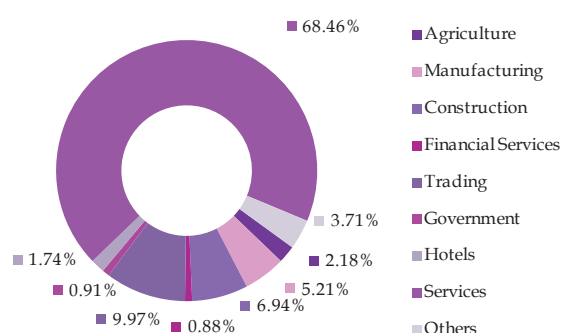
Consistent with the Board-approved exposure limits, borrower limits are set within the context of established lending criteria and guidelines for individual borrowers, particular industries, and certain types of lending, to ensure that the Company does not have excessive concentration in any single borrower, 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

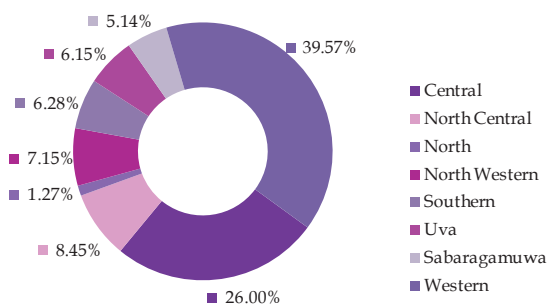
Sector Concentration - 2014/15



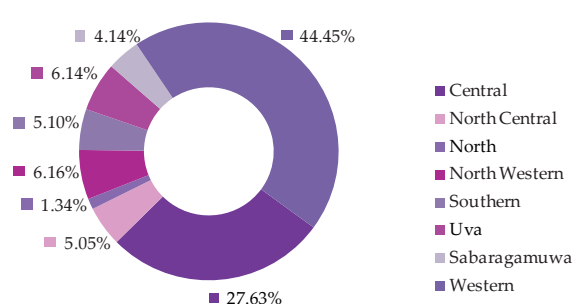
Sector Concentration - 2013/14



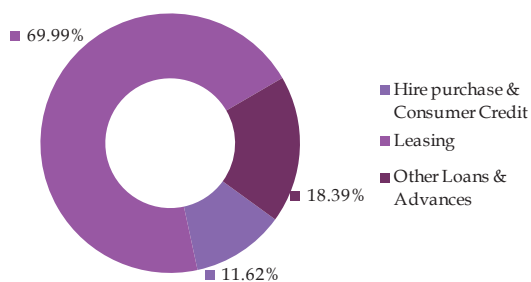
Geographical Concentration - 2014/15



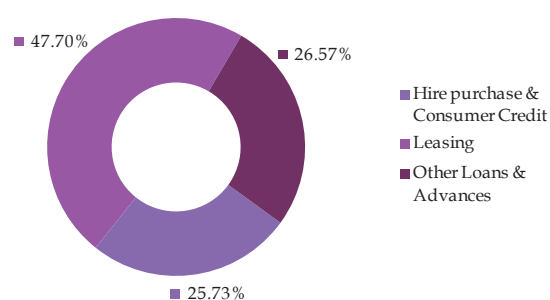
Geographical Concentration - 2013/14



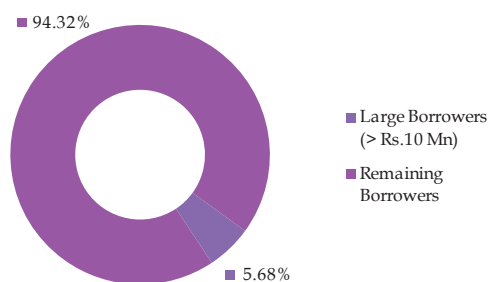
Product Concentration - 2014/15



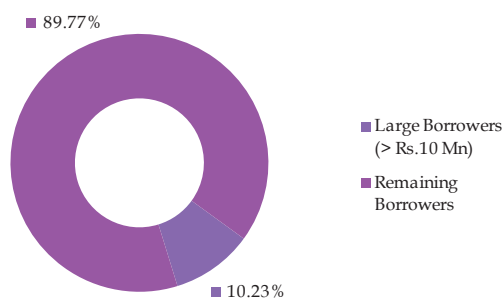
Product Concentration - 2013/14



Exposure to Large Borrowers (>Rs. 10 Mn) - 2014/15



Exposure to Large Borrowers (>Rs. 10 Mn) - 2013/14



RISK MANAGEMENT REPORT

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.

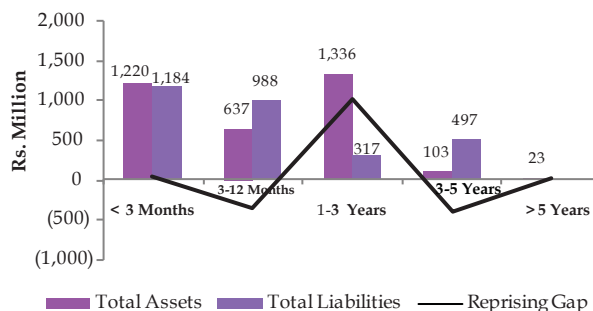
Interest Rate Risk

Interest rate risk management in finance business has assumed such importance during the last decades in relation to the higher 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. Accepting this risk is a normal part of finance business and can be an important source of profitability and shareholder value.

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 risk related aspects in this area, ALCO takes into account the proper maintenance of the interest spread and net interest margin for the company that includes branch wise and product wise analysis. The company considers interest rate risk as a major component of the Market Risk and has a continuous Assessment and monitoring process in this direction.

The change 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 the assets and the liabilities. Further, ensuring that such assets and liabilities come within relevant time buckets in relation to periodical contractual changes also play an important role.

Repricing Gap - As at 31.03.2014

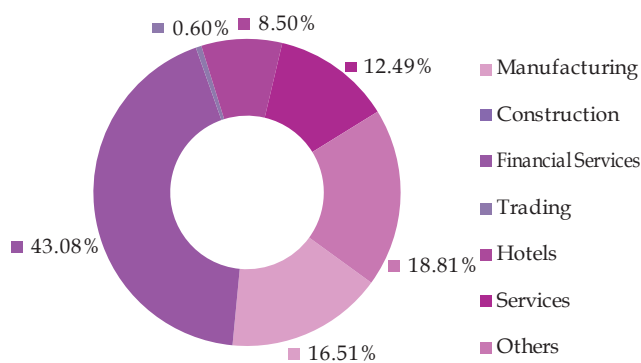


The proper re-pricing of Assets and Liabilities and the prevention of mismatches on a continuous basis assists the company to mitigate risks in this area.

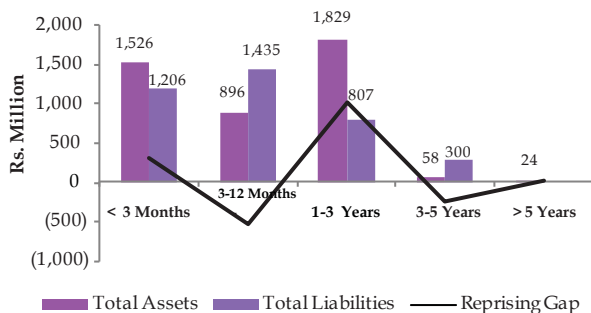
Equity Price Risk

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 investment held by the Company. However, the Company holds a relatively small portion of investments in equities and maintains a diversified portfolio.

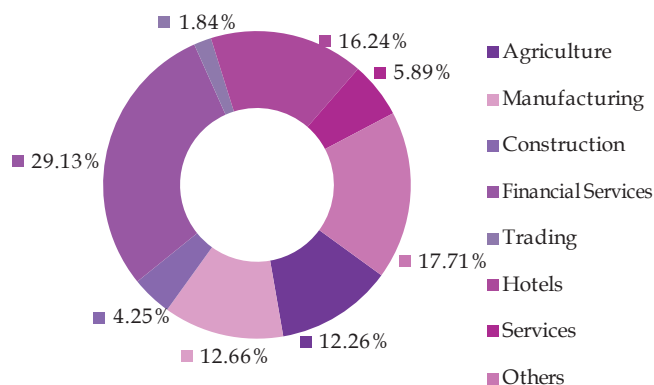
Equity Investment - Sector Concentration - 2014/15



Repricing Gap - As at 31.03.2015



Equity Investment - Sector Concentration - 2013/14



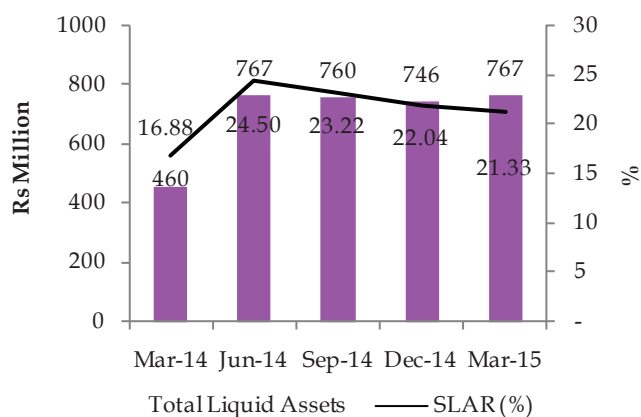
RISK MANAGEMENT REPORT

LIQUIDITY RISK

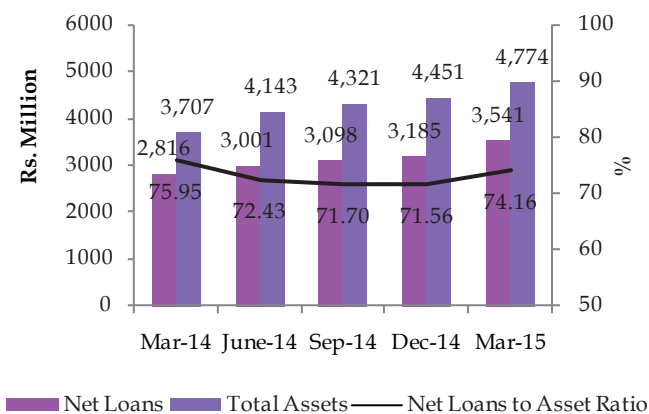
Liquidity risk is the risk that the Company is unable to meet its financial obligations in a timely manner at reasonable prices. Financial obligations include liabilities to depositors, payments due to suppliers, settlement of borrowings and lending and investment commitments. Effective liquidity risk 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 in 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 Company uses the Statutory Liquid Assets Ratio, Loans and Advances to Total Assets Ratio, Large Deposits to Total Deposits Ratio and Funding Mix to evaluate the liquidity position on a regular basis. During the year under review Company maintained a pool of high liquid, unencumbered assets that can be readily sold or pledged to secure any borrowings.

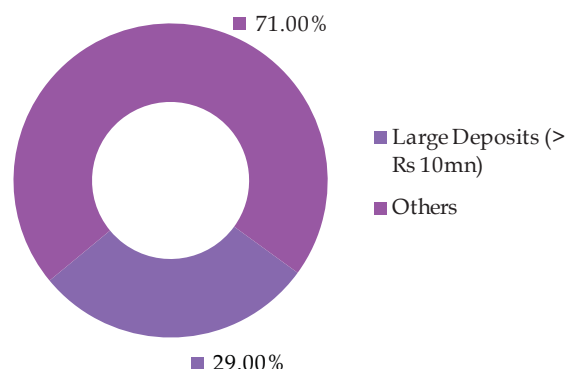
Liquid Asset and Statutory Liquid Asset Ratio



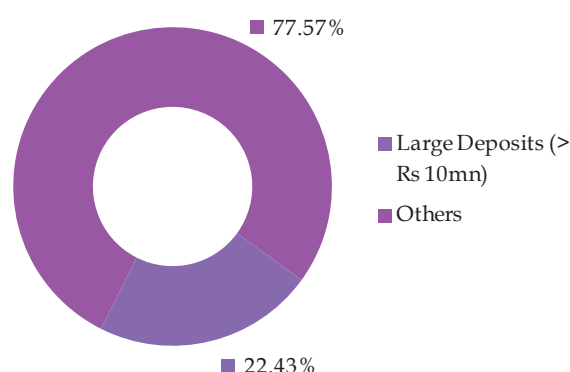
Net Loans to Total Assets



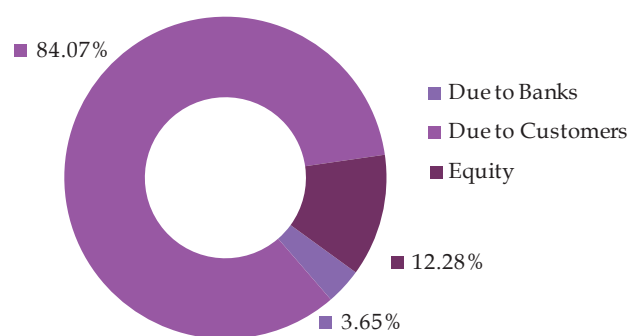
Large Deposits (> Rs. 10mn) - 2014/15



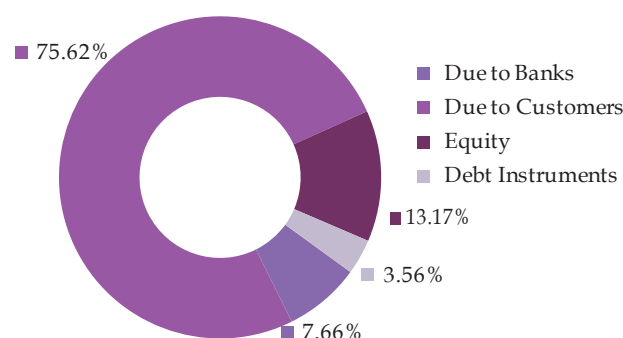
Large Deposits (> Rs. 10mn) - 2013/14



Funding Mix - 2014/15



Funding Mix - 2013/14

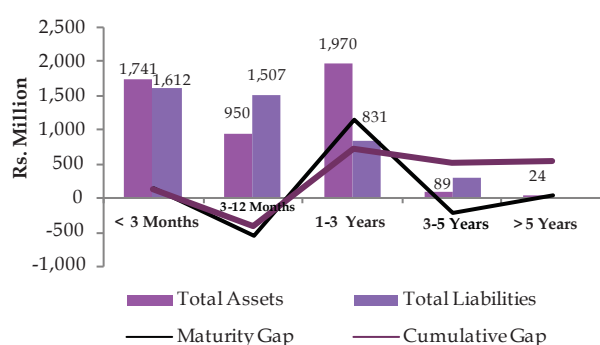


RISK MANAGEMENT REPORT

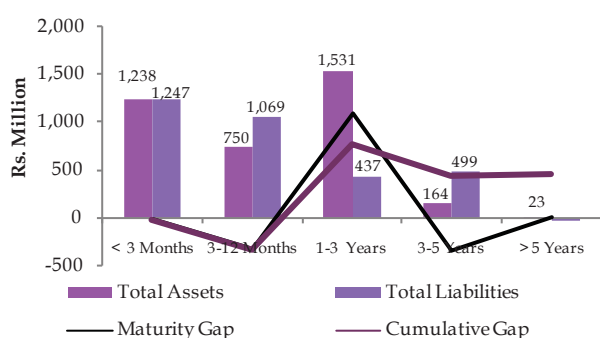
Gap Management

The company which engages in finance business assesses on a continuous basis how vulnerable it is to 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 in each of the time frame. 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.

Maturity Gap - As at 31.03.2015



Maturity Gap - As at 31.03.2014



During the year under review, in order to reduce the maturity mismatches, the Company encouraged longer tenure deposits with special attention to three year deposits to match with the average period of a credit facility.

Contingency Funding Plan

The Company maintains a Contingency Funding Plan (CFP) that specifies an approach for analyzing and responding to actual and potential liquidity events. The CFP outlines an appropriate governance structure for the management and monitoring of liquidity events (company specific triggers and 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 and their availability.

OPERATIONAL RISK

Operational risk is the risk of loss, whether direct or indirect, to which the Company is exposed due 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 the significant operational risks to which they are exposed.

The Company has a governance and organizational structure through which operational risk is managed. As pre requirement 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 are identified and assessed, 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.

RISK MANAGEMENT REPORT

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 regularly meets 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 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 revenues, 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.

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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 2015 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 with 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. 400, Galle Road, 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, granting Finance Leasing, Hire Purchase, Mortgage Loans, Personal Loans, Real Estate and Capital Market Operations.

REVIEW OF PERFORMANCE FOR 2014/2015 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.

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 Managing Director and

Chairman in accordance with the Companies Act No. 07 of 2007.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of Financial Statements of the company, which reflect a true and fair view of the state of its affairs. The Directors are of the view that the Statement of Comprehen

sive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flow, Significant Accounting Policies and Notes thereto have been prepared in compliance with requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act No. 7 of 2007. In addition to the above, these Financial Statements also comply with the requirements of the Listing Rules of the Colombo Stock Exchange.

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 2015 and the Independent Auditor's Report is given on 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 pages 105 to 117 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 1st April 2014 to 31st March 2015.

FINANCIAL PERFORMANCE

The Company's Profit before Taxation amounted to Rs. 97,509,387/- (after deducting Value Added Tax on Financial Services of Rs. 11,123,943/-) in comparison to Rs. 25,367,993/ ((after deducting Value Added Tax on Financial Services of Rs. 3,655,613/-) - in 2013/2014. After deducting Rs.24,707,819/- (Rs. 16,672,634/- in 2013 / 2014) for Taxation, the Profit after Tax for the year amounted to Rs. 72,801,568/- (Rs. 8,695,359/- in 2013/2014). This represents net profit growth by 284% compared to the previous financial year. Details are given in the Statement of Comprehensive Income on Page 101 to the Annual Report.

REPORT OF THE BOARD OF DIRECTORS

PROFIT APPROPRIATIONS

A summary of the financial results of the Company for the years ended 31 March 2015 and 31 March 2014 are given below;

Description	2013/2014 (Rs)	2014/2015 (Rs)
Profit before Taxation from Operations	25,367,993	97,509,387
Provision for Income Tax	(16,672,630)	(24,707,819)
Profit for the Year	8,695,359	72,801,568
Transfer to Statutory Reserve Fund	(1,739,500)	(14,561,000)
Transfer (to)/From Investment Fund Reserve	(3,730,571)	18,454,242
Retained Profit Brought Forward From the Previous Year	18,899,588	22,099,123
Other Comprehensive Income Net of Tax	(25,753)	(956,647)
Retained Earnings Carried Forward	22,099,123	97,837,286

TOTAL OPERATING INCOME

The Total Operating Income of the Company for 2014/2015 was Rs. 502,881,616/- compared to Rs. 342,307,447/- in 2013/2014. An analysis of the Income is given on Page 101 to the Annual Report.

EQUITY AND RESERVES

The stated capital and reserves stood at Rs. 525 Mn (Rs. 453 Mn as at 31 March 2014). During the financial year Rs 18.45Mn was transferred from investment fund reserves to the retained earnings as per the circular issued by Central Bank of Sri Lanka on 07th August 2014.

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

Description	2013/2014 (Rs)	2014/2015 (Rs)
Stated Capital	382,373,630	382,373,630
Statutory Reserve	29,968,000	44,529,000
Investment Fund Reserve	18,454,242	-
Available For Sale Reserve	-	130,255
Retained Earnings	22,099,123	97,837,286
Total Shareholders' Funds	452,894,995	524,870,171

PROPERTY, PLANT AND EQUIPMENT

Capital Expenditure incurred on Property, Plant and Equipment amounted to Rs. 16,726,387/- in 2014/2015 (Rs. 7,371,737/- in 2013/14). Details applicable to Capital Expenditure are given in Note 27 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 2015 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. K. B. Wanigasekara	Non-Independent	Executive
Mr. Ajith S. Ratnayake (Appointed w.e.f 16th May 2014)	Independent	Non-Executive
Mr. C. D. Pathirana	Non-Independent	Non-Executive
Mr. V.K. Choksy	Independent	Non-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.

The followings Directors will retire at the Annual General Meeting and being eligible offer themselves for re-election with the unanimous support of the other Directors.

- * Mr. Rusi Pestonjee - Chairman
- * Mr. C.D. Pathirana -Non-Executive Director

RETIREMENT/CESSATION OF DIRECTORS

Dr. (Mrs.) S. Dubash, Non -Executive Director ceased with effect from 8 April 2014 in terms of Finance Companies (Corporate Governance) Direction No 03 of 2008 upon completion of nine years of services.

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 four permanent committees of the Board, namely, Audit Committee, Integrated Risk Management Committee, Remuneration Committee and Nomination Committee and the details of the members are as follows;

REPORT OF THE BOARD OF DIRECTORS

AUDIT COMMITTEE

- Mr. Ajith. S. Ratnayake - Chairman (Independent Non Executive Director) - Appointed w.e.f. 16 May 2014
- Mr. V.K. Choksy - Member (Independent Non Executive Director - Senior Director)

REMUNERATION COMMITTEE

- Mr. V.K. Choksy - Chairman
- Mr. R. Pestonjee
- Dr. (Mrs.) Saroshi Dubash - Ceased w.e.f. 8 April 2014
- Mr. Ajith. S. Ratnayake - Appointed w.e.f. 16 May 2014

NOMINATION COMMITTEE

- Mr. R. Pestonjee - Chairman
- Dr. (Mrs.) Saroshi Dubash - Ceased w.e.f. 8 April 2014
- Mr. V.K. Choksy

INTEGRATED RISK MANAGEMENT COMMITTEE (IRMC)

- Dr. (Mrs.) S. Dubash - Chairperson (Ceased w.e.f. 8 April 2014)
- Mr. C. D. Pathirana - Chairperson (w.e.f. 29 April 2014)
- Mr. K. B. Wanigasekara - Managing Director/CEO
- Mr. M.K. Nambiyarooran - General Manager
- 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

NAME OF THE DIRECTOR	31st March 2015	31st March 2014
Mrs. Saroshi Dubash**	N/A	133,334
Mr. R Pestonjee	147,887 *	106,801
Mr. C D Pathirana	NIL	NIL
Mr. K B Wanigasekara	NIL	NIL
Mr. V K Choksy	NIL	NIL
Mr. A S Ratnayake***	NIL	N/A

* This includes 20,000 Shares Held Jointly.

** Ceased w.e.f 08th April 2014.

*** Joined w.e.f 16th May 2014.

DIRECTORS' INTEREST IN CONTRACTS

The Directors' interests in contracts, if any that could be classified as related party transactions in terms of Sri Lanka Accounting Standards - LKAS 24, are disclosed in Note No. 46 to the Audited Financial Statements.

STATUTORY PAYMENTS

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the Government, other Regulatory Institutions and related to the employees have been made on time. The Board of Directors has assessed the status pertaining to statutory payments at every 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. The Audit Committee is satisfied that the prevalent internal control procedures are satisfactory.

Further, the Board has issued a Statement on the Internal Control Mechanism of the Company 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 framework within the Company. The report on Corporate Governance covers the extent of compliance in Corporate Governance.

REPORT OF THE BOARD OF DIRECTORS

OUTSTANDING LITIGATION

The directors confirm 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

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclosure in the Financial Statements.

NOTICE OF THE ANNUAL GENERAL MEETING

The ninth 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 30th September at 2.30 p.m. The Notice of the Meeting is given on page 157 to the Annual report.

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 01.

28th July 2015

DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibilities of the Directors of Abans Finance PLC in relation to the preparation of Financial Statements as at 31 March 2015 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;

- a. appropriate selection and application of accounting policies; and
- b. 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 State-

ment 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 –

- a) Shall not act in a manner which is reckless or grossly negligent; and
- b) 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:

- (a) an employee of the company;
- (b) a professional adviser or expert in relation to matters which the Director believes to be within the person's professional or expert competence;
- (c) 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:

- (a) Acts in good faith;
- (b) Makes proper inquiry where the need for Inquiry is indicated by the circumstances; and
- (c) 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.

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 purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management has started the process of documenting the system of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal 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 based on the feedback received from the external auditors, internal audit department, regulators and the Board Audit Committee.

Progressive improvements on processes 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 and regulatory requirements of the Central Bank of Sri Lanka.

EXTERNAL AUDITORS ASSURANCE REPORT

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

By order of the Board,



Rusi Pestonjee
Chairman



K.B Wanigasekara
Director



Ajith S. Ratnayake
Chairman – Audit Committee

22nd June 2015

CEO'S AND CFO'S RESPONSIBILITY FOR FINANCIAL REPORTING

The Financial Statements of Abans Finance PLC for the year ended 31 March 2015 are prepared and presented in Compliance with the following regulatory 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.

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 and on 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 100 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 79 to 80 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;

- a. The Company has complied with all applicable laws, regulations and prudential requirements and there is no material non-compliance,
- b. There are no material litigations that are pending against the Company,
- c. 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
Chief Financial Officer



K.B. Wanigasekara
Chief Executive Officer

22nd June 2015



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

NDeS/NYR/NAS/FS/TIF

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 2015, and the statement of comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out on pages 101 to 149.

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

Report on other legal and regulatory requirements

As required by Section 163(2) of the Companies Act No. 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

22 June 2015
Colombo

Partners : A D B Talwatte 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 R H Fernando FCA FCMA
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
YEAR ENDED 31 MARCH 2015**

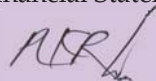
	Notes	2015 Rs.	2014 Rs.
Income	5	958,110,639	751,979,155
Interest Income	5.1	853,772,285	688,523,379
Interest Expenses	5.2	(409,914,041)	(387,218,811)
Net Interest Income		443,858,244	301,304,568
Fee and Commission Income	6.5	91,787,158	48,243,961
Fee and Commission Expenses	6.2	(45,314,982)	(22,452,896)
Net Fee and Commission Income		46,472,176	25,791,065
Net Gain/(loss) from Trading	7	1,830,282	272,657
Other Operating Income (net)	8	10,720,913	14,939,157
Total Operating Income		502,881,616	342,307,447
Impairment (Charges) / Reversal for loans and other losses	9	(115,592,554)	(115,721,812)
Net Operating Income		387,289,061	226,585,635
Operating Expenses			
Personnel Costs	10	(118,587,829)	(78,998,858)
Other Operating Expenses	11	(160,067,903)	(118,563,171)
Operating Profit before Value Added Tax on Financial Services		108,633,330	29,023,606
VAT & NBT on Financial Services		(11,123,943)	(3,655,613)
Profit before Taxation from Operations		97,509,387	25,367,993
Provision for Income Taxation	12.1	(24,707,819)	(16,672,634)
Profit for the Year		72,801,568	8,695,359
Other Comprehensive Income (OCI)			
Other Comprehensive Income to be Classified to Profit or Loss			
(Losses)/Gain arising on Re-measuring Available-for-Sale Financial Assets		130,255	-
Net Other Comprehensive Income to be re classified to profit or loss		130,255	-
Other Comprehensive Income Not To Be Classified to Profit or Loss			
Actuarial Gains/(Losses) on Defined Benefit Plan	34.1	(1,328,677)	263,703
Deferred Tax effect of above	12.1	372,030	(289,456)
Net Other Comprehensive Loss not to be re classified to profit or loss		(956,647)	(25,753)
Other Comprehensive Loss for the Year, Net of Tax		(826,392)	(25,753)
Total Comprehensive Income for the Year		71,975,176	8,669,606
Basic Earnings Per Share (Rs)	13	1.97	0.24

Accounting Policies and Notes from pages 105 to 149 form an integral part of these Financial Statements.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

	Notes	2015 Rs.	2014 Rs.
Assets			
Cash and Bank Balances	14	68,497,383	105,135,491
Placement With Banks	15	283,645,333	127,536,938
Repurchase Agreements	16	426,888,521	268,997,323
Financial Investments - Held for Trading	17	7,370,358	7,050,136
Financial Investments - Debt Securities	18	49,278,340	49,436,762
Loans and Advances	19	637,248,600	742,249,738
Lease rentals receivable & Stock out on hire	20	2,903,285,248	2,073,588,417
Financial Investments - Available for Sale	21	100,210,655	80,400
Financial Investments - Held to Maturity	22	21,150,414	57,074,657
Other Financial assets	23	42,129,334	22,578,322
Real Estate Stock	24	97,139,978	130,860,857
Other Non Financial Assets	25	81,785,327	95,297,612
Intangible Assets	26	10,241,083	9,340,722
Property, Plant & Equipment	27	26,807,373	17,957,131
Deferred Tax Assets	28	18,446,150	155,429
Total Assets		4,774,124,097	3,707,339,935
Liabilities			
Due to Banks	29	155,850,542	263,270,842
Due to Customers	30	3,591,961,005	2,600,119,545
Debt Instruments Issued and Other borrowed funds	31	-	122,265,623
Other Financial Liabilities	32	461,616,857	252,620,559
Other Non Financial Liabilities	33	1,859,218	2,879,759
Retirement Benefit Liability	34	11,474,701	7,411,816
Current Tax Liabilities		26,491,603	5,876,796
Total liabilities		4,249,253,926	3,254,444,940
Shareholders' Funds			
Stated Capital	35.1	382,373,630	382,373,630
Statutory Reserve Fund	36	44,529,000	29,968,000
Investment Fund Reserve	36	-	18,454,242
Available For Sale Reserve	36	130,255	-
Retained Earnings	35.3	97,837,286	22,099,123
Total Shareholders' Funds		524,870,171	452,894,995
Total Liabilities and Shareholders' Funds		4,774,124,097	3,707,339,935
Commitments and Contingencies			
		-	-

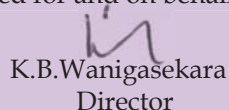
These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.



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 105 to 149 form an integral part of these Financial Statements.

22 June 2015,
Colombo

**STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 31 MARCH 2015**

	Stated Capital	Statutory Reserve	Investment Fund Reserve	Available for Sale Reserve	Retained Earnings	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2013	382,373,630	28,228,500	14,723,671	-	18,899,588	444,225,389
Net profit for the year	-	-	-	-	8,695,359	8,695,359
Other Comprehensive Income net of tax	-	-	-	-	(25,753)	(25,753)
Total Comprehensive Income for the year	-	-	-	-	8,669,606	8,669,606
Transfer to Statutory Reserve	-	1,739,500	-	-	(1,739,500)	-
Transfer to Investment Fund Reserve	-	-	3,730,571	-	(3,730,571)	-
Balance as at 31 March 2014	<u>382,373,630</u>	<u>29,968,000</u>	<u>18,454,242</u>	<u>-</u>	<u>22,099,123</u>	<u>452,894,995</u>
Net profit for the year	-	-	-	-	72,801,568	72,801,568
Other Comprehensive Income net of tax	-	-	-	130,255	(956,647)	(826,392)
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/(From) Investment Fund Reserve	-	-	(18,454,242)	-	18,454,242	-
Balances as at 31 March 2015	<u>382,373,630</u>	<u>44,529,000</u>	<u>-</u>	<u>130,255</u>	<u>97,837,286</u>	<u>524,870,171</u>

Accounting Policies and Notes from pages 105 to 149 form an integral part of these Financial Statements.

CASH FLOW STATEMENT YEAR ENDED 31 MARCH 2015

	Notes	2015 Rs.	2014 Rs.
Cash Flows From / (Used in) Operating Activities			
Profit before Income Tax Expense		97,509,387	25,367,993
Adjustments for			
Depreciation	27	7,804,503	6,016,662
Amortization of Intangible Assets	26	4,607,033	4,331,603
Impairment Provision	9	115,592,554	115,721,812
Diminution/(Appreciation) in Value of Investments	7	(4,594,180)	199,912
Loss/(Profit) from Sale of Investments	7	3,032,079	(342,965)
Loss/(Profit) on Disposal of Property & Equipment	8	36,642	6,187
Provision/(Reversal) for Defined Benefit Plans	10	2,803,208	1,989,297
Dividend Received		(268,181)	(129,604)
Operating Profit before Working Capital Changes		226,523,045	153,160,897
(Increase)/Decrease in Real Estate Stock		33,720,879	2,980,646
(Increase)/Decrease in Loans and Advances		98,094,905	52,841,689
(Increase)/Decrease in Lease Rentals Receivable & Stock out on hire		(873,935,508)	(568,478,796)
(Increase)/Decrease in Other Financial Assets		(83,998,656)	(37,064,317)
(Increase)/Decrease in Other Non Financial Assets		13,512,285	(69,830,541)
Increase/(Decrease) in Amounts Due to Customers		991,841,460	834,236,998
Increase/(Decrease) in Other Financial Liabilities		208,996,298	84,243,665
Increase/(Decrease) in Other Non Financial Liabilities		(1,020,540)	1,420,240
Cash Generated from Operations		613,734,168	453,510,481
Retirement Benefit Liabilities Paid	34	(69,000)	(147,750)
Taxes Paid		(22,011,703)	(17,206,338)
Net Cash From/(Used in) Operating Activities		591,653,465	436,156,393
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	27	(16,726,387)	(7,371,737)
Acquisition of Intangible Assets	26	(5,507,394)	(1,403,423)
Investments in Debt Securities		158,422	(49,436,762)
Proceeds from Sales of Property, Plant & Equipment		35,000	-
Acquisition of Financial Investment held - for - trading		(5,164,166)	(2,097,015)
Proceeds from Sale of Financial investments held -for- trading		6,406,045	3,526,479
Cash Flow from / (Used in) Fixed Deposits		(3,299)	(4,033)
Sale/(Purchase) of Financial Investments- Held to Maturity		(454,674)	(2,431,470)
Sale/(Purchase) of Financial Investments - AFS - Unit Trust		(100,000,000)	-
Dividend Received		268,180	129,604
Net Cash Flows from/ (Used in) Investing Activities		(120,988,273)	(59,088,359)
Cash Flows from / (Used in) Financing Activities			
Borrowings		(102,939,722)	(5,373,587)
Cash Flow from Debt Instruments Issued and Other Borrowings	31	(122,265,623)	(52,059,436)
Net Cash Flows from/ (Used in) Financing Activities		(225,205,345)	(57,433,023)
Net Increase in Cash and Cash Equivalents		245,459,847	319,635,011
Cash and Cash Equivalents at the beginning of the year		499,567,953	179,932,942
Cash and Cash Equivalents at the end of the year	14.1	745,027,800	499,567,953

Accounting Policies and Notes from pages 105 to 149 form an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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. 400, Galle Road, 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 2015 was authorized for issue in accordance with a resolution of the Board of Directors on 22 June 2015.

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 2015 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 40.

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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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.

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. 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.

III. Deferred Tax Assets

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

IV. 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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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"

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:

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

- ▶ 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 cashflow 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 down grading 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 their 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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

require. This normally encompasses 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 experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the reporting date is likely to be greater or less than that suggested by historical experience.

Homogeneous groups of Loans and Advances

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

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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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.

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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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 & Fitting	12.5%-33.33%
• Office Equipment	12.50%
• Motor Vehicle	12.50%
• 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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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.

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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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 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 into account any discount or premium on the issue and costs that are an integral part of the Effective Interest Rate.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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 No. 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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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.

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 Cash Flow Statement

The Cash flow statement 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

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

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 New accounting standards became effective during the year:

The following Sri Lanka Accounting Standards were issued by the Institute of Chartered Accountants of Sri Lanka and is effective for the periods commencing on or after of 1st January 2014.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Company did not have any material impact from the implementation of SLFRS 13. Necessary disclosures required by the new Standard have been included in the Notes to the Financial Statements.

4.13 Amendments to the accounting standards implemented before 2014.

The following Sri Lanka Accounting Standards which became effective before 2014 were amended by the Institute of Chartered Accountants of Sri Lanka during the year 2014.

Amendments to LKAS 1 - Presentation of Items of Others Comprehensive Income

The amendment introduces a grouping of items presented in other comprehensive income. Accordingly, items that will be reclassified ('recycled') to profit or loss at a future point in time have to be presented separately from items that will not subsequently be reclassified to profit or loss. The amendment affects only the presentation and has no impact on the Company's financial position or performance.

The items in the other comprehensive income for the year ended 31st March 2015 along with the comparative figures have been presented accordingly.

Amendments to LKAS 32 - Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanism of clearing houses to qualify for offsetting and are applied retrospectively

4.14 Effect of Sri Lanka accounting standards issued but not yet effective:

The following standards have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those standards can have an effect on the accounting policies currently adopted by the Company and may have an impact on the future financial statements.

a) *SLFRS9 - Financial Instruments: Classification and Measurements*

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities. This standard will be effective for annual periods commencing on or after 1st January 2018. The impact on the implementation of the above Standard has not been quantified yet.

b) *SLFRS 15 - Revenue from Contracts with Customers*

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

This standard is effective for the annual periods beginning on or after 1st January 2017.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

5. INCOME	2015 Rs.	2014 Rs.
Interest Income	853,772,285	688,523,379
Fee & Commission Income	91,787,158	48,243,961
Net Gain/(Loss) from Trading	1,830,282	272,657
Other Operating Income	10,720,914	14,939,158
	<u>958,110,639</u>	<u>751,979,155</u>
5.1 Interest Income		
Loans and Advances	169,516,584	217,076,786
Lease Rentals Receivable & Stock out on hire	629,677,071	432,668,679
Financial Investments - Held to Maturity & Repurchase Agreements	32,025,303	19,400,953
Financial Investments -Debt Securities	6,691,036	4,485,001
Other Financial Assets	1,119,565	980,390
Placement with Banks	14,742,726	13,911,570
Total Interest Income	<u>853,772,285</u>	<u>688,523,379</u>
5.2 Interest Expenses		
Due to Banks	20,645,189	54,541,706
Due to Customers	384,361,629	299,133,998
Debt Instruments Issued and Other Borrowed Funds	4,907,223	30,579,751
Other Financial Liabilities	-	2,963,356
Total Interest Expenses	<u>409,914,041</u>	<u>387,218,811</u>
Notional Tax Credit for Withholding Tax on Government Securities on Secondary Market Transactions		
<p>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.</p> <p>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.3,202,530/- (2014 - Rs.1,940,095/-)</p>		
6. NET FEE AND COMMISSION INCOME	2015 Rs.	2014 Rs.
6.1 Fee and Commission Income		
Credit Related Fees and Commissions	8,178,477	4,868,943
Service Charge	74,541,807	38,031,089
Transfer Fees	8,214,255	4,469,418
Other Fees	852,619	874,511
Total Fee and Commission Income	<u>91,787,158</u>	<u>48,243,961</u>
6.2 Fee and Commission Expenses		
Brokerage Fees	45,314,982	22,452,896
Total Fee and Commission Expenses	<u>45,314,982</u>	<u>22,452,896</u>
6.3 Net Fee and Commission Income	<u>46,472,176</u>	<u>25,791,065</u>
7. NET GAIN/(LOSS) FROM TRADING	2015 Rs.	2014 Rs.
Dividend Income from Financial Investments - Held for Trading	268,181	129,604
Appreciation/ (Depreciation) in Market Value of Financial Investments - Held for Trading	4,594,180	(199,912)
Profit / (Loss) on sale of Financial Investments - Held for Trading	(3,032,079)	342,965
	<u>1,830,282</u>	<u>272,657</u>

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

8. OTHER OPERATING INCOME	2015 Rs.	2014 Rs.
Income from Sale of Available - for-Sale Financial Investments	3,918,539	-
Loss on disposal of Property & Equipment	(36,642)	(6,187)
Bad Debt Recoveries	4,275,038	7,549,125
Rent Income from Sublease of Building	2,100,000	3,763,688
Others	463,978	3,632,531
Total Other Operating Income	10,720,913	14,939,157
9. IMPAIRMENT CHARGES/ (REVERSAL) FOR LOANS AND OTHER LOSSES	2015 Rs.	2014 Rs.
Loans and Advances (Note 19.1)	6,906,233	40,964,674
Lease Rentals Receivable & Stock Out on Hire (Note 20.1)	44,238,677	44,337,670
Other Debtors (Note 23.1)	64,447,644	30,419,468
	115,592,554	115,721,812
10. PERSONNEL COSTS	2015 Rs.	2014 Rs.
Salaries and Bonus	83,931,216	58,996,138
Employer's Contribution to EPF	9,037,166	6,519,513
Employer's Contribution to ETF	2,259,292	1,629,878
Gratuity Charge/ (Reversals) for the Year (Note 34.1)	2,803,208	1,989,297
Other Allowances & Staff Related Expenses	20,556,947	9,864,032
	118,587,829	78,998,858
11. OTHER OPERATING EXPENSES	2015 Rs.	2014 Rs.
Directors' Emoluments	9,690,000	8,387,758
Auditors Remuneration	902,900	672,500
- Audit	283,000	359,400
-Non Audit		
Depreciation of Property, Plant & Equipment	7,804,505	6,016,662
Amortisation of Intangible Assets	4,607,033	4,331,603
Professional & Legal Expenses	7,546,754	4,557,224
Office Administration & Establishment Expenses	80,902,936	60,238,314
Advertising & Business Promotion Expenses	22,730,699	15,656,348
Others	25,600,076	18,343,362
	160,067,903	118,563,171
12. TAXATION		
12.1 The major components of income tax expense for the years ended 31st March are as follows.		
(A) Statement of Profit or Loss	2015 Rs.	2014 Rs.
Current Income Tax		
Income Tax for the year	42,626,511	19,707,045
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 28)	(17,918,692)	(3,034,411)
	24,707,819	16,672,634
(B) Other Comprehensive Income		
Deferred Tax		
Deferred Taxation Charge/ (Reversal) (Refer Note 28)	(372,030)	289,456
	(372,030)	289,456
(C) Total Tax Expense for the year	24,335,789	16,962,090

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

12. TAXATION (Contd...)

12.2 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 2015 and 2014 is as follows.

	2015 Rs.	2014 Rs.
Accounting Profit Before Income Taxation	97,509,389	25,367,993
Adjustments		
Capital Portion of Leasing Rental Due	823,917,985	404,047,810
Non-taxable Income/ Losses	95,965,689	(501,551)
Disallowable Expenses	(10,279,011)	95,403,172
Allowable Expenses	<u>(841,008,092)</u>	<u>(442,660,237)</u>
Total Statutory Income	166,105,961	81,657,188
Claim on Carried Forward Tax Losses	<u>(13,868,422)</u>	<u>(11,274,889)</u>
Taxable Income	152,237,539	70,382,299
Income Tax Rate (%)	28%	28%
Income Tax	<u>42,626,511</u>	<u>19,707,044</u>
Deferred Taxation Charge/(Reversal) (Note 28)	<u>(17,918,692)</u>	<u>(3,034,411)</u>
Total Tax Expense	<u>24,707,819</u>	<u>16,672,633</u>

13. 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 st March	2015 Rs.	2014 Rs.
Profit/ (Loss) attributable to Ordinary Shareholders for Basic Earnings Per Share (Rs.)	72,801,568	8,695,359
Weighted Average Number of Ordinary Shares	37,000,000	37,000,000
Basic Earnings per ordinary share (Rs.)	<u>1.97</u>	<u>0.24</u>

14. CASH AND BANK BALANCES

	2015 Rs.	2014 Rs.
Cash in Hand	5,679,888	5,630,500
Balances with Banks	<u>62,817,495</u>	<u>99,504,991</u>
	<u>68,497,383</u>	<u>105,135,491</u>

14.1 Cash and Cash Equivalents in the Cash Flow Statement

	2015 Rs.	2014 Rs.
Cash and Bank Balances	68,497,383	105,135,491
Bank Overdrafts	(33,957,227)	(38,437,806)
Treasury Bills and Repurchase Agreements	426,888,521	305,376,240
Placement with Banks	<u>283,599,123</u>	<u>127,494,028</u>
Total Cash and Cash Equivalents for the purpose of Cash Flow Statements	<u>745,027,800</u>	<u>499,567,953</u>

15. PLACEMENT WITH BANKS

	2015 Rs.	2014 Rs.
Fixed Deposit Investments	<u>283,645,333</u>	<u>127,536,938</u>
	<u>283,645,333</u>	<u>127,536,938</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015

16. SECURITIES PURCHASED UNDER REPURCHASE AGREEMENT		2015	2014			
Repurchased Agreements		426,888,521	268,997,323			
		<u>426,888,521</u>	<u>268,997,323</u>			
17. FINANCIAL ASSETS- HELD FOR TRADING		2015	2014			
		Rs.	Rs.			
Quoted equities (Note 17.1)		7,370,358	7,050,136			
		<u>7,370,358</u>	<u>7,050,136</u>			
17.1 DEALING SECURITIES	2015			2014		
	No of Shares	Cost Rs.	Market value Rs.	No of Shares	Cost Rs.	Market value Rs.
Quoted Shares						
Plantations						
Elpitiya Plantations PLC	-	-	-	20,000	839,296	332,000
Maskeliya Plantations PLC	-	-	-	10,000	323,271	100,000
Metropolitan Resource Holdings PLC	-	-	-	6,000	289,140	111,000
Watawala Plantations PLC	-	-	-	5,000	160,178	49,000
Horana Plantation PLC	-	-	-	10,000	290,723	229,000
Udupussellawa Plantation PLC	-	-	-	2,000	63,503	43,600
	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,000</u>	<u>1,966,112</u>	<u>864,600</u>
Hotels & Travels						
Hotel Sigiriya PLC	-	-	-	2,000	177,795	156,000
Mahaweli Reach Hotels PLC	9,400	365,104	197,400	9,400	365,104	156,980
Aitken Spence Hotel Holdings PLC	-	-	-	7,000	767,853	490,000
Renuka City Hotel PLC	1,300	394,136	429,130	1,300	394,136	342,290
	<u>10,700</u>	<u>759,240</u>	<u>626,530</u>	<u>19,700</u>	<u>1,704,888</u>	<u>1,145,270</u>
Diversified Holdings						
Carson Cumberbatch PLC	-	-	-	500	352,909	182,500
John Keells Holdings PLC	2,000	482,573	398,200	961	210,459	218,147
JKH WARRANTS	84	-	2,239	84	-	5,901
Aitken Spence PLC	-	-	-	1,000	190,106	97,900
	<u>2,084</u>	<u>482,573</u>	<u>400,439</u>	<u>2,545</u>	<u>753,473</u>	<u>504,448</u>
Power & Energy						
Lanka IOC PLC	15,000	649,191	610,500	5,000	101,121	192,500
Chevron Lubricants Lanka PLC	-	-	-	788	143,629	208,268
Hydro Power Free Lanka Holding PLC	-	-	-	10,000	146,624	48,000
	<u>15,000</u>	<u>649,191</u>	<u>610,500</u>	<u>15,788</u>	<u>391,374</u>	<u>448,768</u>
Banking & Finance						
Sampath Bank PLC	3,934	1,036,175	995,302	3,234	900,979	588,911
Seylan Bank PLC - Voting	1,000	102,131	100,000	27,351	1,241,490	1,011,987
Seylan Bank PLC - Non Voting	12,000	673,660	756,000	-	-	-
Hatton National Bank PLC	1,500	248,806	276,500	-	-	-
First Capital Holdings PLC	1,952	78,757	52,704	5,000	130,955	96,500
Central Finance Company PLC	1,000	239,149	250,100	-	-	-
DFCC Bank	1,000	213,262	202,900	-	-	-
Nations Trust Bank PLC	2,000	183,027	200,200	-	-	-
Union Bank PLC	7,000	189,600	168,700	-	-	-
Commercial Bank Of Ceylon PLC	500	57,740	65,600	-	-	-
Lanka Orix Leasing Company PLC	-	-	-	1,000	140,759	75,000
Merchant Bank Of Sri Lanka PLC	-	-	-	5,000	276,310	67,500
Pan Asia Banking Corporation PLC	5,000	124,486	107,500	2,000	59,567	32,400
Singer Finance PLC	-	-	-	15,000	740,705	181,500
	<u>36,886</u>	<u>3,146,793</u>	<u>3,175,506</u>	<u>58,585</u>	<u>3,490,766</u>	<u>2,053,798</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

17. FINANCIAL ASSETS- HELD FOR TRADING (Contd....)

17.1 DEALING SECURITIES (Contd...)

	2015			2014		
	No of Shares	Cost Rs.	Market value	No of Shares	Cost Rs.	Market value Rs.
Telecommunication						
Dialog Axiata PLC	-	-	-	20,000	234,598	180,000
Sri Lanka Telecom PLC	4,190	239,386	190,645	5,100	291,377	235,110
	4,190	239,386	190,645	25,100	525,975	415,110
Oil Palm						
The Bukit Darah PLC	-	-	-	500	707,840	295,450
	-	-	-	500	707,840	295,450
Manufacturing						
Lanka Ceramic PLC	-	-	-	900	109,211	86,310
Kelani Cables PLC	-	-	-	1,000	129,308	80,000
Royal Ceramics Lanka PLC	-	-	-	1,000	152,581	79,300
Expo Lanka Holdings PLC	-	-	-	25,000	214,880	217,500
Singer Sri Lanka PLC	500	60,672	57,000	-	-	-
Tokyo Cement Company (Lanka) PLC - Non Voting	16,375	640,367	610,788	5,000	176,960	181,000
Tokyo Cement Company (Lanka) PLC - Voting	10,000	444,928	549,000	6,600	268,473	191,400
	26,875	1,145,967	1,216,788	39,500	1,051,412	835,510
Hospitals						
Lanka Hospital Corporation PLC	3,000	157,343	119,700	-	-	-
	3,000	157,343	119,700	-	-	-
Investment						
Ceylon Investment PLC	1,000	108,300	91,000	-	-	-
Access Engineering Ltd	4,000	150,264	76,800	-	-	-
Ceylon Guardian Investment Trust PLC	500	102,687	92,000	-	-	-
	5,500	361,251	259,800	-	-	-
Automobiles						
United Motors Lanka PLC	500	53,088	44,000	-	-	-
	500	53,088	44,000	-	-	-
Footwear & Textile						
Ceylon Leather Products PLC	-	-	-	1,000	110,221	57,300
	-	-	-	1,000	110,221	57,300
Construction & Engineering						
Cargo Boat Development Company PLC	-	-	-	1,145	151,088	116,447
Colombo Dock Yard PLC	-	-	-	1,050	262,912	183,435
	-	-	-	2,195	414,000	299,882
Beverage Food & Tobacco						
Stores Supplies						
Hemas Holdings PLC	2,100	100,726	156,450	-	-	-
Piramal Glass Ceylon PLC	100,000	465,152	570,000	-	-	-
Hunters PLC	-	-	-	500	718,609	130,000
	102,100	565,878	726,450	500	718,609	130,000
Total	206,835	7,560,711	7,370,358	218,413	11,834,671	7,050,136

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

18. INVESTMENT IN DEBT SECURITIES	2015	2014
	Rs.	Rs.
Investment in Commercial Papers	49,278,340	49,436,762
	<u>49,278,340</u>	<u>49,436,762</u>
19. LOANS AND ADVANCES	2015	2014
	Rs.	Rs.
Real Estate Loans	6,747,673	9,012,391
Mortgage Loans	320,499,992	365,795,158
Vehicle Loans	8,891,317	11,321,587
Personnel Loans	115,453,333	115,264,138
Loans against Fixed Deposits	92,517,037	68,618,579
Staff Loans	23,047,600	16,336,564
Revolving Loans	112,807,582	219,098,185
Loans granted to Related Party	19,087,954	-
	<u>699,052,488</u>	<u>805,446,602</u>
Less : Allowance for Impairment Losses (Note 19.1)	<u>(61,803,888)</u>	<u>(63,196,864)</u>
Net Loans and Advances	<u><u>637,248,600</u></u>	<u><u>742,249,738</u></u>
19.1 Allowance for Impairment Losses	2015	2014
	Rs.	Rs.
As at 01 April	63,196,864	27,363,309
Charge/(Reversal) for the year	6,906,233	40,964,674
Amounts written off	<u>(8,299,209)</u>	<u>(5,131,120)</u>
As at 31 March	<u>61,803,888</u>	<u>63,196,864</u>
Individual Impairment	11,631,385	11,239,323
Collective Impairment	<u>50,172,503</u>	<u>51,957,541</u>
	<u>61,803,888</u>	<u>63,196,864</u>
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance	<u>70,667,998</u>	<u>125,343,082</u>
20. LEASE RENTALS RECEIVABLE & STOCK OUT ON HIRE	2015	2014
	Rs.	Rs.
Gross rentals receivables		
- Lease Rentals	3,578,983,680	1,971,168,148
- Amounts Receivable from Hirers	<u>523,580,510</u>	<u>993,552,147</u>
	4,102,564,189	2,964,720,295
Less: Unearned Income	<u>(1,000,148,863)</u>	<u>(737,565,587)</u>
Net rentals receivables	<u>3,102,415,327</u>	<u>2,227,154,708</u>
Less : Rental Received In Advance	(124,357)	(103,857)
Less : Suspended VAT	<u>(3,393,038)</u>	<u>(1,536,145)</u>
	3,098,897,932	2,225,514,706
Less : Allowance for Impairment Losses (Note 20.1)	<u>(195,612,684)</u>	<u>(151,926,289)</u>
Total net rentals receivable (Note 20.2, 20.3)	<u><u>2,903,285,248</u></u>	<u><u>2,073,588,417</u></u>

Lease & hirers receivables include receivables amounting to Rs. 537,564,224/- that have been Pledged for facilities obtained from Banks.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

20.1 Allowance for Impairment Losses			2015 Rs.	2014 Rs.
As at 01 April			151,926,289	107,697,669
Charge / (Reversal) for the year			44,238,677	44,337,670
Amounts written off			(552,282)	(109,050)
As at 31 March			<u>195,612,684</u>	<u>151,926,289</u>
Individual Impairment			69,240,872	17,111,731
Collective Impairment			<u>126,371,812</u>	<u>134,814,558</u>
			<u>195,612,684</u>	<u>151,926,289</u>
Gross amount of loans individually determined to be impaired, before deducting the individually assessed impairment allowance			<u>115,071,901</u>	<u>58,032,654</u>
	Within one year	1 - 5 years	Over 5 years	Total
20.2 As at 31st March 2015	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Lease Rentals	1,714,060,734	1,864,855,583	67,363	3,578,983,680
- Amounts Receivable from Hirers	<u>353,080,049</u>	<u>170,500,462</u>	-	<u>523,580,510</u>
	2,067,140,783	2,035,356,044	67,363	4,102,564,190
Less: Unearned Income	<u>(608,135,623)</u>	<u>(392,012,455)</u>	(784)	<u>(1,000,148,862)</u>
Net rentals receivables	<u>1,459,005,160</u>	<u>1,643,343,589</u>	<u>66,579</u>	<u>3,102,415,328</u>
Less : Rental Received In Advance				(124,358)
Less : Suspended VAT				<u>(3,393,038)</u>
				3,098,897,932
Less : Allowance for Impairment Losses				<u>(195,612,684)</u>
Total net rentals receivable				<u>2,903,285,248</u>
	Within one year	1 - 5 years	Over 5 years	Total
20.3 As at 31st March 2014	Rs.	Rs.	Rs.	Rs.
Gross rentals receivables				
- Lease Rentals	859,766,012	1,111,351,145	50,991	1,971,168,148
- Amounts Receivable from Hirers	<u>533,456,616</u>	<u>460,044,436</u>	51,095	<u>993,552,147</u>
	1,393,222,628	1,571,395,581	102,086	2,964,720,295
Less: Unearned Income	<u>(416,914,983)</u>	<u>(320,648,786)</u>	(1,818)	<u>(737,565,587)</u>
Net rentals receivables	<u>976,307,645</u>	<u>1,250,746,795</u>	<u>100,268</u>	<u>2,227,154,708</u>
Less : Rental Received In Advance				(103,857)
Less : Suspended VAT				<u>(1,536,145)</u>
				2,225,514,706
Less : Allowance for Impairment Losses				<u>(151,926,289)</u>
Total net rentals receivable				<u>2,073,588,417</u>
				<u>2,073,588,417</u>
21. FINANCIAL INVESTMENTS - AVAILABLE FOR SALE			2015 Rs.	2014 Rs.
Unquoted Equities			80,400	80,400
Investment In Units			<u>100,130,255</u>	-
			<u>100,210,655</u>	<u>80,400</u>

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

22. FINANCIAL INVESTMENTS - HELD TO MATURITY	2015 Rs.	2014 Rs.
Government of Sri Lanka Treasury Bills	-	36,378,917
Government of Sri Lanka Treasury Bonds	21,150,414	20,695,740
	<u>21,150,414</u>	<u>57,074,657</u>
23. OTHER FINANCIAL ASSETS	2015 Rs.	2014 Rs.
Other Receivables	131,912,993	51,531,128
Deposit	8,305,173	8,496,894
Due From Related Parties	4,539,139	778,184
	<u>144,757,305</u>	<u>60,806,206</u>
Less : Allowance for Impairment Losses (Note 23.1)	(102,627,971)	(38,227,884)
	<u>42,129,334</u>	<u>22,578,322</u>
23.1 Allowance for Impairment Losses		
Balance at the Beginning	38,227,884	7,808,417
Charge / (Reversal) for the year	64,447,644	30,419,467
Amounts written off	(47,557)	-
Balance at the end of the year	<u>102,627,971</u>	<u>38,227,884</u>
24. REAL ESTATE STOCK	2015 Rs.	2014 Rs.
Real Estate Stocks	97,139,978	130,860,857
	<u>97,139,978</u>	<u>130,860,857</u>
25. OTHER NON FINANCIAL ASSETS	2015 Rs.	2014 Rs.
Advances	7,581,407	8,895,998
Pre-paid Staff Cost	7,114,184	5,869,495
Other Receivables	57,780,126	72,036,703
Pre Paid Rent Deposit	3,019,041	3,891,064
Pre-Paid Expenses	6,290,569	4,604,352
	<u>81,785,327</u>	<u>95,297,612</u>
26. INTANGIBLE ASSETS	Computer Software	
	2015 Rs.	2014 Rs.
Cost		
Cost as at 01st April	32,014,631	30,611,208
Additions	5,507,394	1,403,423
As at 31 March 2015	<u>37,522,025</u>	<u>32,014,631</u>
Amortisation & Impairment:		
As at 1 April 2014	22,673,909	18,342,306
Amortisation Charge for the year	4,607,033	4,331,603
As at 31 March 2015	<u>27,280,942</u>	<u>22,673,909</u>
Net book value:		
As at 31 March 2015	<u>10,241,083</u>	<u>9,340,722</u>

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 YEAR ENDED 31 MARCH 2015

27. PROPERTY, PLANT AND EQUIPMENT

27.1 Gross Carrying Amounts	Balance As at 01.04.2014 Rs.	Additions Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
Cost				
Freehold Assets				
Furniture & Fittings	22,313,586	5,661,702	(50,400)	27,924,887
Office Equipment	9,619,207	3,174,631	(160,000)	12,633,838
Motor Vehicles	3,325,613	-	-	3,325,613
Computer Hardware	14,509,599	7,890,054	-	22,399,654
Total Value of Depreciable Assets	49,768,005	16,726,387	(210,400)	66,283,991
27.2 Depreciation	Balance As at 01.04.2014 Rs.	Charge for the Period Rs.	Disposals Rs.	Balance As at 31.03.2015 Rs.
Freehold Assets				
Furniture & Fittings	14,622,435	3,223,090	(40,425)	17,805,100
Office Equipment	4,775,592	1,409,995	(98,333)	6,087,255
Motor Vehicles	2,771,345	415,700	-	3,187,045
Computer Hardware	9,641,502	2,755,718	-	12,397,220
	31,810,875	7,804,503	(138,758)	39,476,619
27.3 Net Book Values			2015 Rs.	2014 Rs.
At Cost				
Furniture & Fittings			10,119,788	7,691,151
Office Equipment			6,546,583	4,843,615
Motor Vehicles			138,568	554,268
Computer Hardware			10,002,434	4,868,097
Total Carrying Amount of Property, Plant & Equipment			26,807,373	17,957,131
27.4 The useful lives of the assets are estimated as follows;			2015	2014
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

27.5 During the Financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 16,726,387/- (2014 - Rs7,371,737/-).

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

28. DEFERRED TAXATION

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

	Statement of Financial Position		Statement of Other Comprehensive Income		Statement of Comprehensive Income	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Deferred Tax Liability						
Capital Allowances for Tax Purposes	25,060,340	30,089,771	-	-	(5,029,431)	14,918,265
Define Benefit Plan- Other Comprehensive Income	-	73,837	-	289,456	-	-
	<u>25,060,340</u>	<u>30,163,608</u>	<u>-</u>	<u>289,456</u>	<u>(5,029,431)</u>	<u>14,918,265</u>
Deferred Tax Assets						
Defined Benefit Plans- Income Statement	(2,840,887)	(2,149,145)	-	-	(691,742)	(731,253)
Define Benefit Plan- Other Comprehensive Income	(298,193)	-	(372,030)	-	-	-
Provision for Impairment on Financial Assets	(40,367,410)	(24,286,733)	-	-	(16,080,677)	(20,378,393)
Brought Forward Tax Losses	-	(3,883,158)	-	-	3,883,158	3,156,970
	<u>(43,506,490)</u>	<u>(30,319,036)</u>	<u>(372,030)</u>	<u>-</u>	<u>(12,889,261)</u>	<u>(17,952,676)</u>
Deferred Income Tax Charge / (Reversal)						
			(372,030)	289,456	(17,918,692)	(3,034,411)
Net Deferred Tax Liability/ (Asset)	<u>(18,446,150)</u>	<u>(155,429)</u>				
DUE TO BANKS						
Bank Overdrafts					33,957,227	38,437,806
Securitized Borrowings and Other Bank Facilities (Note 29.2 (a), 29.2 (b))					121,893,315	224,833,036
Total					<u>155,850,542</u>	<u>263,270,842</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

29. DUE TO BANKS (Contd...)	2015		2014		Total	Rs.	Total	Rs.
	Amount repayable within 1 year	Amount repayable after 1 year	Amount repayable within 1 year	Amount repayable after 1 year				
29.1 Due to Banks	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Securitized Borrowings and Other Bank Facilities	98,363,316	23,529,999	121,893,315	117,804,127	107,028,909	117,804,127	224,833,036	224,833,036
	98,363,316	23,529,999	121,893,315	117,804,127	107,028,909	117,804,127	224,833,036	224,833,036
29.2 (a) Securitized Borrowings, Syndicated Loans and Other Bank Facilities								
	As at 01.04.2014	Loans Obtained	Interest Recognized	Repayments Capital	Interest	As at 31.03.2015	Period	Security
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Direct Bank Borrowings								
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 Portfolio
Term Loan Sampath Bank PLC	64,982,000	-	5,856,940	32,184,000	5,856,940	32,798,000	50 Months	Lease & Hire
	224,833,036	-	20,481,785	102,804,875	20,616,633	121,893,315		
29.2 (b) Securitized Borrowings, Syndicated Loans and Other Bank Facilities								
	As at 01.04.2013	Loans Obtained	Interest Recognized	Repayments Capital	Interest	As at 31.03.2014	Period	Security
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		
Direct Bank Borrowings								
Term Loans								
Term Loan Bank of Ceylon	44,307,914	17,500,000	8,434,470	21,217,832	8,310,168	40,714,385	48 Months	Lease & Hire
Term Loan Union Bank of Colombo PLC	60,553,865	150,000,000	23,932,541	91,417,213	23,932,541	119,136,652	48 Months	Purchase Portfolio
Term Loan Sampath Bank PLC	97,166,000	-	13,487,854	32,184,000	13,487,854	64,982,000	50 Months	Lease & Hire
Term Loan People's Bank	28,178,843	-	3,142,040	27,777,778	3,543,105	-	36 Months	Purchase Portfolio
	230,206,622	167,500,000	48,996,904	172,596,823	49,273,668	224,833,036		

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

30. DUE TO CUSTOMERS	2015 Rs.	2014 Rs.
Fixed Deposits	3,574,709,546	2,589,384,472
Savings Deposits	17,251,459	10,735,073
	<u>3,591,961,005</u>	<u>2,600,119,545</u>
31. DEBT INSTRUMENTS ISSUED AND OTHER BORROWED FUNDS	2015 Rs.	2014 Rs.
Commercial Papers	-	122,265,623
	<u>-</u>	<u>122,265,623</u>
32. OTHER FINANCIAL LIABILITIES	2015 Rs.	2014 Rs.
Trade Payables - Related Parties (32.1)	314,317,793	183,978,961
Non Trade Payables - Related Parties (32.2)	-	1,746,091
Trade Payables - Other Parties	2,129,407	4,936,423
Accrued Expenses	145,169,657	61,959,084
	<u>461,616,857</u>	<u>252,620,559</u>
32.1 Trade Payables to Related Parties	Relationship	
Abans PLC	Ultimate Parent Company	536,045
Abans Retail (Pvt) Ltd	Affiliate Company	-
Abans Auto (Pvt)Ltd	Affiliate Company	313,781,748
		<u>314,317,793</u>
32.2 Non Trade Payables to Related Parties	Relationship	
Abans Retail (Pvt) Ltd	Affiliate Company	-
Abans PLC	Ultimate Parent Company	-
Abans Graphics (Pvt) Ltd	Affiliate Company	-
		<u>-</u>
		<u>1,746,091</u>
33. OTHER NON FINANCIAL LIABILITIES	2015 Rs.	2014 Rs.
VAT on Financial Services	1,080,364	1,906,886
Others	778,854	972,873
	<u>1,859,218</u>	<u>2,879,759</u>
34. RETIREMENT BENEFIT OBLIGATIONS	2015 Rs.	2014 Rs.
Retirement Benefit Obligations - Gratuity		
Balance at the beginning of the year	7,411,816	5,833,972
Current Service Cost	2,136,145	1,347,560
Payments made during the year	(69,000)	(147,750)
Interest Charged/(Reversed) for the year	667,063	641,737
(Gain)/loss arising from changes in the assumption	1,328,677	(263,703)
Balance at the end of the year	<u>11,474,701</u>	<u>7,411,816</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

34. RETIREMENT BENEFIT OBLIGATIONS (Contd...)	2015	2014
	Rs.	Rs.
34.1 Expenses on Defined Benefit Plan		
Current Service Cost for the year	2,136,145	1,347,560
Interest Charge for the year	667,063	641,737
	<u>2,803,208</u>	<u>1,989,297</u>
Amount Recognized in the Other Comprehensive Income		
(Gain)/Loss arising from changes in the assumption (Note 34.2)	1,328,677	(263,703)
	<u>1,328,677</u>	<u>(263,703)</u>
34.2 (Gain) / Loss arising from the changes in the assumption		
Due to change in Demographic Assumptions	(256,602)	(56,048)
Due to change in Financial Assumptions	(229,058)	(45,819)
Experience Adjustment	1,814,337	(161,836)
	<u>1,328,677</u>	<u>(263,703)</u>
34.3 Actuarial valuation of Retiring Gratuity Obligation as at 31st March 2015 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'.		
34.4 Assumptions	2015	2014
Discount Rate	8.3%	9.0%
Salary Increment Rate	9.4%	9.0%
Staff Turnover	20.0%	20.0%
Retirement Age	60 Years	55 Years

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

34.5 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 2015. 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%	-	513,702	(513,702)
-1%	-	(567,591)	567,591
-	1%	(611,965)	611,965
-	-1%	564,045	(564,045)

34.6 Maturity Profile of the Defined Benefit Obligation Plan

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

	2015	2014
	Years	Years
Weighted Average Duration of the Defined Benefit Obligation	4.24	1.88
Average Time to Benefit Payout	4.03	1.99

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

34. RETIREMENT BENEFIT OBLIGATIONS (Contd...)

34.7 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.

	2015	2014
	Rs.	Rs.
Less than 1 year	91,472	972,469
Between 1-5 years	9,924,205	6,439,347
Between 5-10years	1,459,024	-
	<u>11,474,701</u>	<u>7,411,816</u>

35. STATED CAPITAL

	2015		2014	
	No of Shares	Rs.	No of Shares	Rs.
35.1 Issued and Fully Paid-Ordinary shares				
At the beginning of the year	37,000,000	382,373,630	37,000,000	382,373,630
At the end of the year	<u>37,000,000</u>	<u>382,373,630</u>	<u>37,000,000</u>	<u>382,373,630</u>

35.2 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.

35.3 RETAINED EARNINGS

	2015	2014
	Rs.	Rs.
As at 01 April	22,099,123	18,899,588
Profit for the Year	72,801,568	8,695,359
Other Comprehensive Income net of tax	(956,647)	(25,753)
Transfers to/(from) Investment Fund Account	18,454,242	(3,730,571)
Transfers to Statutory Reserve Fund	(14,561,000)	(1,739,500)
As at 31 March	<u>97,837,286</u>	<u>22,099,123</u>

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.

36. RESERVES	Statutory Reserve	Investment Fund Reserve	Available for Sale Reserve	Total
	Rs.	Rs.	Rs.	Rs.
As at 01 April 2014	29,968,000	18,454,242	-	48,422,243
Transfers to/(from) during the year	14,561,000	(18,454,242)	130,255	(3,762,986)
As at 31 March 2015	<u>44,529,000</u>	<u>-</u>	<u>130,255</u>	<u>44,659,256</u>

36.1 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

YEAR ENDED 31 MARCH 2015

36. RESERVES (Contd.)

36.2 Investment Fund Reserve

Investment Fund Account is established and operated based on the Guidelines on the operations of the Investment Fund Account issued by the Central Bank of Sri Lanka on 29th April 2011 With the concurrence of the Commissioner General of Inland Revenue.

- (i) 8% of the profits calculated for the payment of VAT on Financial Services as Specified in the VAT Act for payment of VAT up to 31 December 2013.
- (ii) 5% of the profits before tax calculated for payment of Income Tax purposes on dates specified in section 113 of the Inland Revenue Act for the self assessment payment of tax up to 01 October 2014.

	2015 Rs.	2014 Rs.
At the beginning of the year	18,454,242	14,723,671
Net transfers to/ (from) IFA to Retained Earnings	<u>(18,454,242)</u>	<u>3,730,570</u>
	<u>-</u>	<u>18,454,241</u>

The operations of the investment fund account was ceased with effect from 01 October 2014. Accordingly the Company transferred the remaining balance of investment fund account to retained earnings through Statement of Changes in Equity.

36.2 (a) Utilization of Investment Fund Account (IFA)

	2015 Rs.	2014 Rs.
Balance available for utilization	(1,224,336)	(2,996,591)
Total transfers to IFA	1,558,250	3,730,571
Total transfers from IFA to Retained Earnings	(20,012,492)	-
Total Investments in Government Securities	<u>19,678,578</u>	<u>(1,958,316)</u>
Balance available for utilization(Over Utilization) as at 31st March	<u>-</u>	<u>(1,224,336)</u>

36.2 (b) Investments in Government Securities

	Face Value Rs.	Year of Maturity	Cost of Investment	Outstanding Rs.
(i) Treasury Bonds over 5 years				
Treasury Bonds	24,770,700	2018 - 2022	19,678,578	21,150,414
	<u>24,770,700</u>		<u>19,678,578</u>	<u>21,150,414</u>

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015

37. ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

37.1 As at 31st 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.
Assets					
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
Total Financial Assets	7,370,358	21,150,414	4,410,972,759	100,210,655	4,539,704,186
	OFL				Total
	Rs.				Rs.
Liabilities					
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
Total Financial Liabilities	4,209,428,404				4,209,428,404

37.2 As at 31st March 2014	HFT at Fair Value	HTM at Amortised Cost	L&R at Amortised Cost	AFS at Fair Value	Total
	Rs.	Rs.	Rs.	Rs.	Rs.
Assets					
Cash and Bank Balances	-	-	105,135,491	-	105,135,491
Placement With Banks	-	-	127,536,938	-	127,536,938
Repurchase Agreements	-	-	268,997,323	-	268,997,323
Financial Investments - Held for Trading	7,050,136	-	-	-	7,050,136
Financial Investments - Debt Securities	-	-	49,436,762	-	49,436,762
Loans and Advances	-	-	742,249,738	-	742,249,738
Lease rentals receivable & Stock out on Hire	-	-	2,073,588,417	-	2,073,588,417
Financial Investments - Available for Sale	-	-	-	80,400	80,400
Financial Investments - Held to Maturity	-	57,074,657	-	-	57,074,657
Other financial assets	-	-	22,578,322	-	22,578,322
Total Financial Assets	7,050,136	57,074,657	3,389,522,991	80,400	3,453,728,183
	OFL				Total
	Rs.				Rs.
Liabilities					
Due to Banks	263,270,842				263,270,842
Due to Customers	2,600,119,545				2,600,119,545
Debt Instruments Issued and Other	122,265,623				122,265,623
Other Financial Liabilities	252,620,559				252,620,559
Total Financial Liabilities	3,238,276,569				3,238,276,569

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

YEAR ENDED 31 MARCH 2015

38. 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.

38.1 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 observer able 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 31st March 2015	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments - Held for Trading				
Quoted equities	7,370,358	-	-	7,370,358
Financial Investments - Available for Sale				
Investment in Units	-	100,130,255	-	100,130,255
Unquoted equities	-	80,400	-	80,400
Total Financial Assets	7,370,358	100,210,655	-	107,581,013
As at 31st March 2014				
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial Assets				
Financial Investments - Held for Trading				
Quoted equities	7,050,137	-	-	7,050,137
Financial Investments - Available for Sale				
Unquoted equities	-	80,400	-	80,400
Total Financial Assets	7,050,137	80,400	-	7,130,537

There were no financial liabilities recorded at fair value as at 31 March 2014 & 2015

There were no transfers between Level 1 and Level 2 during 2014 & 2015.

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

38. FAIR VALUE OF FINANCIAL INSTRUMENTS (Contd...)

38.2 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.

Financial Assets	Carrying Amount Rs.	2015			2014			Total Rs.	
		Fair Value			Fair Value				
		Level 01 Rs.	Level 02 Rs.	Level 03 Rs.	Level 01 Rs.	Level 02 Rs.	Level 03 Rs.		
Financial Investments - Debt Securities	49,278,340	-	49,278,340	-	49,278,340	-	49,278,340	-	49,436,762
Loans and Advances	637,248,600	-	620,430,155	-	620,430,155	-	742,249,738	-	749,383,951
Lease rentals receivable & Stock out on Hire	2,903,285,248	-	3,205,230,582	-	3,205,230,582	-	2,073,588,417	-	2,071,812,146
Financial Investments - Held to Maturity	21,150,414	23,475,497	-	-	23,475,497	-	57,074,657	-	58,832,243
	3,561,684,263	23,475,497	3,874,939,077	-	3,898,414,574	-	2,922,349,574	-	2,870,632,859
Financial Liabilities									
Due to Customers	3,591,961,005	-	3,597,967,197	-	3,597,967,197	-	2,600,119,545	-	2,611,243,614
Debt Instruments Issued and Other borrowed	-	-	-	-	-	-	122,265,623	-	122,265,623
	3,591,961,005	-	3,597,967,197	-	3,597,967,197	-	2,722,385,168	-	2,733,509,237

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 2014 & 2015.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

39. RISK MANAGEMENT DISCLOSURES

39.1 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.

39.2 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 3 Directors; Chief Executive Officer/ Managing Director and two Non Executive Directors. 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.

39.3 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.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.4 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.

39.4.1 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

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

YEAR ENDED 31 MARCH 2015

39 RISK MANAGEMENT DISCLOSURES (Contd...)

39.4 CREDIT RISK (Contd...)

39.4.2 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	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 *		
As at 31 st March 2015						
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	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
	4,797,120,758	90,783,564	355,798,453	2,608,161,944	3,079,744,575	1,717,376,183

Type of Collateral	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 *		
As at 31 st March 2014						
Cash and Bank Balances	105,135,491	-	-	-	-	105,135,491
Placement With Banks	127,536,938	-	-	-	-	127,536,938
Repurchase Agreements	268,997,323	-	-	-	-	268,997,323
Financial Investments - Held for Trading	7,050,136	-	-	-	-	7,050,136
Financial Investments - Debt Securities	49,436,762	-	-	-	-	49,436,762
Loans and Advances	805,446,602	68,618,579	578,130,310	27,658,154	682,927,476	122,519,126
Lease rentals receivable & Stock out on Hire	2,225,514,706	-	-	2,115,410,904	2,115,410,904	74,815,903
Financial Investments - Available for Sale	80,400	-	-	-	-	80,400
Financial Investments - Held to Maturity	57,074,657	-	-	-	-	57,074,657
Other Financial assets	22,578,322	-	-	-	-	22,578,322
	3,668,851,337	68,618,579	578,130,310	2,143,069,058	2,833,626,279	835,225,058

* Movable assets includes absolute ownership over motor vehicles and Machineries & Equipments.

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

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.4 CREDIT RISK (Contd...)

39.4.3 Credit Quality by Class of Financial Assets

The amounts presented are gross of Impairment allowances.

As at 31 March 2015	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total
Assets				
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
Total	2,694,254,129	1,917,126,731	185,739,899	4,797,120,759

As at 31 March 2014	Neither Past Due nor Individually Impaired	Past Due Not Individually Impaired	Individually Impaired	Total
Assets				
Cash and Bank Balances	105,135,491	-	-	105,135,491
Placement With Banks	127,536,938	-	-	127,536,938
Repurchase Agreements	268,997,323	-	-	268,997,323
Financial Investments - Held for Trading	7,050,136	-	-	7,050,136
Financial Investments - Debt Securities	49,436,762	-	-	49,436,762
Loans and Advances	250,358,949	429,744,571	125,343,082	805,446,602
Lease rentals receivable & Stock out on Hire	949,296,266	1,218,185,786	58,032,654	2,225,514,706
Financial Investments - Available for Sale	80,400	-	-	80,400
Financial Investments - Held to Maturity	57,074,657	-	-	57,074,657
Other financial assets	22,578,322	-	-	22,578,322
Total	1,837,545,244	1,647,930,357	183,375,736	3,668,851,337

39.4.3.1 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 2015	Past Due but Not Individually Impaired				Total
	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	
	2015	2015	2015	2015	
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

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 2014	Past Due but Not Individually Impaired				Total
	1 to 30 days	31 to 60 days	61 to 90 days	More than 91 days	
	2014	2014	2014	2014	
Loans and Advances	90,194,106	77,005,127	55,275,194	207,270,143	429,744,571
Lease rentals receivable & Stock out on hire	356,728,308	233,141,929	184,864,202	443,451,347	1,218,185,786
	446,922,414	310,147,056	240,139,396	650,721,490	1,647,930,357

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.4 CREDIT RISK (Contd.)

39.4.4 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 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
Total	68,497,383	283,645,333	426,888,521	7,370,558	49,278,340	699,052,488	3,098,897,932	100,210,655	21,150,414	42,129,334	4,797,120,759

As at 31 March 2014

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	-	-	-	864,600	-	17,169,169	48,784,953	-	-	-	66,818,722
Manufacturing	-	-	-	892,810	-	92,010,799	65,984,338	-	-	-	158,887,948
Construction	-	-	-	299,882	-	119,100,116	91,100,298	-	-	-	210,500,296
Financial Services	105,135,491	127,536,938	268,997,323	2,053,798	-	20,531,183	6,081,764	80,400	-	-	530,416,897
Trading	-	-	-	130,000	49,436,762	206,273,264	96,063,449	-	-	-	351,903,474
Government	-	-	-	-	-	-	27,513,700	-	57,074,657	-	84,588,357
Hotels	-	-	-	1,145,270	-	45,455,660	7,245,932	-	-	-	53,846,861
Services	-	-	-	415,110	-	202,138,600	1,872,941,541	-	-	-	2,075,495,251
Others	-	-	-	1,248,666	-	102,767,811	9,798,732	-	-	22,578,322	136,393,531
Total	105,135,491	127,536,938	268,997,323	7,050,136	49,436,762	805,446,602	2,225,514,707	80,400	57,074,657	22,578,322	3,668,851,337

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.5 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.

39.5.1 Interest Rate Sensitivity

39.5.1.1 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.

Rs. Million			
Borrowings/ Advance	Increase (Decrease) in basis points	Sensitivity of Profit or Loss	Sensitivity of Equity
	2015	2015	2015
Long Term Loans linked to AWPLR -LKR	+100/ (-100)	(2.10) / 2.10	(0.85) / 0.85
	2014	2014	2014
	+100/ (-100)	(3.05) / 3.05	(2.66) / 2.66

The base ratio considered in the Interest Rate Sensitivity Analysis is the AWPLR. Since 78% 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

YEAR ENDED 31 MARCH 2015

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.5 INTEREST RATE RISK (Contd...)

39.5.2 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 categorized by the earlier of contractual reprising or maturity dates as at the end of the relevant financial period.

ASSETS	Up to 03 Months		03-12 Months		01-03 Years		03-05 Years		Over 05 Years		Non interest bearing		Total as at 31/03/2015	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
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	
TOTAL ASSETS	1,525,763,587	896,209,650	1,829,241,156	57,595,070	24,324,383	199,199,982	4,532,333,828							
LIABILITIES														
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	
TOTAL LIABILITIES	1,206,118,365	1,434,989,514	807,036,921	299,666,747	4,209,428,404	322,905,424								
TOTAL INTEREST SENSITIVITY GAP	319,645,222	(538,779,864)	1,022,204,235	(242,071,678)	24,324,383	(262,416,875)								

**NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2015**

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.5 INTEREST RATE RISK (Contd...)

39.5.2.1 Interest Rate Risk

Interest Rate Risk Exposure on Non Trading Financial Assets & 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.

ASSETS	Up to 03	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Non interest	Total as at
	Months	Rs.	Rs.	Rs.	Rs.	bearing	31/03/2014
	Rs.					Rs.	Rs.
Cash and Bank Balances	-	-	-	-	-	105,135,491	105,135,491
Placement with Banks	127,494,028	42,910	-	-	-	-	127,536,938
Securities Purchased under Repurchase Agreement	268,997,323	-	-	-	-	-	268,997,323
Investment in Debt Securities	49,436,762	-	-	-	-	-	49,436,762
Loans and Advances	394,106,535	127,086,868	203,341,401	12,068,101	5,646,834	-	742,249,738
Lease rentals receivable & Stock out on Hire	343,336,173	509,491,227	1,132,418,875	88,241,873	100,268	-	2,073,588,417
Financial Investments - Available for Sale	-	-	-	-	-	80,400	80,400
Financial Investments - Held to Maturity	36,378,917	-	-	3,069,687	17,626,053	-	57,074,657
Other financial assets	-	-	-	-	-	22,578,322	22,578,322
TOTAL ASSETS	1,219,749,738	636,621,005	1,335,760,276	103,379,661	23,373,154	127,794,213	3,446,678,048
LIABILITIES							
Due to Banks	263,270,842	-	-	-	-	-	263,270,842
Due to Customers	858,323,385	927,830,724	316,835,527	497,129,909	-	-	2,600,119,545
Debt Instruments Issued and Other borrowed funds	62,426,000	59,839,622	-	-	-	-	122,265,622
Other Financial Liabilities	-	-	-	-	-	252,620,559	252,620,559
TOTAL LIABILITIES	1,184,020,227	987,670,345	316,835,527	497,129,909	-	252,620,559	3,238,276,568
TOTAL INTEREST SENSITIVITY GAP	35,729,512	(351,049,340)	1,018,924,749	(393,750,248)	23,373,154	(124,826,346)	208,401,480

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.6 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.

39.6.1 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 01st 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	
	2015	2014
Maximum	25.62%	20.80%
Minimum	19.40%	14.12%
Average	22.22%	16.88%
Closing	21.33%	16.88%

39.6.2 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	
	2015	2014
Maximum	104.21%	145.82%
Minimum	92.97%	106.89%
Average	97.34%	126.48%
Closing	98.57%	106.89%

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

39. RISK MANAGEMENT DISCLOSURES (Contd...)

39.6.3 Contractual Maturities of Undiscounted Cash Flows of Financial Assets & Financial Liabilities

39.6.3.1 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.

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31/03/2015
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
Total Financial Assets	667,973,028	1,202,479,263	1,389,460,644	2,305,837,637	83,978,521	28,569,483	5,678,298,575
LIABILITIES & EQUITY							
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
Total Financial Liabilities	117,880,329	1,301,978,565	1,679,690,093	569,116,615	819,765,855	-	4,488,431,456
	550,092,699	(99,499,302)	(290,229,449)	1,736,721,022	(735,787,334)	28,569,483	1,189,867,119

39.6.3.2 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.

ASSETS	On Demand	Up to 03 Months	03-12 Months	01-03 Years	03-05 Years	Over 05 Years	Total as at 31/03/2014
Cash and Bank Balances	105,135,491	-	-	-	-	-	105,135,491
Placement With Banks	10,317,308	118,069,174	45,409	-	-	-	128,431,892
Securities Purchased under Repurchase Agreement	-	271,078,476	-	-	-	-	271,078,476
Financial Investments - Held for Trading	7,050,137	-	-	-	-	-	7,050,137
Investment in Debt Securities	-	50,826,459	-	-	-	-	50,826,459
Loans and Advances	154,425,631	53,020,401	210,678,963	269,445,501	15,684,952	7,120,839	710,376,288
Lease rentals receivable & Stock out on Hire	207,906,839	243,015,692	793,911,854	1,437,974,673	97,142,596	67,353	2,780,019,006
Financial Investments - Available for Sale	-	-	-	-	-	80,400	80,400
Financial Investments - Held to Maturity	-	307,703,068	-	-	3,165,200	21,605,500	332,473,768
Other financial assets	-	22,578,322	-	-	-	-	22,578,322
Total Financial Assets	679,314,384	1,119,592,305	1,182,550,302	2,017,126,395	180,392,528	34,520,928	5,213,496,842
LIABILITIES & EQUITY							
Due to Banks	38,437,807	34,043,448	96,505,528	128,570,134	-	-	297,556,916
Due to Customers	70,555,016	799,287,692	976,928,597	333,557,948	578,800,330	-	2,759,129,583
Debt Instruments Issued and Other borrowed funds	-	63,016,565	62,441,014	-	-	-	125,457,579
Other Financial Liabilities	-	252,620,559	-	-	-	-	252,620,559
Total Financial Liabilities	108,992,822	1,148,968,265	1,135,875,138	462,128,082	578,800,330	-	3,434,764,637
	570,321,562	(29,375,959)	46,675,164	1,554,998,313	(398,407,803)	34,520,928	1,778,732,205

39.7 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

YEAR ENDED 31 MARCH 2015

40. MATURITY ANALYSIS (CONTRACTUAL) (Contd...)

40.1 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 31/03/2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS							
Cash and Bank Balances	68,497,383	-	-	-	-	-	68,497,383
Placement 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
Intangible Assets	-	-	-	10,241,083	-	-	10,241,083
Property, Plant & Equipment	-	-	-	17,665,804	9,141,569	-	26,807,373
Deferred tax assets	-	-	-	18,446,150	-	-	18,446,150
Total Assets	686,586,824	1,053,975,276	950,282,947	1,969,651,586	89,222,681	24,404,782	4,774,124,096
Liabilities							
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
Retirement Benefit Liability	-	11,474,701	-	-	-	-	11,474,701
Current tax liabilities	-	26,491,603	-	-	-	-	26,491,603
	127,967,781	1,484,429,422	1,506,623,029	830,566,946	299,666,747	-	4,249,253,926

40.2 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 31/03/2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
ASSETS							
Cash and Bank Balances	105,135,491	-	-	-	-	-	105,135,491
Placement With Banks	10,312,749	117,181,279	42,910	-	-	-	127,536,938
Financial Investments - Held for Trading	-	268,997,323	-	-	-	-	268,997,323
Loans and Advances	7,050,136	-	-	-	-	-	7,050,136
Lease rentals receivable & Stock out on Hire	-	49,436,762	-	-	-	-	49,436,762
Financial Investments - Available for Sale	169,200,234	46,981,026	158,955,016	303,386,535	58,080,094	5,646,834	742,249,738
Financial Investments - Held to Maturity	198,749,290	144,586,883	509,491,227	1,132,418,876	88,241,873	100,268	2,073,588,417
Other financial assets	-	-	-	-	-	80,400	80,400
Real Estate & Vehicle Stock	-	36,378,916	-	-	3,069,687	17,626,053	57,074,656
Other Non Financial Assets	-	22,578,322	-	-	-	-	22,578,322
Tax Recoverable	-	24,016,815	45,424,574	56,840,924	4,578,544	-	130,860,857
Intangible Assets	-	37,823,783	35,921,143	21,552,686	-	-	95,297,612
Property, Plant & Equipment	-	-	-	9,340,722	-	-	9,340,722
Deferred tax assets	-	-	-	7,693,276	10,263,855	-	17,957,131
Total Assets	490,447,900	747,981,109	749,834,871	1,531,388,448	164,234,053	23,453,554	3,707,339,934
Liabilities							
Due to Banks	38,437,807	26,900,734	80,128,150	117,804,151	-	-	263,270,842
Due to Customers	70,555,016	787,768,369	927,830,724	316,835,527	497,129,909	-	2,600,119,545
Debt Instruments Issued and Other borrowed funds	-	62,426,000	59,839,623	-	-	-	122,265,623
Other Financial Liabilities	-	252,620,559	-	-	-	-	252,620,559
Other Non Financial Liabilities	-	2,879,759	-	-	-	-	2,879,759
Retirement Benefit Liability	-	-	741,182	2,223,545	1,482,363	2,964,726	7,411,816
Current tax liabilities	-	5,876,796	-	-	-	-	5,876,796
	108,992,822	1,138,472,217	1,068,539,678	436,863,223	498,612,273	2,964,726	3,254,444,940

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

41. 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.

42. EVENTS AFTER THE REPORTING DATE

Subsequent to the reporting date, no circumstances have arisen which would require adjustment to or disclosure in the financial statements.

43. 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.

44. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Nature of Liability	Carrying Amount Pledged		Included Under
		2015 Rs.	2014 Rs.	
Lease & Hire Purchase Receivables	Bank Overdraft	313,366,667	313,366,667	Lease Rental Receivables and Stock Out on Hire
Lease & Hire Purchase Receivables	Term Loan	224,197,557	422,268,027	Lease Rental Receivables and Stock Out on Hire
		<u>537,564,224</u>	<u>735,634,694</u>	

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 MARCH 2015

45. FINANCIAL REPORTING BY SEGMENT

	Leasing			Hire purchase			Term Loans			Others			Total	
	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014	2015	2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Interest Income	505,660,046	243,812,406	124,017,025	188,856,273	170,636,149	218,057,176	53,459,065	37,797,524	853,772,285				688,523,379	
Fee Based Income & Others	78,404,649	38,840,113	6,641,968	5,698,165	6,740,541	3,705,684	882,763	814,849	92,669,921				49,058,811	
Unallocated Income							11,668,433	14,396,964	11,668,433				14,396,964	
Total Revenue	584,064,695	282,652,518	130,658,993	194,554,438	177,376,690	221,762,861	66,010,261	53,009,337	958,110,639				751,979,155	
Interest Expenses	(202,940,779)	(129,479,283)	(52,642,312)	(94,044,690)	(70,819,621)	(97,301,253)	(83,511,330)	(66,393,588)	(409,914,041)				(387,218,815)	
Fee Based Expenses & Others	(38,615,011)	(18,644,459)	(192,545)	(460,265)	(161,550)	(160,610)	(6,345,876)	(3,187,562)	(45,314,982)				(22,452,896)	
Impairment Reversal / (Provision)	(69,994,275)	(9,883,110)	25,755,598	(34,454,560)	(6,906,233)	(40,964,674)	(64,447,644)	(30,419,468)	(115,592,554)				(115,721,812)	
Net Operating Income	272,514,631	124,645,667	103,579,734	65,594,923	99,489,287	83,336,323	(88,294,589)	(46,991,281)	387,289,062				226,585,632	
Unallocated Expenses									(289,779,675)				(201,217,642)	
Profits/ (Loss) before Tax									97,509,387				25,367,990	
Income Tax expenses									(24,707,819)				(16,672,634)	
Net Profit/ (Loss) for the period									72,801,568				8,695,356	
Other Comprehensive Income									(826,392)				(25,753)	
Total Comprehensive Income for the Year									71,975,176				8,669,603	
Segment Assets	2,546,448,364	1,406,643,525	356,836,885	668,584,895	637,248,600	742,249,738	985,683,599	641,037,075	4,526,217,449				3,458,515,233	
Unallocated Assets									247,906,648				248,824,702	
Total Assets	2,546,448,364	1,406,643,525	356,836,885	668,584,895	637,248,600	742,249,738	985,683,599	641,037,075	4,774,124,097				3,707,339,935	
Unallocated Liabilities									4,774,124,097				3,707,339,934	
Total Liabilities									4,774,124,097				3,707,339,935	

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 MARCH 2015

46. RELATED PARTY TRANSACTIONS

Details of related party transactions which the company had during the year is as follows,

46.1 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, General Manager and their close family members (CFM). CFMs of the KMPs are those family members who may be expected to influence or be influenced by that KMP in there dealings with the entity.

Compensation to Key Management Personnel	2015 Rs.	2014 Rs.
Short Term Employee Benefits	13,444,350	11,609,557
	<u>13,444,350</u>	<u>11,609,557</u>

Other transactions with Key Management Personnel	2015 Rs.	2014 Rs.
Fixed Deposits/Promissory Notes accepted during the year	2,265,195	2,375,000
Fixed Deposits/Promissory Notes held at the beginning of the year	11,500,000	30,057,000
Consultancy Fee paid during the year	1,791,705	2,066,520

46.2 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.

Nature of Transaction	Abans PLC				Total	
	Parent Company		Other Related Parties **		2015	2014
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	Value Rs.	Value Rs.
Fixed Deposits Accepted during the year	-	-	7,000,000	8,000,000	7,000,000	8,000,000
Fixed Deposits held at the end of the year	-	-	36,355,707	36,903,686	36,355,707	36,903,686
As as at 1 April	(27,129,634)	(12,224,763)	(157,817,232)	(44,453,099)	(184,946,866)	(56,677,862)
Purchase of Articles Consumer Credit Granting	(38,705,688)	(27,513,700)	-	(5,256,723)	(38,705,688)	(32,770,423)
Purchase of Motor Bikes - Lease Granting	-	-	(2,046,401,718)	(1,039,857,721)	(2,046,401,718)	(1,039,857,721)
Collections made on behalf of Abans	226,517,542	-	-	-	226,517,542	-
Expense on collection commission	(2,339,860)	-	-	-	(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	-	-	(753,316)	(1,005,829)	(753,316)	(1,005,829)
Receivable on Repossessed Consumer Durable Items	-	-	-	65,409	-	65,409
Rent Income Recognized & Expense Recoveries	3,446,064	3,186,697	(901,633)	1,442,630	2,544,431	4,629,327
Rent Expense Paid	-	-	2,572,181	1,255,969	2,572,181	1,255,969
Funds Transferred from the Company	-	86,211,174	-	-	-	86,211,174
Funds Transferred to the Company	-	(73,986,411)	-	-	-	(73,986,411)
Settlements Paid/(Received)	(157,785,330)	(2,802,631)	1,887,609,763	929,992,132	1,729,824,434	927,189,501
As at 31 March	<u>4,003,095</u>	<u>(27,129,634)</u>	<u>(294,693,792)</u>	<u>(157,817,232)</u>	<u>(290,690,698)</u>	<u>(184,946,866)</u>

**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

*Other Related Parties are companies controlled / jointly controlled / significantly influenced by Key Management Personnel.

46.3 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

TEN YEARS SUMMARY

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH

Assets	* 2015	* 2014	* 2013	* 2012	2011	2010	2009	2008	2007	2006
Cash and Bank Balances	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	2,132,191
Placements with Banks	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	448,038,936	326,071,980	168,522,407	208,659,434	156,762,970	65,878,767	73,315,520	55,093,236	-	15,500,000
Investment in Dealing Securities	7,370,358	7,050,136	8,336,546	8,085,928	11,716,200	-	-	-	-	-
Investment in Debt Securities	49,278,340	49,436,762	-	-	-	-	-	-	-	-
Loans and Advances	637,248,600	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	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	50,828,896
Investment Securities	100,210,655	80,400	80,400	80,400	80,400	80,400	80,400	80,400	80,400	-
Real Estate and Vehicle Stock	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	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	29,725,954
Tax Recoverable	-	-	-	6,602,175	6,468,996	13,345,635	10,727,880	-	-	-
Intangible Assets	10,241,083	9,340,722	12,268,902	10,410,217	12,900,571	18,682,524	27,976,307	25,741,470	23,953,967	22,698,535
Property, Plant & Equipment	26,807,373	17,957,131	16,608,243	19,253,353	16,984,244	-	-	-	-	-
Deferred Tax Assets	18,446,150	155,429	-	81,683	20,557,523	32,969,828	-	-	-	-
Total Assets	4,774,124,097	3,707,339,935	2,925,504,791	2,697,725,557	2,149,782,990	1,498,621,045	1,527,634,236	1,169,952,288	604,634,194	120,885,576
Liabilities										
Due to Banks & Other Financial Institutions	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	3,591,961,005	2,600,119,545	1,765,882,547	1,672,108,739	1,519,571,106	1,009,533,058	591,000,334	396,825,828	-	-
Debt Instruments Issued and Other Borrowed Funds	-	122,265,623	174,323,059	99,374,620	24,999,996	-	136,714,790	107,389,187	83,724,207	-
Other Liabilities	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	6,728,211
Retirement Benefit Liability	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	26,491,603	5,876,796	3,376,089	-	-	-	-	14,573,005	4,361,619	-
Deferred Tax Liabilities	-	-	2,589,526	-	-	-	4,773,242	3,952,104	2,524,250	1,816,250
Total Liabilities	4,249,253,926	3,254,444,940	2,481,279,402	2,293,633,768	1,791,365,398	1,190,485,870	1,154,769,517	763,843,198	208,522,928	8,544,461
Shareholders' Funds										
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	109,000,070
Statutory Reserve	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	-	-	-	-	-	-
Available for sale reserve	130,255	-	-	-	-	-	-	-	-	-
Retained Earnings	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	3,341,045
Total Shareholders' Funds	524,870,171	452,894,995	444,225,389	404,091,789	358,417,592	308,135,175	372,864,719	406,109,090	396,111,266	112,341,115
	4,774,124,097	3,707,339,935	2,925,504,791	2,697,725,557	2,149,782,990	1,498,621,045	1,527,634,236	1,169,952,288	604,634,194	120,885,576

* Figures as per SLFRS

TEN YEARS SUMMARY (CONTD...)

STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 31 MARCH

	* 2015	* 2014	* 2013	* 2012	2011	2010	2009	2008	2007	2006
Income	958,110,639	751,979,154	570,344,914	456,093,900	396,244,898	287,674,710	354,520,565	205,558,532	76,546,200	7,688,624
Interest Income	853,772,285	688,523,379	541,111,997	434,997,143	369,635,871	269,854,563	338,696,974	184,543,497	68,574,205	7,688,210
Interest Expense	(409,914,041)	(387,218,811)	(328,177,272)	(221,598,714)	(181,474,454)	(191,575,112)	(230,983,120)	(73,383,478)	(7,371,583)	-
Net Interest Income	443,858,244	301,304,568	212,934,725	213,398,429	188,161,417	78,279,251	107,713,854	111,160,019	61,202,622	7,688,210
Fee and Commission Income	91,787,158	48,243,961	24,513,497	19,240,537	-	-	-	-	-	-
Fee and Commission Expenses	(45,314,982)	(22,452,896)	(7,055,624)	(3,855,418)	-	-	-	-	-	-
Net Fee and Commission Income	46,472,176	25,791,065	17,457,873	15,385,119	-	-	-	-	-	-
Net Gain / (Loss) from Trading	1,830,282	272,657	449,377	(2,869,874)	-	-	-	-	-	-
Other Operating Income (Net)	10,720,913	14,939,157	4,270,043	4,726,094	26,609,027	17,820,347	15,823,591	21,015,035	7,971,995	414
Total Operating Income	502,881,616	342,307,447	235,112,018	230,639,768	214,770,444	96,099,598	123,537,445	132,175,054	69,174,617	7,688,624
Impairment (Charge) / Reversal (Prov. For Bad Debts)	(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)	-
Net Operating Income	387,289,061	226,585,635	229,968,899	227,990,658	195,549,726	922,560	92,204,409	118,235,627	68,847,984	7,688,624
Less: Operating Expenses										
Personnel Cost	(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)	(832,604)
Other Operating Expenses	(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)	(1,618,437)
Operating Profit before VAT on FS	108,633,330	29,023,606	66,357,275	86,184,062	72,003,420	(102,458,740)	(20,150,240)	36,476,115	21,966,885	5,237,583
VAT & NBT on Financial Services	(11,123,943)	(3,655,613)	(7,585,827)	(8,379,298)	(8,935,538)	-	(1,192,032)	(6,825,205)	(6,269,391)	(80,288)
Profit before Taxation from Operations	97,509,386	25,367,993	58,771,448	77,804,764	63,067,882	(102,458,740)	(21,342,272)	29,650,910	15,697,494	5,157,295
Income Tax Expenses	(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)	(1,816,250)
Profit for the year	72,801,566	8,695,359	40,688,050	45,674,196	42,499,500	(64,729,544)	(23,648,893)	9,997,824	10,396,591	3,341,045

* Figures as per SLFRSs

BRANCH NETWORK

BRANCH	ADDRESS	DIRECT NO.	FAX NO./E-MAIL	CONTACT PERSON
HEAD OFFICE	No. 400, Galle Road, Colombo 03	011-2375531-3	011-2375517 Finance@abansgroup.com	M.K Nambiyarooran
ANURADHAPURA	No.348A, 348B, Maithirpala Senanayka Mw, Anuradhapura	025-3856947 / 025-3244969	025-2234557 afslapr@abansgroup.com	Sumil Kahawatta
BADULLA	No.30, Anagarika darmapala Mw, Badulla	055-3557730/055-2228180	055-2222101 afslbdu@abansgroup.com	Harendra Kumara
DAMBULLA	Sujatha Bld, Kurunegala Junction, Dambulla	066-3669876/066-3925777	066-2285000 afslidam@abansgroup.com	Jamis Jayathilaka
GALLE	No.2, Malwatta Road, Kaluwella, Galle	091-3907720/091-2235888	091-2227122 afsigal@abansgroup.com	Ranjith Kalyananda
GAMPAHA	No.118, Colombo Road, Gampaha	033-3438602/033-3555450	033-2234970 afsigam@abansgroup.com	Sarath Wickramasinghe
KANDY	1st Floor, No.123, D S Senanayaka Veediya, Kandy	081-3827710/081-3842720	081-2205675 afsilky@abansgroup.com	B W S R Gunawardana
KURUNEGALA	No.19, Baudhaloka Mw, Kurunegala	037-3877888 / 037-3616655	0372222611 afsilkr@abansgroup.com	R M W J Wijewardana
RATHNAPURA	Zeena Building, No.139/1, Main street, Rathnapura	045-3457777/045-3608060	045-2226873 afslrtp@abansgroup.com	H W D A Sujeewa Kumara
JAFFNA	No.221, Power House Road, Jaffna.	021-3207686	021-2217022 afsilchu@abansgroup.com	N Sooriyanathan
CUSTOMER SERVICE CENTER				
JA-ELA	No. 17, Negambo Road, Ja ela.	011-3144338	011-2240228	M L G K Karunaratna
KADAWATHA	No. 172/12/E, Kandy Road, Kadavatha	011-2926811	011-2926811	B M K I Balasooriya
MORATUWA	No. 486, Galle Road, Rawathawatta, Moratuwa.	011-3052200	011-2649177	B H C Peiris
PILIYANDALA	No. 28, Saranapala Mw, Piliyandala.	011-3034200	011-2609310	Danushka Silva
BATTICALOA	No.175B, Trinco Road, Batticaloa.	065-3063336	065-2229799 afslbt@abansgroup.com	Rowena outchooran
KADURUWELA	No.16, Near Police Station, Kaduruwela	066-3062444	027-2223323 afsilkdw@abansgroup.com	Peshala Dullewa
AMPARA	No.19, D S Senanayaka Veediya, Ampara	063-2224747	063-2224747 afslamp@abansgroup.com	Sanjeevani Sandamali
PUTTLAM	No.138, Kurunegala Road, Puttlam	032-3295105	032-2267667	Nipuni Nawoda
EMBILIPITYA	No.847/F, 847/C, Panamura Road, Udagama, Embilipitiya.	047-3220400/047-3220401	047-2262261 afslomb@abansgroup.com	Chandrika sreemali

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.

GLOSSARY OF TERMS Cont'd....**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.

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.

GLOSSARY OF TERMS Cont'd....

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.

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 understand.

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.

GLOSSARY OF TERMS Cont'd....**Risk Weighted Assets**

On Balance Sheet Assets and the credit equivalent of off Balance Sheet Assets multiplied by the relevant risk weighting factors as specified by Central Bank of Sri Lanka.

Risk Adjusted Asset

Used the calculation of risk based capital ratio. The face amount of lower risk assets is discounted using risk weighted factor in order to reflect a comparable risk per-rupee among all type of asset.

S**Segmental Analysis**

Analysis of financial information by segments of an enterprise specifically the different industries and the different geographical areas in which it operates.

Shareholders' Funds

Total of issued and fully paid share capital and capital and revenue reserves.

Statutory Reserve Fund

A capital reserve created as per the provisions of the Finance Business Act No. 42 of 2011.

T**Tier 1 Capital**

Core Capital representing permanent Shareholders' equity and reserve created or increased by appropriation of retained earnings or other surpluses.

Tier 2 Capital

Tier 2 Capital or Supplementary Capital represents total value of Re-valuation reserves, General provisions and subordinated Debt.

Transaction Costs

They are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

V**Value Added**

Value of wealth created by providing financial and other related services less the cost of providing such services.

Y**Yield**

Rate of return on an investment in percentage terms, taking in to account annual income and any changes in capital value.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the **NINTH ANNUAL GENERAL MEETING of ABANS FINANCE PLC** will be held on **30th September 2015** at 2.30 p.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 31st March 2015 and Report of the Auditors thereon.
2. To re-elect Mr. Channa Dilhan Pathirana, a Director of the Company who retires by rotation in terms of Section A. 8 of the Code of Best Practice on Corporate Governance 2013. Directors recommend the re-election of Mr. C D Pathirana as a Director of the Company.
3. To re-elect Mr. Rusi Pestonjee, a Director of the Company who retires by rotation in terms of Section A.8 of the Code of Best Practice on Corporate Governance 2013. Directors recommend the re-election of Mr. Rusi Pestonjee as a Director of the Company.
4. 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.

12th August 2015

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.

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 2015 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 2015 and the Report of the Auditors thereon.

To re-elect Mr. Channa Dilhan Pathirana, a Director of the Company who retires by rotation in terms of Section A.8 of the Code of Best Practice on Corporate Governance 2013.

To re-elect Mr. Rusi Pestonjee, a Director of the Company who retires by rotation in terms of Section A.8 of the Code of Best Practice on Corporate Governance 2013

FOR	AGAINST

FORM OF PROXY (CONTD....)

To re-appoint Messrs. Ernst & Young the Auditors for the ensuring year and to authorise the Directors to determine their remuneration

FOR	AGAINST

Signed this day of 2015

.....
Signature of Shareholder

* Please delete the inappropriate words.

INSTRUCTIONS ON COMPLETING 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 of Sri Lanka.

REGISTERED OFFICE

498, Galle Road, Colombo 3

HEAD OFFICE

400, Galle Road, Colombo 3. Tel. 011 2375531-3
E-mail : finance@abansgroup.com

AUDITORS

M/s Ernst & Young
Chartered Accountants,
201, De Saram Place,
P.O.Box 101,
Colombo10

INTERNAL AUDITORS

Chief Internal Auditor
Abans Group of Companies
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

VAT REGISTRATION NO.

134012439-7000

BOARD OF DIRECTORS

Mr. R. Pestonjee
Chairman

Mr. K. B. Wanigasekara
Managing Director

Dr. (Mrs.) S. Dubash
Non-Executive Director
(Retired w.e.f 8 April 2014)

Mr. C. D Pathirana
Non-Executive Director

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

Mr. Ajith S. Ratnayake
Independent Non-Executive Director
(Appointed w.e.f 16 May 2014)

ABANS FINANCE PLC

No. 400, Galle Road, Colombo - 03.

Tel: 011 237 5531-3

Fax: 011 237 5517

**A Finance Company Licensed by the Monetary Board of the
Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011**
