

ANNUAL REPORT 2011-2012

STRENGTH IN NUMBERS
STRENGTH IN PEOPLE

ABANS FINANCE PLC

**Abans
FINANCE**

Contents

Page No.

Cover Page Story...

“Our management style is to adapt to the volatile environment through our Human Resource Assets, whose primary focus is achieving Organizational Goals.

Our aim is to provide commercial, professional and practical solutions to customer needs thereby efficiently and effectively achieving organizational goals and employing people practices to increase business performance whilst enhancing rewards to employees.”

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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.

History

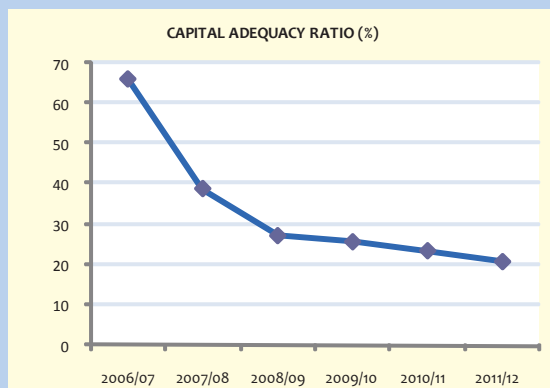
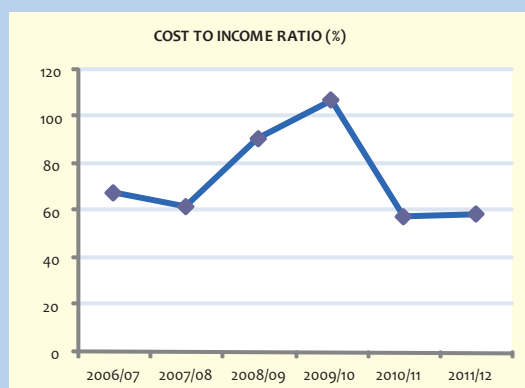
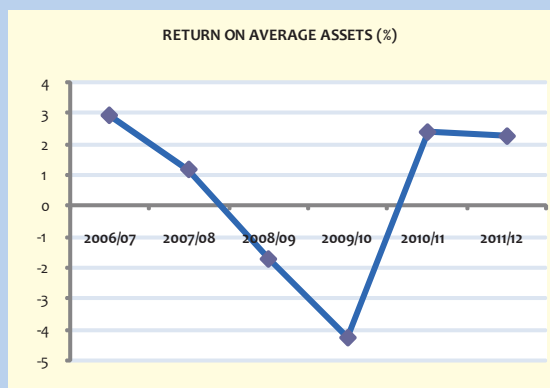
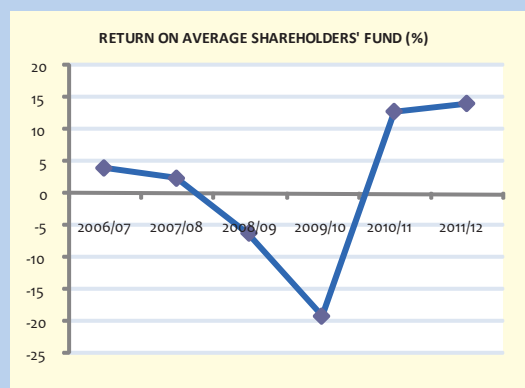
Abans Finance PLC is a member of the prestigious Abans Group, a household name in Sri Lanka. Abans Group recognizing the potential for financial services in the country and the available resources at their disposal, decided to establish Abans Finance PLC (AFP). AFP commenced business initially as a Registered Finance Leasing Establishment under the Finance Leasing Act No. 56 of 2000 on 19th April 2006. AFP obtained the Finance Company License in terms of the Finance Companies Act No. 78 of 1988 with an initial Stated Capital of Rs. 382 Million on 27 August 2007. The company is regulated by the Central Bank of Sri Lanka in terms of Finance Business Act No. 42 of 2011 which repealed the Finance Companies Act No. 78 of 1988.

The company was opened for business on 2nd January 2006 at its registered office No. 498, Galle Road, Colombo 3, the premises of Abans Ltd., with around 10 employees. The Head Office was within a few months re-located at No. 385, 1st Floor, Landmark Building, Galle Road, Colombo 3 and on obtaining the Finance Company License, the Finance Company was launched at No. 400, Galle Road, Colombo 3 in December 2007 at which place the company continues to conduct business currently with 118 employees. The company operates nine Branches and five Customer Centres in eight provinces of the country.

The Principal lines of business include Acceptance of Time and Savings Deposits, Finance Leasing, Hire Purchase, Mortgage Loans, Personal Loans, Real Estate Development and Capital Market Operations.

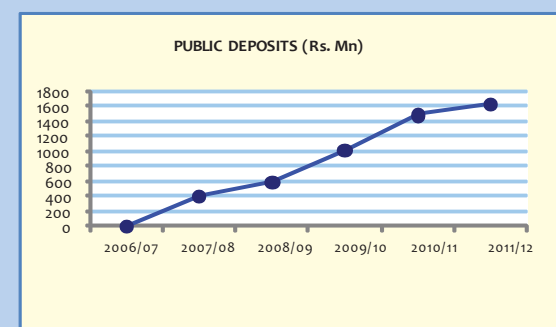
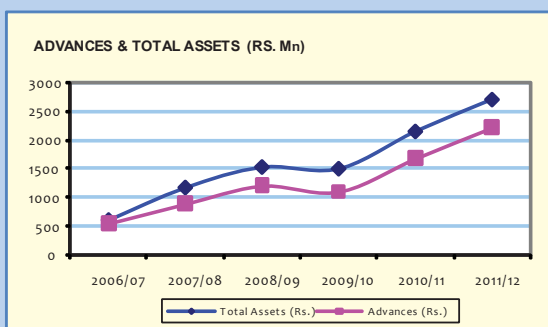
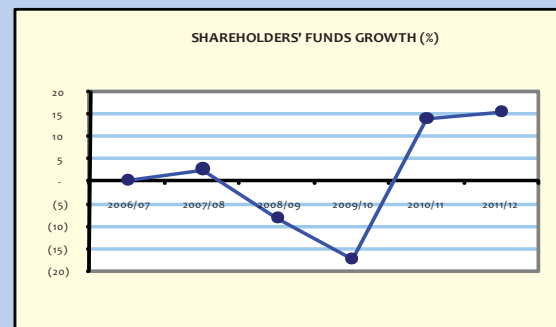
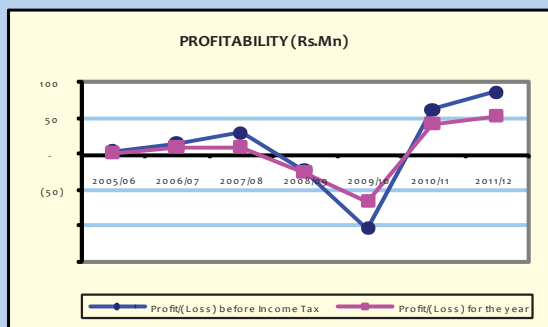
The First Board of Directors of AFP included ; Ms. Aban Pestonjee (Chairperson), Ms. Mano Alles (Managing Director), Ms. Saroshi Dubash, Mr. B. Pestonjee, Mr. S. Sothivadivel, Mr. Rusi Pestonjee, (Alternate Director to Ms. Aban Pestonjee)

Year Ended 31st March	Medium Term Goals	Achievement (%)					
		2011/12	2010/11	2009/10	2008/09	2007/08	2006/07
Return On Average Shareholders' Fund	>20%	14.15	12.90	(19.01)	(6.07)	2.49	4.09
Retrun on Average Assets	>2.5%	2.20	2.33	(4.28)	(1.75)	1.13	2.87
Cost to Income Ratio	<50%	58.69	57.52	107.58	90.95	61.68	67.77
Capital Adequacy							
Core Capital Ratio(%)	>10%	20.78	24.90	25.69	27.21	38.86	65.98
(Statutory Minium-5%)							
Total Risk Weighted Capital Ratio(%)	>12.5%	20.78	24.90	25.69	27.21	38.86	65.98
(Statutory Minium-10%)							



Year Ended 31 March	2012	2011	Inc / (Dec)
Results for the Year (Rs. '000)			
Income	462,638	396,245	16.76%
Net Profit Before Taxation	86,991	63,068	37.93%
Net Profit After Taxation	53,408	42,500	25.67%
Revenue to the Government	41,962	29,504	42.22%
Position at the Year End (Rs. '000)			
Shareholders' Funds	404,042	350,635	15.23%
Deposits from Customers	1,633,434	1,486,358	9.90%
Borrowings	480,550	178,568	169.11%
Deposits & Borrowings	2,113,984	1,664,926	26.97%
Loans & Advances to Customers	2,223,083	1,684,076	32.01%
Total Assets	2,702,125	2,146,987	25.86%
Financial Ratios			
Return on Average Assets (%)	2.20	2.33	
Return on Average Shareholders' Funds (%)	14.15	12.9	
Non Performing Advances Ratio (%)			
- Gross	6.96	11.19	
- Net	2.92	4.98	
Information Per Ordinary Share			
Net Asset Value Per Share (Rs.)	10.92	9.48	
Earnings Per Share (Rs.)	1.44	1.15	
Price To Earning Ratio	28.06	N/A	
Statutory Ratios (%)			
Capital Adequacy			
Core Capital Ratio (Statutory Minimum - 5%)	20.78	24.9	
Total risk Weighted Capital Ratio (Statutory Minimum - 10%)	20.78	24.9	
Statutory Liquid Asset Ratios (%)	15.27	15.58	

N/A - Not Applicable



Board of Directors

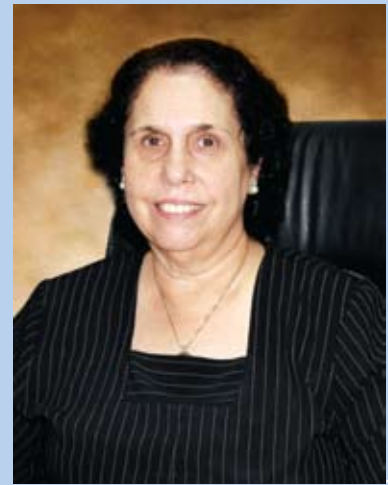
Mrs. Aban Pestonjee (Chairperson – Abans Group of Companies)

Founded Abans Finance in 2006 and was the Chairperson of the company until 31st December 2011. Retired in terms of Finance Companies (Corporate Governance) Direction No. 3 of 2008.

A resourceful and self-taught entrepreneur, Mrs. Pestonjee has come to exemplify the Abans' creed of "finding a need and fulfilling it". Her passion, drive and courage, especially as a South Asian woman in a then male-dominated business world has inspired successive generations of Sri Lanka business women and have won her the praise of many others. She continues at Abans in the role of Chairperson of the Board of Directors and holds Executive control on the Boards of Abans Electricals PLC and ABS-GDH. Coupled with our strong business ethics, and the passion and drive exuded by our founding members, Mr. and Mrs. Pestonjee, Abans' popularity in the household appliance retail sector soared. Demand largely outgrew supply and new workshops were opened to cater to the demand of efficient after sales service.

Mrs. Pestonjee has been awarded :

- SAARC Women's Association – Sri Lanka Chapter - "Award of Excellence for Women Achievers for Outstanding Achievement" – Year 2000.
- "The Bronze Award" for the Large Business Category by Women's Chamber of Industry & Commerce at the Year 2000 Women Entrepreneurs of the Year Award Ceremony.
- "KOTRA Plaque of Appreciation – 2005" for forging strategic foreign economic ties between Korea and Sri Lanka.
- Culminating in 2006, she received International Recognition for winning the Leading Women Entrepreneur of the award. Mrs. Pestonjee was awarded the prize by the Princess of Thailand.



Mr. Rusi Pestonjee (Alternate to the Chairperson)

Appointed as a Director and Chairman with effect from 1st January 2012. A Member of the Remuneration Committee. Number - crunching and venturing into new avenues of business has been Mr. Rusi Pestonjee's forte. A leader in the Accounting and Financial areas, his treasury management skills have largely come into use of the establishment of the Abans Finance PLC, which has set up initially to help finance the Abans (Pvt) Limited customers. His involvement also includes Abans Environmental Services, adding to Abans' reputation as a socially responsible organization and AB Securitas.

Mrs. Gloria Noeline Manohari Alles

Retired from the Board and as a Managing Director with effect from 31st December 2011 in terms of Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Holds a BSc Degree with a First Class from University of Madras. Former Senior Deputy General Manager of the Bank of Ceylon, served the Bank for over 36 years and held several Senior Managerial Positions in the Bank. She was also responsible for the Bank's Overseas Expansions having set up branches in Chennai, South India, Karachi, Pakistan, Nepal and Representative Offices in Singapore and Russia.

She served as the Banks Representative in Singapore from 1981-1984. She held Directorships in the following Public Sector and the Private Sector Companies: B.C.C. Lanka Limited, Hotels Corporation, Lanka Cement Limited, Alternate Director Nepal Bank of Ceylon, Merchant Bank of Sri Lanka, Merchant Credit Limited – Chairperson, Samuels & Company Limited, CEPA, National Agri Business Council, Pan Asia Bank Limited, L B Finance Ltd. She assisted the Founder Chairperson to set up Abans Finance for the Abans Group.



Board of Directors

Mr. Kithsiri Wanigasekara - Managing Director

He became Managing Director / Chief Executive Officer on 1st January 2012 having previously held the position of Executive Director. Appointed to the Board and as Executive Director with effect from 1st June 2009.

He has a wealth of industry knowledge and expertise, with over 25 years of experience in the Finance Industry before joining Abans Finance.

Served as Chairman and 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 of Sri Lanka.

The National "Bronze Award" Winner and the Provincial "Silver Award" winner in the Extra Large Category at the Sri Lanka Entrepreneur of the Year 2005 Contest organized by the Federation of Chambers of Commerce of Sri Lanka (FCCSL).

He was also the "Silver Award" winner for the Most Outstanding Entrepreneur of the Central Province in 2000.



Mrs. Saroshi Dubash – (Non-Executive Director)

Appointed to the Board on 8th April 2005. Chairperson of the Integrated Risk Management Committee (IRMC).

Holds a Honours Degree in Chemistry (London), MBA (USA), Phd. She is a member of Representative Committee of Women's Chamber of Commerce and Industry of the Ceylon Chamber of Commerce. A Directors of Abans (Pvt) Ltd.,

and other Group Companies. Within the Group, Mrs. Dubash is chiefly involved in administering the supply chain functions of import purchasing, Wharf clearance, warehousing, inventory control, distribution and information systems.

Retail Accounts and Hire Purchase Departments also come under her purview.

Flexible, hard - working employees have long been

Mrs. Dubash's main aide and as a result, she oversees the Training Development to ensure the continuous training and development of quality Abans Employees.

Her major projects currently include sourcing a

3PL partner introducing an ERP Systems for the Abans (Pvt) Ltd. Channel and spearheading other e-commerce initiatives, most recent of which is "buyabans.com" the online Retail Arm of Abans. She is supported by an excellence, hard working senior administrative network.

Mr. Sangarapillai Sothivadivel – Non-Executive Director

Retired from the Board with effect from 31st December 2011 in terms of Finance Companies (Corporate Governance) Direction No. 3 of 2008.

Group Financial Controller of Abans Group with 20 years of service in the Group.

Holds a Degree in Economics from the University of Sri Lanka.

A fellow member of the Institute of Chartered Accountants of Sri Lanka with 31 years experience in Accounting in the Public and Private Sectors.

Has held responsible positions including Partner of a Firm of Chartered Accountants before joining with Abans Group.

Served as Chairman of the Audit Committee.



Board of Directors

Mr. Channa Pathirana – Non Executive Director

Appointed to the Board on 26th November 2007.
A member of the Integrated Risk Management Committee (IRMC).
Deputy Director of Abans (Pvt) Ltd., Authorized Distributor for LG Electronics in Sri Lanka since 2002.
Counts 21 years of experience in Sales, Marketing, Leasing and Hire Purchase at multinational / local organisations.
Prior to his appointment to Abans Group he has extensive experience related to Sales and Marketing of Consumer Electronics in a multinational company.
He is currently reading for his Masters of Business Administration from the University of Wales having qualified as a Marketer from the Chartered Institute of Marketing (UK).



Mr. Vishtasp Kairshasp Choksy Senior Independent Non-Executive Director

Appointed to the Board on 15th March 2011.
Appointed Senior Director with effect from 1st January 2012 in terms of the Finance Companies (Corporate Governance) Direction No. 3 of 2008.
An Attorney-at-Law by Profession.
Possesses 19 years of legal practice and has been specializing in Civil Law with particular emphasis in Commercial, Business and Industrial Law.
Chairman of the Remuneration Committee of the company and a member of the Audit Committee.
Provides specialized legal advice to the company on key business related issues.



Mr. Thirunavukarasu Someswaran – Independent Non-Executive Director

Appointed to the Board on 10th May 2011.
Chairman of the Audit Committee. Former Senior partner of SJMS Associates; a Firm of Chartered Accountants & Independent Correspondent firm to Deloitte Touche Tohmatsu.
Vice President of the International Chamber of Commerce of Sri Lanka and Treasurer of the European Chamber of Commerce.
A member of the Organisation for Professional Associations (OPA) International Fiscal Association (IFA) Sri Lanka Branch and Governing Council of the Institute of Management Accountants of Sri Lanka.
Serves on Boards of Serendib Lands PLC, CLEANCO (Pvt) Ltd., Pan Asia Power, Commercial Credit PLC, Sunrise Senior (Pvt) Ltd., and ECSAT.
He also serves a Chairman of SMB Leasing PLC.



As another financial year of accomplishment comes to an end, It gives me great pleasure to welcome all of you to the Sixth 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 2012.

In the year under review, Abans Finance PLC has reached new heights in terms of performance.

The Global Economy

The latter half of the financial year 2011/2012 was one of the most challenging years for the global economy. Despite previous forecasts that the world economy would recover, the country continued to witness a recessionary pressure. During the year 2011, growth forecasts were revised downwards and fears of an economic crisis threatened Europe, as the sovereign debt crisis emerged dragging the world economy into a very difficult phase.

The impact of the debt crisis in Europe spread to other countries as well. Capital flows to developing countries declined significantly compared to the previous year. While global growth and world trade slowed sharply, the world economy faced challenges during the year . With a scaled down growth forecast of 3.3%, the world economic outlook for 2012 is unlikely to be impressive.

The Sri Lankan Economy

However, the worsening global economic downturn had limited impact on Sri Lanka's economic performance and Sri Lanka was able to manage the impact through monetary and fiscal policy adjustments.

The Sri Lankan economy witnessed accelerated growth in 2011 with an estimated GDP expansion of 8.3%, the second consecutive year of over 8% growth. With strong macro economic fundamentals and monetary policies in place, Sri Lanka continued to demonstrate a positive economic trend with the likelihood of maintaining growth momentum in the medium term.

International confidence in the nation was on the rise as Foreign Direct Investment into Sri Lanka in 2011 exceeded USD 1 Bn. GDP per capita is estimated to have reached USD 2,830 during the year and is forecast to rise to USD 4,000 by 2016.



By March 2012 , Sri Lanka also achieved a single digit level inflation rate. Year-on-year inflation declined to 5.9% in March 2012 from 6.2% in March 2011.

The exchange rate which was 109.59 on 1st April 2011 commenced movement during the early part of 2012 with more uncertainty and the Sri Lankan rupee depreciated to 128.19 by 31st March 2012.

The interest rate too showed upward trend and the Average Weighted Prime Lending Rate (AWPLR) which was 8.98% on 1st April 2011 moved up to 12.80% by 31st March 2012 resulting in borrowing becoming more and more expensive. The three months Treasury Bill rate which was 6.98% by March 2011 too increased to 11.00% by end March 2012. The CBSL policy lending rate which was 8.50% by end March 2011 too was adjusted twice during the year and remained at 9.75% by end March 2012.

These increases in the benchmark interest rates made the sourcing of funds more expensive.

Financial Services Industry

The Financial Services industry continued to be constrained by the intensifying impact of global economic events. To meet the growing demand for credit, many of the larger financial service providers sought capital enhancement through a diversity of instruments.

The financial services sector recorded substantial overall growth. The soundness of financial institutions improved and confidence in the financial system was enhanced. The financial markets remained stable and active even though the capital market witnessed a significant market correction.

Abans Finance PLC

During the year, we stood strong and tall for our Clients, Depositors and Shareholders in an uncertain world.

We further strengthened our position as a stable Financial Institution during the year, growing our advances base to Rs 2.2 Bn and asset base to Rs 2.7 Bn. At year-end, our network stood at nine Branches and five customer centres.

The year in essence was one where Abans Finance PLC consolidated its position and processes in developed strategies to exploit future potential. During the financial year, we witnessed sound loan growth approximating at 32%. We had a good year in our recovery efforts with the Gross Non performing Loan (NPL) ratio reducing from 11.19% to 6.96%. This reflects our stringent risk management and recovery process. To facilitate the rapid loan growth, we achieved a moderate deposit growth of 10%.

This performance assisted Abans Finance PLC to achieve consistent growth in pre tax profits exceeding Rs 86.9 Mn compared to Rs 63.0 Mn in previous year. We are now in a sound position to further increase our profits in the years ahead. We have continued to maximize the future opportunities arising in Sri Lanka's fast growing financial services industry.

Compliance for Greater Governance

Significant changes were made to our governance and risk structures in a bid to enhance the perspective of risk, regulation and compliance. We

continued to place depositor, shareholder, customer and others stakeholder interest at the very forefront of our operations, and looked to safeguard their multiple interests through the adoption of measures that enhanced the perspective of governance, transparency, risk management and compliance with overall focus on the application of practical measures. We continued to report to the Central Bank of Sri Lanka in every sphere of the regulatory requirements and readied for the proposed policies for financial sector stability in the medium term.

A Note of Gratitude

In conclusion, I wish to express my sincere appreciation to my colleagues on the Board for their unstinted support and valuable insights. My deep gratitude is extended to the Management and staff for their role played in improving the performance. My sincere thanks goes out to other stakeholders in business namely the Customers, Bankers and other business partners for the support provided.

Finally, We thank our share holders for their co-operation and the trust placed in our company.



Rusi Pestonjee
Chairperson

The year under review was marked by a challenging market and economic environment and our performance demonstrated our ability to perform under numerous conditions to achieve encouraging results. We concentrated in three key areas namely, Income Growth, Shareholder Returns and Capital, Funding and Liquidity. We made progress through improving the competitive position across all our businesses and we recognize that there is still work to be done to achieve our medium term goals. Branch and Customer Centre Network was the key contributor towards the overall growth in performance with an improved asset quality. The company will concentrate further in improving asset quality that will provide a favourable Non-Performing Ratio in line with industry averages.

INCOME GROWTH

Total Income has increased 16.7% and benefited from the growth in advances that grew by 32.01%. We have improved our competitive position in identified businesses that have grown satisfactorily making a contribution towards the overall growth. We believe that delivery of income growth has to be sustained through improved volumes in lending. This will be achieved while focusing on improving the quality of assets to ensure that we do not grow at the expense of undue risk taking.

RETURNS

The company continues to evolve and the strength of our unique model helped us to achieve moderate profits across all businesses. Return on Average Shareholders' Funds registered 14.15%. This is an improvement over 12.9% achieved in 2010/11. Return on Average Shareholders' Funds was below the stated goal of 20%. Return on Average Assets of 2.20% was down from 2.33% registered in 2010/11. The achievements in this arena are below the industry averages owing to the fact that the company's overall growth in advances was below the industry growth. We will continue to focus on delivering a steady improvement in returns and achieve our medium term goal of 20% over time.

CAPITAL, FUNDING AND LIQUIDITY

We have further improved our Core Capital Ratio (Tier 1) and Total Risk Weighted Assets Ratio (Tier II) through the generation of capital organically.



The improvement in Net Earnings that registered Rs.53.4 Mn. (2010/11- Rs. 42.5 mn) helped us to strengthen our regulatory capital thus exceeding the minimum required by a Licensed Finance Company (LFC) by 1st January 2015. Our Core Capital and Total Risk Weighted Capital Ratios stood at 20.78% and was well in excess of the minimum statutory requirement of 5% and 10%. Therefore, we do not expect to seek additional capital from our shareholders in the foreseeable future.

Our diverse funding sources and moderate liquidity status has minimized the cost of funding and provided protection against unexpected market fluctuations despite the sharp upward trend in interest rates which was followed by a market stress in the final quarter which continued to the new year as well.

Funding and Liquidity was kept at the optimum level. Sourcing of funds was from two key areas, namely, Deposit Mobilization and from other borrowings.

OUTLOOK

The country's estimated economic growth rate for 2012 has now been revised at 6.5% as against growth rates of above 8% achieved in the preceding two years. Against this background, we are bound to encounter stiff competition from the business environment. The unification of the Non-Bank Financial Institutions with LFCs and SLCs competing mainly in the core business areas of Finance Leasing and Hire Purchase should pose a threat to every Non-Bank Financial Institution (NBFI). The unprecedented growth achieved by NBFI Sector in 2011, will no doubt exert pressure on recoveries in 2012 and the incidence of an upward trend in non-performing loans will be a

challenge. We are confident that our controlled growth strategy that was implemented during the last financial year will act favourably in this front and the company should move towards the achievement of expected performance with an improved asset quality.

We made progress in all product areas in our diversified lending portfolio in 2011/12 but the quantum of growth was average thus resulting in delivering moderate financial results. We will have to accelerate growth in relation to industry growth to achieve above average results. The new year 2012/13, should provide further progress in our operational performance with a significant growth in our advances portfolio. We are determined to grow our Personal Loan and Consumer Credit portfolios in 2012/13 that have a high growth potential. These segments could make a contribution for the achievement of an improved financial performance. It is envisaged that the core product area of HP and Leasing have further potential for growth, particularly in the rural market that will be exploited with the assistance of Branch and Customer Centre network. Branch and Customer Centre network will make a further step forward in the right direction in strengthening its share in Total Lending and finally in the overall Net Earnings. We believe that our performance should be at industry average levels in order to provide the shareholders a return at market rates in addition to growth in their share value. We have paid due attention to these aspects and are confident that we should be able to make further progress towards the achievement of commendable results in the ensuing year.

APPRECIATIONS

We were fortunate to receive valuable advice and guidance from the Director, Supervision of Non-Bank Financial Institutions and the officials of the Central Bank that assisted us to maintain and improve prudential standards within the regulatory framework. I offer my grateful thanks to them for their advice and guidance. Our Auditors, M/s Ernst & Young deserve our appreciation for their advice.

I take this opportunity to place on record, my sincere thanks and appreciation to the former Chairperson, Managing Director and Audit Committee Chairman and Director, Ms. Aban Pestonjee, Mrs. Mano Alles and Mr. S. Sothivadivel respectively for their contribution towards the success of the organization since inception. Mr. Rusi Pestonjee, the present Chairman and other colleagues on the Board deserve a big thank you for their counsel and heading Board Committees and providing their counsel. Finally, I place on record my gratitude to the General Manager, Management and staff for their commitment and dedication in discharging their duties towards the success of the organization and the Depositors, other customers and shareholders for the confidence they placed in Abans Finance PLC.



Kithsiri Wanigasekara
Managing Director / CEO

ECONOMY

The Sri Lankan economy grew by 8.3% in 2011 and registered a growth rate of over 8% for two consecutive years for the first time in its post-independence history. This was supported by the improved consumer and investor confidence, favourable macro-economic conditions, expansion of infrastructure facilities and renewed economic activity in the Northern and Eastern Provinces of the country. The growth was driven by the industry and services sectors which grew with momentum. The unemployment rate declined to the lowest recorded level of 4.2% in 2011. Inflation remained at single digit levels during 2011 as well.

INDUSTRY ; NON BANK FINANCIAL SECTOR (NBF)

The Non-Bank Financial Sector (NBF) that consisted of 39 Licensed Finance Companies (LFCs) and 16 Specialized Leasing Companies (SLCs) continued its growth momentum at a rapid pace in 2011. Growth in Credit, Deposits, Capital, Profitability and the Asset Quality of the industry recorded impressive growths. The Finance Business Act No. 42 of 2011 was enacted on 9th November 2011 and repealed the Finance Companies Act No. 78 of 1988 and strengthens the regulation and supervision of Licensed Finance Companies by the regulator, the Central Bank of Sri Lanka. The new Act has defined the Registered Finance Companies (RFCs) as Licensed Finance Companies (LFCs). The Branch Network of LFCs and SLCs increased by 104 and registered 704 as at end of 2011. This included 28 Branches that were opened in the Northern and Eastern Provinces.

The Total Assets of the LFCs and SLCs registered a 26% growth in 2011 and stood at Rs. 490 Bn as at 31st December 2011. The main contributory factor for this has been the growth of the lending / investment portfolios. Loans and Advances of LFCs and SLCs registered a 46% growth in 2011 and reached Rs. 388 Bn as at 31st December 2011. Finance Leases, Hire Purchase and other Secured Advances were the major components of this growth and accounted for 43%, 30% and 15% respectively of Total Advances.

LFCs funded their operations mainly from deposits whilst borrowings were the major funding source of SLCs. Deposits grew by 27% in 2011 and reached Rs. 186 Bn as at end of 2011. In 2010, deposits grew

by 22%. Total borrowings of the NBF sector registered Rs. 172 Bn as at end of 2011. The profitability of the institutions of the sector contributed immensely towards a 60% growth in Capital that registered Rs. 77 Bn as at end of 2011 (2010 - 17%).

Total Non-Performing Accommodations (NPLs) of the sector registered Rs. 20 Bn which declined by 6% in comparison to 2010. The gross NPA ratio of the industry as at end of 2011 registered 5.1% (2010 - 7.9%). The Net NPA Ratio was 1.9% as at end of 2011.

OPERATIONAL REVIEW

Delivery Channels

Abans Finance PLC commenced the year with 9 branches and as part of the expansion strategy, one branch was re-located at a central location and five Customer Centres were added during the year. The company is in the process of introducing new channels and make use of the Abans Group Network that will provide synergies for operational performance.

Branch & Customer Centre Network.

The company serves customers in eight provinces in the country through its branch and customer centre network. The company's presence in each province with number of units that are in operation are given below :

Province	No. of Branches / Customer Centers
Western Province	05
Central Province	03
North Western Province	01
Uva Province	01
Sabaragamuwa Province	01
Southern Province	01
Northern Province	01
North Central Province	01
	14

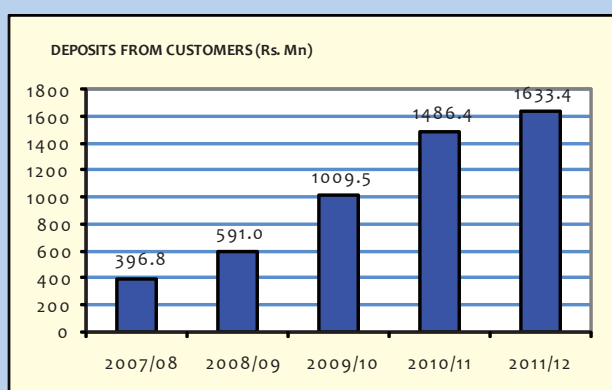
The Network of Customer Centres and Branches contributed to a considerable extent towards the operational performance during the year. Branches outside Colombo accounted for 54.4% of the Total Advances granted and the Corporate Head Office in Colombo accounted for 45.6%.

Productwise Performance

The company, having analysed critically, the competitive factors that prevailed in the business environment, concentrated in building a diversified lending portfolio. In deciding the exposure of each lending product, specific attention was drawn to products that provide high yields. The main focus was to concentrate in niche market segments. This enabled the company to overcome stiff competition that was present in its core product areas of Finance Leasing and Hire Purchase on motor vehicles. The final outcome was that the company was able to maintain a satisfactory return in its lending portfolio. Analysed below is the quantum of each segment / product on lending during the year under review.

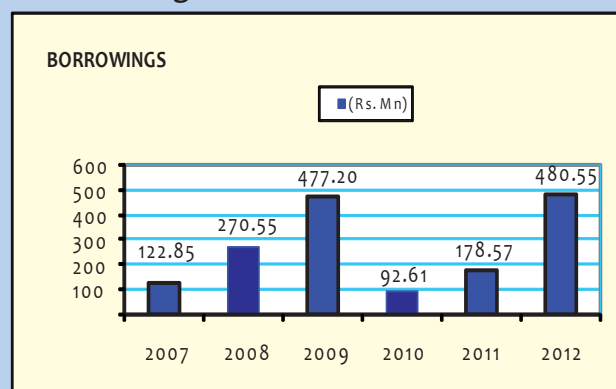
Product	%
Finance Leasing	- 28.6%
Hire Purchase	- 39.4%
Mortgage Loans	- 26.5%
Personal Loans	- 3.3%
Consumer Credit	- 2.2%
	- <u>100%</u>

Deposits



The company mobilized Public Deposits amounting to Rs. 777.5 Mn during the year under review in comparison to Rs. 694.3 Mn mobilized in 2010/11. The company's Corporate Head Office achieved a stake of 75% in deposit mobilization with the Branches sharing 25% of the Total Deposits mobilized. The company concentrated in stimulating deposits at comparatively low rates of interest and capitalized in obtaining funds through other sources that were beneficial to the company in terms of interest cost.

Other Funding Sources



The company obtained funds through securitization of receivables and other funding sources at rates of interest that were below the average rates on deposits. Borrowings from other sources increased significantly at rates of interest that assisted the company to improve interest margins for the delivery of a satisfactory performance.

Outlook

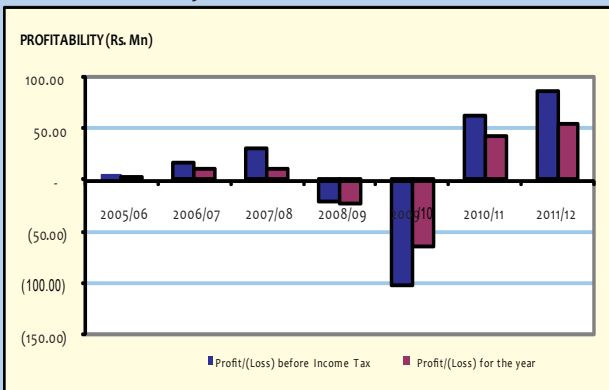
The company intends strengthening the diversified lending portfolio, further, in the ensuing year as the way forward for the company. The formal launch of the Personal Loan product during the latter part of the year, has seen a fruitful outcome and we are confident that the product could be exploited to penetrate the market with its specific characteristics. A unique feature of the product is its growth potential with a high yield against the background of a low non-performing ratio. In sourcing of funds, priority will be given for deposit mobilisation in the new year at rates of interest that could be advantageous over other sources of funds. It is most likely that at different intervals, funding through securitization or other short term sources could be attractive and in that event, the company will exploit the best opportunities available for the delivery of a sound financial performance.

FINANCIAL REVIEW

The company in 2011/ 12

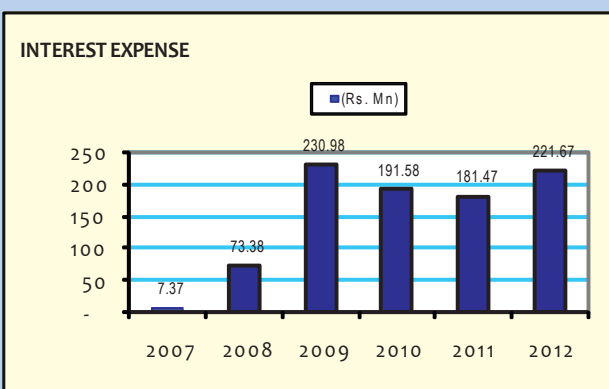
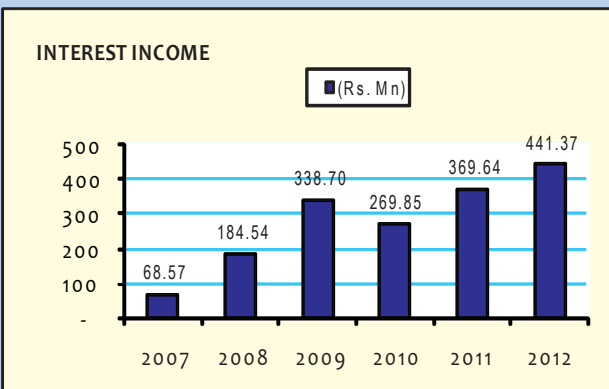
The company implemented a controlled growth strategy having focused on improving the Asset Quality of its Advances portfolio. The growth of the company was moderate. The low interest regime that prevailed during the major part of the year, paved the way for the company to source funds at comparatively low rates of interest.

• Profitability



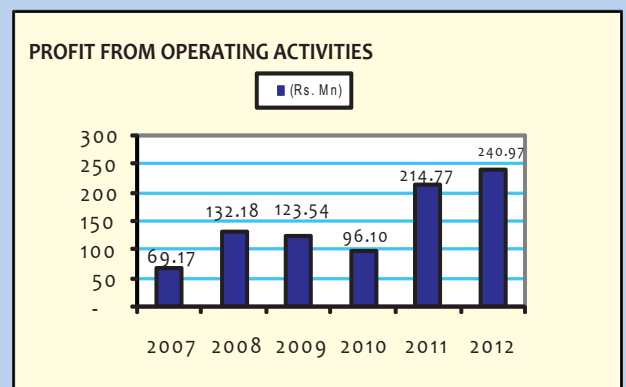
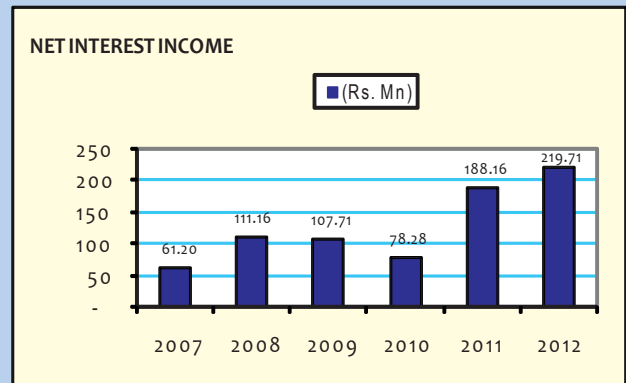
The company's Net Earnings before taxation increased by 37.93% during the year under review and registered Rs. 86.9 Mn. (2010-11 – Rs. 63.0 Mn). Net earnings for the year was a satisfactory Rs. 53.4 Mn as against Rs. 42.5 Mn registered in 2010/11. This is a 25.67% growth but was below the industry average.

• Interest Income and Interest Expense



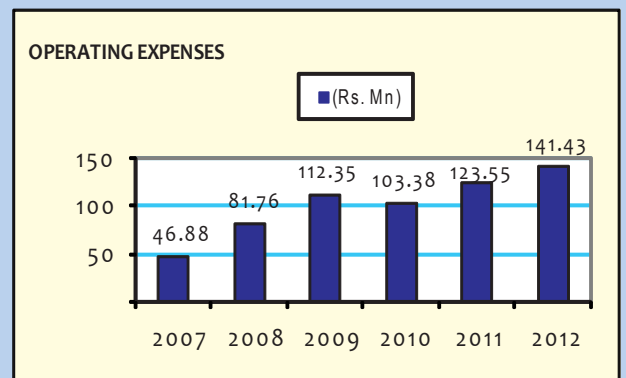
Interest income of Rs. 441.4 Mn (2010/11 – Rs. 369.6 Mn) was a 19.4% increase. Interest Expense registered a 22.1% growth and amounted to Rs. 221.6 Mn for the year (2010/11 –Rs. 181.4 Mn).

• Net Interest Income & Profit from Operating Activities



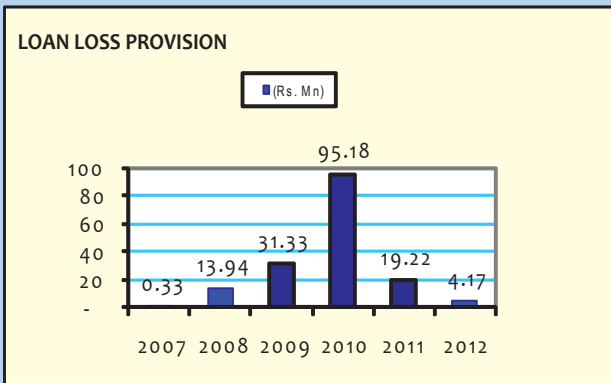
Net Interest Income of Rs. 219.7 Mn during the year is a 16.7% increase. The moderate growth in net earnings during the year was attributable to this average performance which was also affected by a decline of 20.0% in respect of other Operating Income. The outcome was profit from operating activities touching Rs. 240.9 Mn in comparison to Rs. 214.7 Mn registered in 2010/11.

• Operating Expenses



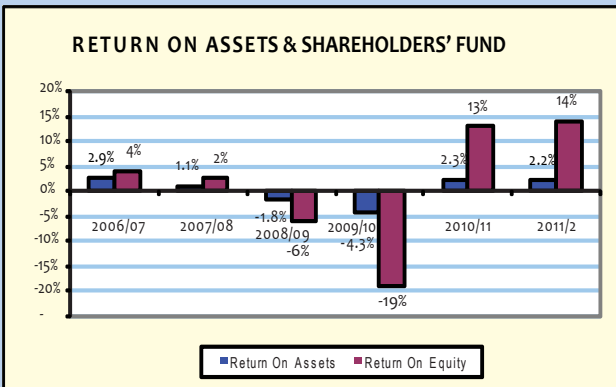
Operating Expenses increased by 14.47% during 2011/12 and recorded Rs. 141.43 Mn (2010/11 – Rs. 123.55 Mn). Numerous steps taken to monitor Operating Expenses resulted in maintaining a reasonable level in this respect.

• **Loan Loss Provision**



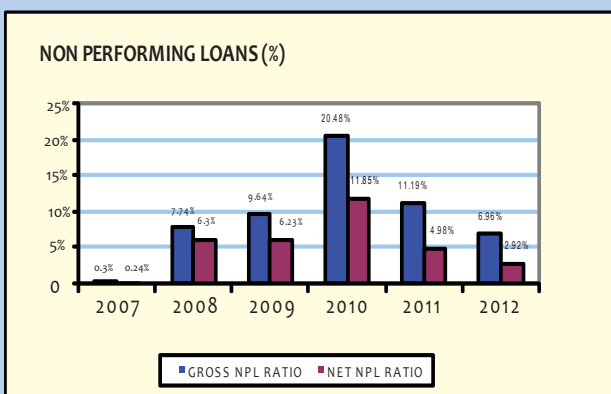
The company was able to maintain loan loss provision at a comparatively low level owing to a considerable extent of recoveries made on account of non-performing advances and as a result of curtailment of transfers to non-performing category in view of improved asset quality in respect of new credit granted during the last two consecutive years.

• **Return on Assets and Return on Shareholders' Fund**



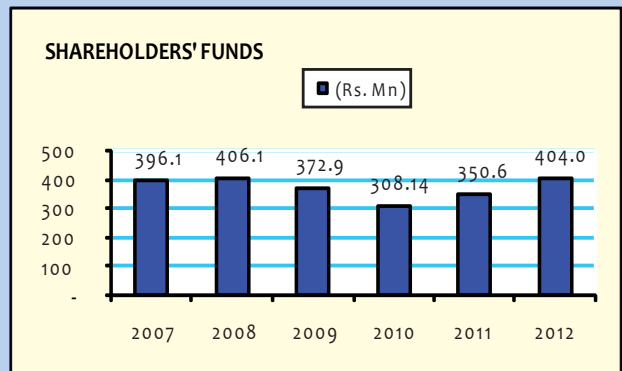
Return on average assets for the year was 2.20% (2010/11 – 2.33%) and was marginally less than the previous year's performance. Return on Average Shareholders' funds for the year was 14.15% and was up from 12.9% in the previous year. ROE maintained a steady growth during the last two years. However, the return was below the industry average as a result of the company's moderate net earnings.

• **Credit Quality**



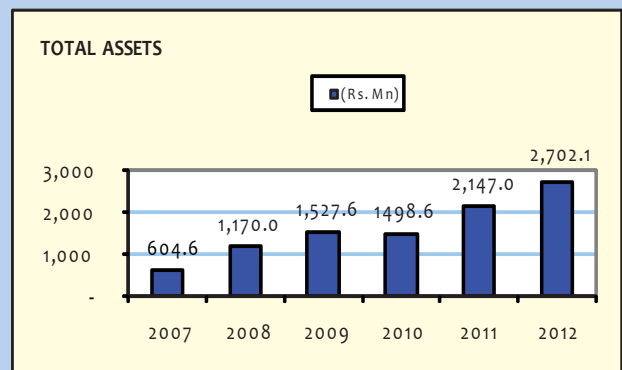
The Gross Non-Performing Loan ratio improved considerably as at 31st March 2012 to 6.96% from 11.19% as at end of the last financial year. The Net Non-Performing Loan ratio has improved significantly to 2.92% and was down from 4.98% registered as at end of 2010/2011. A well planned recovery process coupled with improved credit quality were the key contributors towards this achievement which outcome had taken place in spite of a growth that was below the industry average of 46% in Loans and Advances. In absolute terms, the Non-Performing Advances portfolio was kept at a very satisfactory level as at end of 31st March 2012 in comparison to the previous year.

• **Shareholders' Funds**



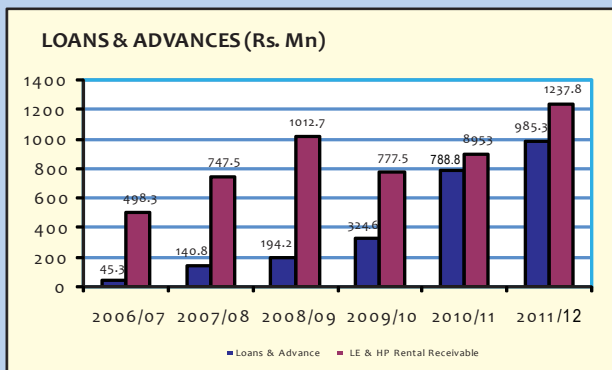
Shareholders' Funds as at 31-03-2012 increased to Rs. 404.0 Mn from Rs. 350.6 Mn as at end of last year. Improved post tax earnings during the year acted favourably towards the achievement of a 15.23% growth.

• **Total Assets**



Total Assets grew by 25.86% as at end of 2011/12 and touched Rs. 2,702.1 Mn. (2010-11 – Rs. 2,146.9 Mn). The Company maintained a reasonable growth in Total Assets during the last several years.

• Loans and Advances

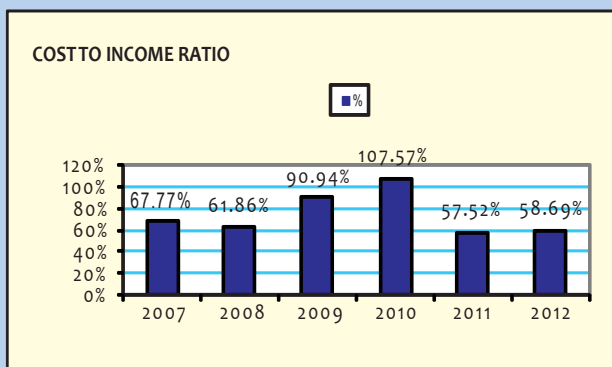


Loans and Advances registered a 32.01% growth and stood at Rs. 2,223.1 Mn as at 31st March 2012. (31-03-2011 – 1,684.1 Mn.) The industry average was 46%. The controlled growth strategy implemented by the company during the year was the key reason for this growth that was below the Industry Average.

• Deposits from Customers & Borrowings

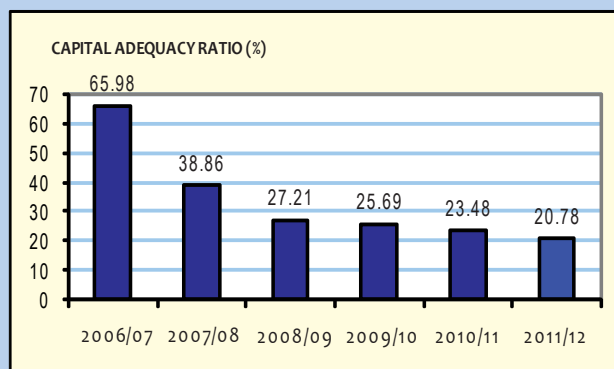
Deposits as at 31st March 2012 registered Rs. 1,633.4 Mn as against Rs. 1486.3 Mn as at end of last year. This is a moderate growth of 9.90% in comparison to the industry average of 27%. Borrowings through securitization and other Short Term sources increased by 169.6% as at the end of the year and contributed towards the achievement of the growth in the Total Lending Portfolio. These funds were sourced at market rates that were more favourable in relation to rates offered on deposits.

• Cost to Income Ratio



The Cost to Income ratio was marginally up in 2011/12 and registered 58.69% as against 57.52% registered in 2010/11. The decline in other income was the key contributor towards this increase.

• Capital Adequacy



The company maintained healthy core capital and Total Capital Ratios equivalent to 20.78% as at end of the year. The high capital adequacy ratio is due to the company's high Stated Capital and Reserves that are maintained in line with CBSL guidelines. The statutory Core Capital Ratio of 5% and the Total Risk Weighted Capital ratio of 10% should be maintained by the company at all times in terms of CBSL guidelines.

Capital Adequacy

Capital Adequacy Ratio	Year ended 31 March 2012			Year ended 31 March 2011		
	Principal Amount on Balance Sheet Items	Risk Weight %	Risk Weighted Assets Amount	Principal Amount on Balance Sheet Items	Risk Weight %	Risk Weighted Assets Amount
On Balance Sheet Total Assets	2,702,125		1,848,141	2,146,987		1,408,240
Cash & Current Accounts with Banks	24,020	0%	-	12,498	0%	-
Deposits with Banks	24,346	20%	4,869	64,447	20%	12,889
Sri Lanka Govt. Treasury Bills	207,005	0%	-	154,636	0%	-
Total Advances	2,223,083		1,619,601	1,684,076		1,164,021
Against Fixed Deposits with the Company	357,807	0%	-	400,236	0%	-
Loans against Real Estate Performance	491,351	50%	245,676	239,638	50%	119,819
Other Loans Advances	1,373,925	100%	1,373,925	1,044,202	100%	1,044,202
Fixed Assets	18,561	100%	18,561	16,852	100%	16,852
Other Assets	205,110	100%	205,110	214,478	100%	214,478

Constituents of Capital	Amount 31 March 2012	Amount 31 March 2011
Tier I : Core Capital		
Issued and Paid up Ordinary Shares (Cash)	350,000	350,000
Share Premium	12,374	12,374
Statutory Reserve Fund	20,202	9,520
Published Retained Profits (Accumulated Losses)	(6,366)	(41,259)
General & Other Reserves	7,833	-
Tier II : Supplementary Capital		
Eligible Revaluation Reserves	-	-
General Reserves	-	-
Eligible Tier II Capital	-	-
Total Capital	384,043	330,635
Capital Base	384,043	330,635

	Amount 31 March 2012 %	Amount 31 March 2011 %
Core Capital Ratio (Required Statutory Minimum Ratio is 5%)	20.78%	23.48%
Total Risk Weighted Capital Ratio (Required Statutory Minimum Ratio is 10%)	20.78%	23.48%

The concept

Social responsibility is an ethical ideology or theory that an entity, be it an organization or individual, has an obligation to act to benefit society at large. Social responsibility is a duty every individual or organization has to perform so as to maintain a balance between the economy and the ecosystem.

A trade-off always exists between economic development, in the material sense, and the welfare of the society and environment. Social responsibility means sustaining the equilibrium between the two.

It pertains not only to business organizations but also to everyone who's any action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance social goals.

We at Abans Finance PLC engage primarily in providing financial services that makes a positive impact towards the needs of our customers. Simultaneously, we make a favorable contribution on account of creation of employment, assistance for healthcare, education and preservation of the environment in the localities where we mark our presence.

We provide our customers value added products backed by service excellence. Our employees are the drivers of our business agenda to whom we provide a unique working environment with an array of prospects and benefits with equal opportunity . We create value for our investors and play an important role in the National Economic front by serving the rural communities as a responsible corporate citizen.

Employees

Our greatest asset is our committed and young team who has with stood the storms of economic recession which prevailed in the formative years of the company, and came out unscathed. It is indeed creditable, how this young & energetic team had molded into a professional wining team.

The Company is privileged to have such loyal and committed staff, to guide the destinies of the company towards excellence.

Staff Sports Day

The Abans Finance staff and their families enjoyed a day's outing at Wijaya Holiday Resort Kiriella in August'11. The day's fun included a six a side cricket tournament, Musical chairs, Tug-of-War, and many, many more fun filled events! The staff, spouse & the kids enjoyed the day to the fullest. This event helped to nurture a close bonding between staff spread out in different departments, locations and branches.



Apart from this annual outing, the company staff actively participates in the sports day activities organized by the Finance Houses Association (FHA) and events organized by other financial bodies .

Customers

We believe that business success is achieved through life long Relationships and Relationship Marketing is a core discipline practiced by Abans Finance PLC. Our employees share the following believes....

- Our customers are the most important persons in our business, in person by telephone or by mail.
- Our customers are not an interruption to our work they are the purpose of it.
- Our customers are not dependent on us. We are dependent on them.
- Our customers are not outsiders to our business. They are the purpose of it.
- We are not doing them a favour by serving them. They are doing us a favour by giving us the opportunity to do so.
- Our customers are not cold statistics. They are humans with flesh and blood, with feelings and emotions like our own.
- Our customers are people who bring us their wants. It is our duty to serve them in such a manner so that both parties will enjoy a long standing relationship.

What lie before you in the financial reporting is the trust our customers have placed in us and their desire for a long term relationship with the company.

Shareholders

The expectation of our shareholders is for a consistent & impressive performance, and during the past couple of years the company has met these expectations of solid growth with transparent and comprehensive financial reporting. We will endeavour to serve them with sustained growth and solid performance.

Society

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 careers prospects. The company as part of its obligations has identified the voids in practical training and assists them to fulfill their aspirations in training, while giving priority to them, as and when job opportunities arise in the company.

The management and staff have also donated a wheel chair to a deserving six year old child in Kandy. He is now able to carry out his daily activities including schooling with greater ease. This is in keeping with our agenda of rendering assistance in healthcare. The company will treat the healthcare sector in the country as a top priority and continue assisting the needy as part of its corporate social responsibility policy.



Religious programs involving Buddhist, Hindu, Christian, & Islam religions were also observed by the staff to usher in the New Year. A car wash program too was carried out with the auspices of our welfare society.

Our staff has also participated in blood donation campaigns and many other social and welfare activities organized by Abans group.

We also play an active part, in the group activity of recycling paper for a greener environment.

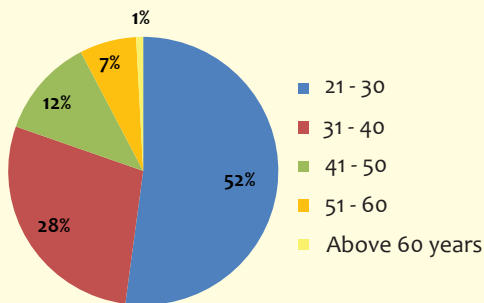
We at Abans Finance PLC will continue to render what ever assistance possible to the society at large in keeping with our commitment of being a role model corporate citizen.



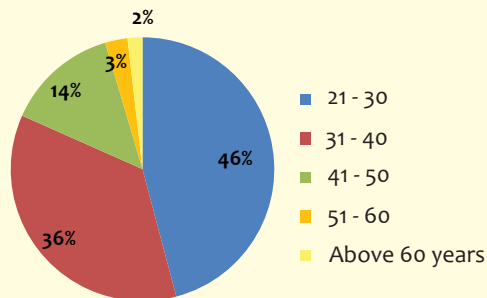
The Human Capital Policy of Abans Finance PLC is based on the recognition that its people are its most valuable asset. Abans Finance PLC always recognizes the advantages of team work and that the associated part of any such team must be knowledgeable innovative, dedicated, and with the ability to analyze any business related situation, and identify all areas that need improvement for the application to correct solutions. The creation of realistic and practical business solutions in large or small management or marketing areas, building on core competencies and the maintenance of competitive advantage over our competitors is an essential pre-requisite for sustainable growth.

and in providing opportunities for career prospects. This has enabled the company to retain trained staff within the company, majority of whom have been with the company for a longer

Age Analysis - 2012

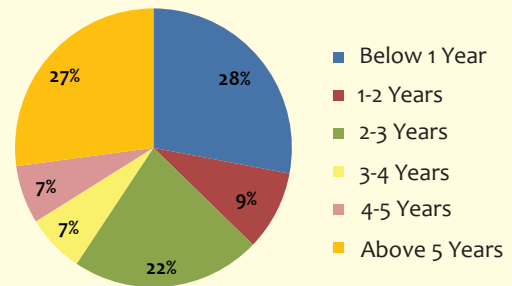


Age Analysis - 2011

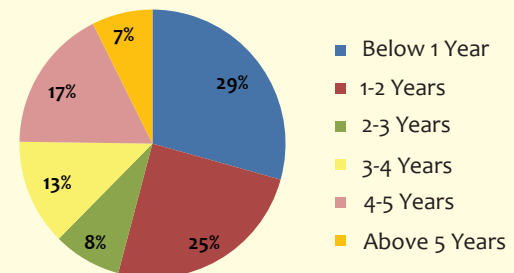


Our employees ,major portion of whom are in the age category between 21 and 30, are given insights to the company's structure, management practices, what is looked for in skills, abilities, needs and values, policies and procedures and above all, performance. We also recognize the fact that the management must also manage knowledge and inner motivation in line with our mission, so that our staff is inspired and motivated by our precepts and practices. We share and work together for the development of communication skills, the understanding and organization of corporate strategy and strategic management

Service Analysis - 2012



Service Analysis - 2011

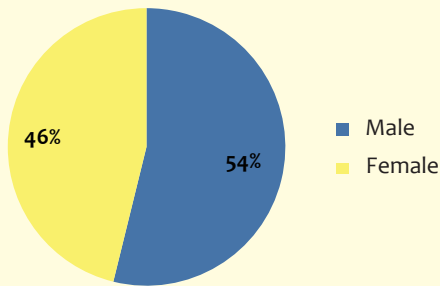


This is an intrinsic part for our company culture as we continue to transform value, norms and approaches, persist in our programs of knowledge management, to reach the highest stages of organizational development. We encourage our team to be a part of every process of change and to see that negative aspects of any such change are minimized.

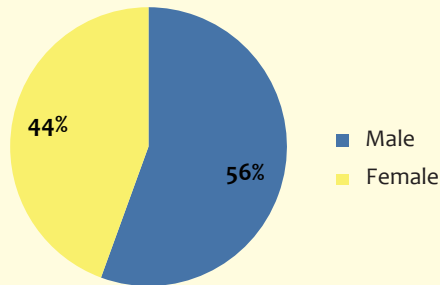
The company invests a considerable extent in training and developing human resources that provides the company a competitive advantage. We also recognize our obligations to nurture young talents and assist them to reach an acceptable standard in performance. The training initiative identifies individuals on their respective job roles and requirements as well as their grades of employment and where necessary provide them with support to meet the individual development requirements. We encourage employees to pursue studies to obtain academic and professional qualifications that in turn will also act as a catalyst in the development of the organization.

The appropriate training provided mainly outside the institution with the exposure of numerous levels of staff to training programs, workshops and seminars further assisted us to guide, direct, stimulate and motivate our team members to a considerable extent that will ultimately reap the benefits for the institution mainly in the much longer term. Such staff learning experience is also a key indicator in the identification of leadership potential and managerial excellence.

Gender Analysis - 2012



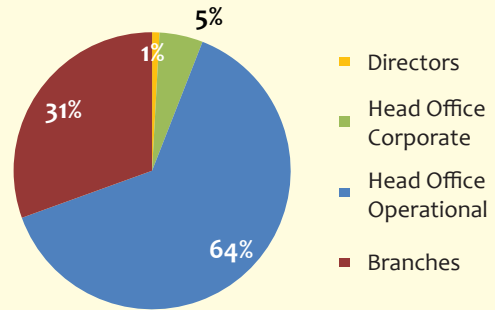
Gender Analysis - 2011



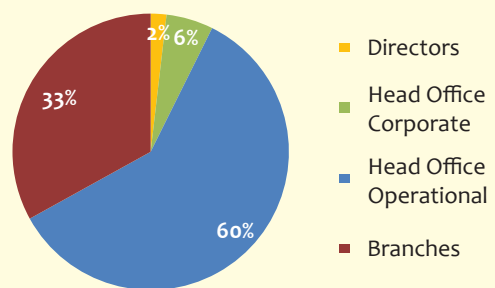
Abans Finance PLC does not discriminate with regard to gender when remunerating employees. Basic salaries are dependent on the respective grade of the employees and performance, with no gender-based differentiation whatsoever.

Human Resources Contd.,

Staff Strength - 2012



Staff Strength - 2011



The staff strength of the company remained at 118.

Abans Finance PLC follows a policy of continuous improvement in respect of the working lives of its employees. In addition Abans Finance PLC has taken further step to enhance facilities and benefits afforded to its staff-

- 1) Performance related incentives
- 2) Reimbursement travelling expenses for business related activities
- 3) Contribution to Provident Fund, Trust Fund and Gratuity
- 4) Medical and Hospitalization Benefits
- 5) Reimbursement of selected professional association subscriptions and honoraria

Abans Finance PLC was Listed with the Colombo Stock Exchange in June 2011 and is obliged to comply with the provisions of the Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. Further, it is mandatory that the company complies with the Rule 7.10 of the continuing listing requirements of the Colombo Stock Exchange.

Finance Business Act No. 42 of 2011 also requires the company to comply with the provisions of the Corporate Governance Direction No. 3 of 2008 issued by the Monetary Board of the Central Bank of Sri Lanka.

The annual Corporate Governance Report of the company will be of three parts as follows :

- Part 1 - Statement on compliance with the Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL).**
- Part 2 - Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka. (ICASL)**
- Part 3 - Rule 7.10 of the Continuing Listing Requirements of the Colombo Stock Exchange (CSE).**

PART 1

Statement on compliance with the Corporate Governance Direction issued by the Central Bank of Sri Lanka (CBSL).

Section	Description	Compliance & Implementation
2	The Responsibilities of the Board of Directors	
1)	The Board of Directors shall strengthen the safety and soundness of the finance company by-	
a)	Approving and overseeing the finance company's strategic objectives and corporate values and ensuring that such objectives and values are communicated throughout the finance company;	Complied with The Board approved a 3 year Strategic Plan 2012-2014 during the year. Annual Budget for the year was also approved. The Board reviews performance with the budget and the Strategic Plan. Appropriate measures are taken for further improvement. The above plan is under further scrutiny and the comprehensive plan for a 3 year period is expected to be launched in September 2012
b)	Approving the overall business strategy of the finance company, including the overall risk policy and risk management procedures and mechanisms with measurable goals, for at least immediate next three years;	The Board approved overall business strategy is being implemented with the expansion of business that is concentrated around the Branch and Customer Centre network. Risk policy and risk management procedures are being strengthened with the assistance of the Integrated Risk Management Committee (IRMC).
c)	Identifying risks and ensuring implementation of appropriate systems to manage the risks prudently;	Complied with The Integrated Risk Management Committee (IRMC) is in the process of introducing appropriate measures with the assistance of the key management personnel handling the subject of credit and risk related issues.

Section	Description	Compliance & Implementation
d)	Approving a policy of communication with all stakeholders, including depositors, creditors, share- holders and borrowers;	An appropriate communication policy will be developed during 2012/13.
e)	Reviewing the adequacy and the integrity of the finance company's internal control systems and management information systems;	The Board carries out the functions through the Audit Committee. Strengthening of the internal control and management information systems are being made and the Board is updated on requisite improvements.
f)	Identifying and designating key management personnel, who are in a position to: (i) significantly influence policy; (ii) direct activities; and (iii) exercise control over business activities, operations and risk management;	Complied with Key Management Personnel who are in a position to influence and exercise control have been identified by the Board.
g)	Defining the areas of authority and key responsibilities for the Board and for the key management personnel	Complied with A Board approved delegated authority document with relevant definitions are in place.
h)	Ensuring that there is appropriate oversight of the affairs of the finance company by key management personnel, that is consistent with the finance company's policy;	Complied with The Board approved policies and decisions that are relevant to key management personnel are duly communicated.
i)	Periodically assessing the effectiveness of its governance practices, including: (i) The selection, nomination and election of directors and appointment of key management personnel; (ii) The management of conflicts of interests; and (iii) The determination of weaknesses and implementation of changes where necessary;	The Board assesses periodically its effectiveness and Directors' own governance practices to strengthen governance and to avoid conflicts of interest.
j)	Ensuring that the finance company has an appropriate succession plan for key management personnel;	Complied with The Board has identified appropriate individuals as part of the succession plan in respect of Key Management Personnel.
k)	Meeting regularly with the key management personnel to review policies, establish lines of communication and monitor progress towards corporate objectives;	Complied with Key Management Personnel are invited to Board Meetings and Board Sub Committee Meetings to review Key Business related issues and policies.
l)	Understanding the regulatory environment;	Complied with The Board of Directors are updated with changes in the regulatory environment and issues of importance. The company maintains an effective communication relationship with the regulator mainly through the Compliance Officer and the CEO.
m)	Exercising due diligence in the hiring and oversight of external auditors.	Complied with This function is carried out through the Audit Committee with the approval of the Board.

Section	Description	Compliance & Implementation
2)	The Board shall appoint the chairman and the chief executive officer and define and approve the functions and responsibilities of the chairman and the chief executive officer in line with paragraph 7 of this Direction.	Complied with The roles of the Chairman and the Chief Executive Officer (CEO) are separate. The Chairman provides leadership to the Board and the CEO carries out the functions of the day to day operations.
3)	There Shall be a procedure determined by the Board to enable directors, upon reasonable request ,to seek independent professional advise in appropriate circumstances ,at the finance company's expense.The Board shall resolve to provide separate independent professional advise to directors to assist the relevant directors to discharge the duties to the finance company.	The Directors are taking appropriate steps to introduce a formal arrangement to comply with this criteria.
4)	A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.	Complied with
5)	The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.	Complied with
6)	The Board shall, if it considers that the finance company is, or is likely to be, unable to meet its obligations or is about to become insolvent or is about to suspend payments due to depositors and other creditors, forthwith inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation of the finance company prior to taking any decision or action.	Circumstances have not arisen to comply with this requirement
7)	The Board shall include in the finance company's Annual Report, an annual corporate governance report setting out the compliance with this Direction.	Complied with
8)	The Board shall adopt a scheme of self-assessment to be undertaken by each director annually, and maintain records of such assessments.	The Board of Directors will introduce an appropriate scheme for this purpose.
3	Meetings of the Board	
1)	The Board shall meet at least twelve times a financial year at approximately monthly intervals. Obtaining the Board's consent through the circulation of written or electronic resolutions/papers shall be avoided as far as possible.	Complied with. The Board meets at least once a month and conducts additional meetings where necessary. All approvals from the Board are obtained through the circulation of written papers.

Section	Description	Compliance & Implementation
2)	The Board shall ensure that arrangements are in place to enable all directors to include matters and proposals in the agenda for regular Board meetings where such matters and proposals relate to the promotion of business and the management of risks of the finance company.	Complied with. Schedule of monthly meetings is provided to all Directors at the beginning of the year. The Directors have the facility to submit proposals in the Agenda for regular meetings for the purpose of promotion of business and management of risk.
3)	A notice of at least 7 days shall be given of a regular Board meeting to provide all directors an opportunity to attend. For all other Board meetings, a reasonable notice shall be given.	The Board Papers together with Notice of Meeting and Agenda for meetings are circulated to Directors giving adequate time to submit any proposals.
4)	A director who has not attended at least two-thirds of the meetings in the period of 12 months immediately preceding or has not attended the immediately preceding three consecutive meetings held, shall cease to be a director. Provided that participation at the directors' meetings through an alternate director shall, however, be acceptable as attendance.	Complied with The company's Articles of Association and the Corporate Governance Direction provides for the requirements in this regard and the Directors have a comprehensive knowledge on the requirements. Details of attendance of Directors at meetings are given in Page 48
5)	The Board shall appoint a company secretary whose primary responsibilities shall be to handle the secretarial services to the Board and shareholder meetings and to carry out other functions specified in the statutes and other regulations.	Complied with A Legal Firm that satisfies the provisions of the Companies Act No. 7 of 2007, Finance Business Act No. 42 of 2011 and the Directions issued therein has been appointed by the Board to function as the Company's Secretaries.
6)	If the chairman has delegated to the company secretary the function of preparing the agenda for a Board meeting, the company secretary shall be responsible for carrying out such function.	The Company Secretary prepares the Agenda in consultation with the Chairman.
7)	All directors shall have access to advice and services of the company secretary with a view to ensuring that Board procedures and all applicable laws, directions, rules and regulations are followed.	Complied with All Directors have access to advice and services of the Company Secretaries which is a Legal Firm that has been appointed in accordance with the relevant legislation.
8)	The company secretary shall maintain the minutes of Board meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any director.	Complied with. Minutes of the Board are maintained by the Company's Secretaries. Directors have the facility to check any Board Meeting minute.
9)	Minutes of Board meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties. The minutes of a Board meeting shall clearly contain or refer to the following:	Complied with. The Minutes of the meetings include: (a) a summary of data and information used by the Board in its deliberations; (b) the matters considered by the Board; (c) the fact-finding discussions and the issues of contention or dissent which illustrate whether the Board was carrying out its duties with due care and prudence;

Section	Description	Compliance & Implementation
		(d) the explanation & confirmation of relevant executives which indicate compliance with the Board's strategies and policies and adherence to relevant laws and regulations; (e) the Board's knowledge and understanding of the risks to which the finance company is exposed and an overview of the risk management measures adopted; and (f) the decisions and Board resolutions.
4.	Composition of the Board	
1)	Subject to the transitional provisions contained herein, the number of directors on the Board shall not less than 5 and not more than 14.	Complied with. The Number of Directors as at end of the year was six. The composition of the Board was within this criteria throughout the year.
2)	Subject to the transitional provisions contained herein and subject to paragraph 5(1) of this Direction the total period of service of a director other than a director who holds the position of chief executive officer or executive director shall not exceed nine years. The total period in office of a non executive director shall be inclusive of the total period of service served by such director up to the date of this Direction.	Complied with. No Director of the company has served a period that exceed nine years since the company has been incorporated only in April 2005.
3)	Subject to the transitional provisions contained herein, an employee of a finance company may be appointed, elected or nominated as a director of the finance company (hereinafter referred to as an "executive director") provided that the number of executive directors shall not exceed one-half of the number of directors of the Board. In such an event, one of the executive directors shall be the chief executive officer of the company.	Complied with. There were no appointments that came within this criteria.
4)	With effect from three years from the date of this Direction, the number of independent non-executive directors of the Board shall be at least one fourth of the total numbers of directors. A Non –executive director shall not be considered independent if such director:	Complied with. As at end of the year, the Board consisted of six Directors out of whom there were two Independent Non-Executive Directors.
a)	Has shares exceeding 2% of the paid up capital of the finance company or 10% of the paid up capital of another finance company;	Complied with.
b)	Has or had during the period of two years immediately preceding his appointment as director, any business transactions with the finance company as described in paragraph 9 hereof, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds of the finance company as shown in its last audited balance sheet;	Complied with.

Section	Description	Compliance & Implementation
c)	Has been employed by the finance company during the two year period immediately preceding the appointment as director;	Complied with.
d)	Has a relative, who is a director or chief executive officer or a key management personnel or holds shares exceeding 10% of the paid up capital of the finance company or exceeding 12.5% of the paid up capital of another finance company.	Complied with.
e)	Represents a shareholder, debtor, or such other similar stakeholder of the finance company;	Complied with.
f)	Is an employee or a director or has a share holding of 10% or more of the paid up capital in a company or business organization:	Complied with.
i.	Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or	Complied with.
ii.	Which has a transaction with the finance company as defined in paragraph 9, aggregate value outstanding of which at any particular time exceeds 10% of the capital funds as shown in its last audited balance sheet of the finance company; or	Complied with.
5)	In the event an alternate director is appointed to represent an independent non-executive director, the person so appointed shall also meet the criteria that apply to the independent non-executive director.	Complied with. The Company did not have Alternate Directors to represent independent Non-Executive Directors as at end of the Financial Year.
6)	Non-executive directors shall have necessary skills and experience to bring an objective judgment to bear on issues of strategy, performance and resources.	Complied with. All Non-Executive Directors are equipped with requisite skills and experience to bring an objective judgement.
7)	With effect from three years from the date of this Direction, a meeting of the Board shall not be duly constituted, although the number of directors required to constitute the quorum at such meeting is present, unless at least one half of the number of directors that constitute the quorum at such meeting are non-executive directors.	Complied with The company does not hold meetings of the Board unless the required quorum for such meeting is present as per this Direction.

Section	Description	Compliance & Implementation
8)	The independent non-executive directors shall be expressly identified as such in all corporate communications that disclose the names of directors of the finance company. The finance company shall disclose the composition of the Board, by category of directors, including the names of the chairman, executive directors, non-executive directors and independent non-executive directors in the annual corporate governance report which shall be an integral part of its Annual Report.	Complied with
9)	There shall be a formal, considered and transparent procedure for the appointment of new directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.	The Board of Directors has a well defined procedure for the appointment of new Directors.
10)	All directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.	Complied with
11)	If a director resigns or is removed from office, the Board shall announce to the shareholders and notify the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka, regarding the resignation of the director or removal and the reasons for such resignation or removal, including but not limited to information relating to the relevant director's disagreement with the Board, if any.	Complied with
5.	Criteria to assess the fitness and propriety of directors	
1)	Subject to the transitional provisions contained herein, a person over the age of 70 years shall not serve as a director of a finance company.	Complied with. Directors who were over the age of 70 years retired with effect from 31st December 2011 in compliance with this Direction.
2)	A director of a finance company shall not hold office as a director or any other equivalent position in more than 20 companies/societies/bodies corporate, including associate companies and subsidiaries of the finance company. Provided that such director shall not hold office of a director or any other equivalent position in more than 10 companies that are classified as Specified Business Entities in terms of the Sri Lanka Accounting and Auditing Standards Act, No. 15 of 1995.	No Director holds Directorships or any other equivalent positions in contravention of this direction.

Section	Description	Compliance & Implementation
6.	Delegation of Functions	
1)	The Board shall not delegate any matters to a board committee, chief executive officer, executive directors or key management personnel, to an extent that such delegation would significantly hinder or reduce the ability of the Board as a whole to discharge its functions.	Complied with. The Board has not delegated any function to Board Committees, CEO or Key Management Personnel to an extent that will reduce the ability of the Board to discharge its functions.
2)	The Board shall review the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.	Complied with. The Board reviews the delegation process periodically.
7.	The Chairman and the Chief Executive Officer	
1)	The roles of chairman and chief executive officer shall be separated and shall not be performed by the one and the same person after 3 years commencing from January 1, 2009.	Complied with. The role of the Chairman and the CEO are performed by two separate persons.
2)	The chairman shall be a non-executive director. In the case where the chairman is not an independent non-executive director, the Board shall designate an independent non-executive director as the Senior Director with suitably documented terms of reference to ensure a greater independent element. The designation of the Senior Director shall be disclosed in the finance company's Annual Report.	Complied with. The Chairman is a Non Executive Director but not independent. Mr. V. K. Choksy An independent Non Executive Director has been appointed as a Senior Director with effect from 01-01-2012.
3)	The Board shall disclose in its corporate governance report, which shall be an integral part of its Annual Report, the name of the chairman and the chief executive officer and the nature of any relationship [including financial, business, family or other material/relevant relationship(s)], if any, between the chairman and the chief executive officer and the relationships among members of the Board.	The Chairman and Chief Executive Officer do not have any relationship between them.
4)	The chairman shall: (a) provide leadership to the Board; (b) ensure that the Board works effectively and discharges its responsibilities; and (c) ensure that all key issues are discussed by the Board in a timely manner.	Complied with.

Section	Description	Compliance & Implementation
5)	The chairman shall be primarily responsible for the preparation of the agenda for each Board meeting. The chairman may delegate the function of preparing the agenda to the company secretary.	Complied with. The Agenda is prepared by the Company's Secretaries in consultation with the Chairman.
6)	The chairman shall ensure that all directors are informed adequately and in a timely manner of the issues arising at each Board meeting.	Complied with. Due notice is given with related papers to all Directors.
7)	The chairman shall encourage each director to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the finance company.	Complied with. The Chairman ensures that a full and active contribution is made by each Director and acts in the best interest of the company.
8)	The chairman shall facilitate the effective contribution of non-executive directors in particular and ensure constructive relationships between executive and non-executive directors.	Complied with.
9)	Subject to the transitional provisions contained herein, the chairman, shall not engage in activities involving direct supervision of key management personnel or any other executive duties whatsoever.	Complied with.
10)	The chairman shall ensure that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.	Complied with. The AGM is used as the forum to communicate with the shareholders. The representations of institutional investors on the Board facilitates this process favourably.
11)	The chief executive officer shall function as the apex executive-in-charge of the day-to-day-management of the finance company's operations and business.	Complied with. Managing Director / CEO functions as the apex Executive in charge.
8.	Board appointed Committees	
1)	Every finance company shall have at least the two Board committees set out in paragraphs 8(2) and 8(3) hereof. Each committee shall report directly to the Board. Each committee shall appoint a secretary to arrange its meetings, maintain minutes, records and carry out such other secretarial functions under the supervision of the chairman of the committee. The Board shall present a report on the performance, duties and functions of each committee, at the annual general meeting of the company.	The Board has appointed two Board committees, namely Audit Committee and the Integrated Risk Management Committee (IRMC), The committee Chairmen report to the Board.

Section	Description	Compliance & Implementation
(2)	Audit Committee	
	The following shall apply in relation to the Audit Committee:	
a)	The chairman of the committee shall be a non-executive director who possesses qualifications and experience in accountancy and/or audit.	The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants who has functioned as a Senior Partner of a Firm of Chartered Accountants.
b)	The Board members appointed to the committee shall be non-executive directors.	The Committee comprises of two Independent Non-Executive Directors.
c)	The committee shall make recommendations on matters in connection with: (i) the appointment of the external auditor for audit services to be provided in compliance with the relevant statutes; (ii) the implementation of the Central Bank guidelines issued to auditors from time to time; (iii) the application of the relevant accounting standards; and (iv) the service period, audit fee and any resignation or dismissal of the auditor, provided that the engagement of an audit partner shall not exceed five years, and that the particular audit partner is not re-engaged for the audit before the expiry of three years from the date of the completion of the previous term.	The Committee makes recommendations to the Board on specified areas in compliance with this Direction.
d)	The committee shall review and monitor the external auditor's independence and objectivity and the effectiveness of the audit processes in accordance with applicable standards and best practices.	Complied with. The Committee examines the features highlighted periodically to ensure the effectiveness of the Audit process.
e)	The committee shall develop and implement a policy with the approval of the Board on the engagement of an external auditor to provide non-audit services that are permitted under the relevant statutes, regulations, requirements and guidelines. In doing so, the committee shall ensure that the provision by an external auditor of non-audit services does not impair the external auditor's independence or objectivity. When assessing the external auditor's independence or objectivity in relation to the provision of non-audit services, the committee shall consider: (i) whether the skills and experience of the auditor make it a suitable provider of the non-audit services;	Complied with.

Section	Description	Compliance & Implementation
	<p>(ii) whether there are safeguards in place to ensure that there is no threat to the objectivity and/or independence in the conduct of the audit resulting from the provision of such services by the external auditor; and</p> <p>(iii) whether the nature of the non-audit services, the related fee levels and the fee levels individually and in aggregate relative to the auditor, pose any threat to the objectivity and/or independence of the external auditor.</p>	
f)	<p>The committee shall, before the audit commences, discuss and finalise with the external auditors the nature and scope of the audit, including:</p> <p>(i) an assessment of the finance company's compliance with Directions issued under the Act and the management's internal controls over financial reporting;</p> <p>(ii) the preparation of financial statements in accordance with relevant accounting principles and reporting obligations; and</p> <p>(iii) the co-ordination between auditors where more than one auditor is involved.</p>	<p>Complied with.</p> <p>The Committee examines the key features highlighted in this section for compliance.</p>
g)	<p>The committee shall review the financial information of the finance company, in order to monitor the integrity of the financial statements of the finance company, its annual report, accounts and periodical reports prepared for disclosure, and the significant financial reporting judgments contained therein. In reviewing the finance company's annual report and accounts and periodical reports before submission to the Board, the committee shall focus particularly on:</p> <p>(i) major judgmental areas;</p> <p>(ii) any changes in accounting policies and practices;</p> <p>(iii) significant adjustments arising from the audit;</p> <p>(iv) the going concern assumption; and</p> <p>(v) the compliance with relevant accounting standards and other legal requirements.</p>	<p>The Committee is in the process of strengthening aspects that are needed to be examined under this section in order to improve financial reporting standards.</p>
h)	<p>The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.</p>	<p>Complied with.</p>

Section	Description	Compliance & Implementation
i)	The committee shall discuss issues, problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss including those matters that may need to be discussed in the absence of key management personnel, if necessary.	Complied with.
j)	<p>The committee shall take the following steps with regard to the internal audit function of the finance company:</p> <p>(i) Review the adequacy of the scope, functions and resources of the internal audit department, and satisfy itself that the department has the necessary authority to carry out its work;</p> <p>(ii) Review the internal audit programme and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit department;</p> <p>(iii) Review any appraisal or assessment of the performance of the head and senior staff members of the internal audit department;</p> <p>(iv) Recommend any appointment or termination of the head, senior staff members and outsourced service providers to the internal audit function;</p> <p>(v) Ensure that the committee is apprised of resignations of senior staff members of the internal audit department including the chief internal auditor and any outsourced service providers, and to provide an opportunity to the resigning senior staff members and outsourced service providers to submit reasons for resigning;</p> <p>(vi) Ensure that the internal audit function is independent of the activities it audits and that it is performed with impartiality, proficiency and due professional care;</p>	<p>Complied with.</p> <p>The Committee approves the Internal Audit Program at the beginning of each year.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p> <p>Complied with.</p>
k)	The committee shall consider the major findings of internal investigations and management's responses thereto;	<p>Complied with.</p> <p>The Committee reviews findings and the Management responses regularly.</p>
l)	The chief finance officer, the chief internal auditor and a representative of the external auditors may normally attend meetings. Other Board members and the chief executive officer may also attend meetings upon the invitation of the committee. However, at least once in six months, the committee shall meet with the external auditors without the executive directors being present.	All designated officers attend meeting on invitation. The committee will meet External Auditors without Executive Directors being present when deemed necessary.

Section	Description	Compliance & Implementation
m)	The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.	Complied with.
n)	The committee shall meet regularly, with due notice of issues to be discussed and shall record its conclusions in discharging its duties and responsibilities.	Complied with. The committee meets once a month and conclusions are recorded in an appropriate manner.
o)	The Board shall, in the Annual Report, disclose in an informative way, (i) details of the activities of the audit committee; (ii) the number of audit committee meetings held in the year; and (iii) details of attendance of each individual member at such meetings.	Complied with.
p)	The secretary to the committee (who may be the company secretary or the head of the internal audit function) shall record and keep detailed minutes of the committee meetings.	The Company Secretaries – A firm of lawyers function as the Secretaries to the Committee and record and keep details of minutes.
q)	The committee shall review arrangements by which employees of the finance company may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. Accordingly, the committee shall ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action and to act as the key representative body for overseeing the finance company's relations with the external auditor.	The committee will ensure the availability of an arrangement for this purpose in the ensuing year.
(3)	Integrated Risk Management Committee	
	The following shall apply in relation to the Integrated Risk Management Committee:	
a)	The committee shall consist of at least one non-executive director, CEO and key management personnel supervising broad risk categories, i.e., credit, market, liquidity, operational and strategic risks. The committee shall work with key management personnel closely and make decisions on behalf of the Board within the framework of the authority and responsibility assigned to the committee.	The Board has re-constituted the IRMC with effect from 01-01-2012. The committee consist of 2 Non-Executive Directors and the Managing Director. Key Management personnel handling the subjects of Credit, Market , Liquidity, operational and strategic risk are also included.

Section	Description	Compliance & Implementation
b)	The committee shall assess all risks, i.e., credit, market, liquidity, operational and strategic risks to the finance company on a monthly basis through appropriate risk indicators and management information. In the case of subsidiary companies and associate companies, risk management shall be done, both on the finance company basis and group basis.	The Committee is in the process of introducing an analytical approach to comply with this section.
c)	The committee shall review the adequacy and effectiveness of all management level committees such as the credit committee and the asset-liability committee to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee.	The Committee is currently assessing the effectiveness of the Credit Committee and the Asset & Liability Committee (ALCO) to strengthen risk related issues.
d)	The committee shall take prompt corrective action to mitigate the effects of specific risks in the case such risks are at levels beyond the prudent levels decided by the committee on the basis of the finance company's policies and regulatory and supervisory requirements.	A suitable mechanism is being considered to comply with this section.
e)	The committee shall meet at least quarterly to assess all aspects of risk management including updated business continuity plans.	The Committee meets at least once in three months. Business Continuity Plans are being prepared at this stage.
f)	The committee shall take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka.	The Committee is currently monitoring corrective action being taken as directed by Director, Supervision of Non-Bank Financial Institutions.
g)	The committee shall submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.	A risk assessment report will be submitted periodically seeking Board views, concurrence and Directions during the ensuing year.
h)	The committee shall establish a compliance function to assess the finance company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.	The Compliance Function is currently in place but needs to be strengthened further in line with this Direction.

Section	Description	Compliance & Implementation
9.	Related party transactions	
1)	The following shall be in addition to the provisions contained in the Finance Companies (Lending) Direction, No. 1 of 2007 and the Finance Companies (Business Transactions with Directors and their Relatives) Direction, No. 2 of 2007 or such other directions that shall repeal and replace the said directions from time to time.	
2)	<p>The Board shall take the necessary steps to avoid any conflicts of interest that may arise from any transaction of the finance company with any person, and particularly with the following categories of persons who shall be considered as “related parties” for the purposes of this Direction:</p> <ul style="list-style-type: none"> a) A subsidiary of the finance company; b) Any associate company of the finance company; c) A director of the finance company; d) A key management personnel of the finance company; e) A relative of a director or a key management personnel of the finance company ; f) A shareholder who owns shares exceeding 10% of the paid up capital of the finance company; g) A concern in which a director of the finance company or a relative of a director or a shareholder who owns shares exceeding 10% of the paid up capital of the finance company, has substantial interest. 	The Board has taken requisite measures to avoid any conflict of interest.
3)	<p>The transactions with a related party that are covered in this Direction shall be the following:</p> <ul style="list-style-type: none"> a) Granting accommodation, b) Creating liabilities to the finance company in the form of deposits, borrowings and investments, c) providing financial or non-financial services to the finance company or obtaining those services from the finance company, d) creating or maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party. 	The Company has carried out transactions in the normal cause of the business as reported in the notes to the Financial Statements.

Section	Description	Compliance & Implementation
4)	The Board shall ensure that the finance company does not engage in transactions with a related party in a manner that would grant such party “more favourable treatment” than that is accorded to other similar constituents of the finance company. For the purpose of this paragraph, “more favourable treatment” shall mean:	Complied with.
a)	Granting of “total net accommodation” to a related party, exceeding a prudent percentage of the finance company’s regulatory capital, as determined by the Board. The “total net accommodation” shall be computed by deducting from the total accommodation, the cash collateral and investments made by such related party in the finance company’s share capital and debt instruments with a remaining maturity of 5 years or more.	Complied with.
b)	Charging of a lower rate of interest than the finance company’s best lending rate or paying a rate of interest exceeding the rate paid for a comparable transaction with an unrelated comparable counterparty;	Complied with.
c)	Providing preferential treatment, such as favourable terms, covering trade losses and /or waiving fees/commissions, that extends beyond the terms granted in the normal course of business with unrelated parties;	Complied with.
d)	Providing or obtaining services to or from a related-party without a proper evaluation procedure;	Complied with.
e)	Maintaining reporting lines and information flows between the finance company and any related party which may lead to share proprietary, confidential or otherwise sensitive information that may give benefits to such related party, except as required for the performance of legitimate duties and functions.	Complied with.
10.	Disclosures	
1)	The Board shall ensure that: (a) annual audited financial statements and periodical financial statements are prepared and published in accordance with the formats prescribed by the regulatory and supervisory authorities and applicable accounting standards, and that (b) such statements are published in the newspapers in an abridged form, in Sinhala, Tamil and English.	a). Complied with. b). The Board will comply with this requirement in the ensuing year.

Section	Description	Compliance & Implementation
2)	The Board shall ensure that at least the following disclosures are made in the Annual Report:	
a)	A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures.	Complied with Please refer statement of Directors responsibilities.
b)	A report by the Board on the finance company's internal control mechanism that confirms that the financial reporting system has been designed to provide a reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements has been done in accordance with relevant accounting principles and regulatory requirements.	Complied with Please refer statement of Directors responsibilities.
c)	The external auditor's certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after March 31, 2010.	To be complied
d)	Details of directors, including names, transactions with the finance company.	Disclosed under notes to the Financial Statements.
e)	Fees/remuneration paid by the finance company to the directors in aggregate, in the Annual Reports published after January 1, 2010.	Complied with
f)	Total net accommodation as defined in paragraph 9(4) outstanding in respect of each category of related parties and the net accommodation outstanding in respect of each category of related parties as a percentage of the finance company's capital funds.	To be complied with
g)	The aggregate values of remuneration paid by the finance company to its key management personnel and the aggregate values of the transactions of the finance company with its key management personnel during the financial year, set out by broad categories such as remuneration paid, accommodation granted and deposits or investments made in the finance company.	Details are given in the notes to the Financial Statements.
h)	A report setting out details of the compliance with prudential requirements, regulations, laws and internal controls and measures taken to rectify any non-compliances.	The extent of compliance is reported in the directors report and under corporate governance.

Section	Description	Compliance & Implementation
i)	A statement of the regulatory and supervisory concerns on lapses in the finance company's risk management, or non compliance with the Act, and rules and directions that have been communicated by the Director of the Department of Supervision of Non-Bank Financial Institutions, if so directed by the Monetary Board to be disclosed to the public, together with the measures taken by the finance company to address such concerns.	Circumstances have not arisen and are not of a magnitude that required reference to the Monetary Board and disclosure to the public. What has been communicated are being addressed with a time line.
j)	The external auditor's certification of the compliance with the Act and rules and directions issued by the Monetary Board in the annual corporate governance reports published after January 1, 2011	To be complied with

PART 2

Abans Finance PLC's level of compliance of the principles under the Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka (SEC) and the Institute of Chartered Accountants of Sri Lanka (ICASL) are tabulated below.

Code	Description	Level of Compliance
A. Directors		
A.1.	The Board – to be headed by an effective Board to direct, lead and control the company.	Complied with – one executive and five Non- executive Directors who are professionals in the fields of Finance, Law, Marketing and other fields.
A.1.1	Regular Board Meetings	Complied with – Regular monthly Board meetings are conducted and where necessary special Board meetings are convened. Details of Board meetings and Board Sub Committee Meetings are included in the Corporate Governance report.
A.1.2	Board responsibilities	Complied with – The Board of Directors has taken appropriate measures to ensure safety and soundness of the Company in compliance with the Finance Business Act and Directions issued therein.
A.1.3	Access to independent Professional Advice	The Board is in the process of finalizing a procedure that will enable Directors to seek Independent professional advice at the company's expense as and when such advice is required.
A.1.4	Advice and services of the Company Secretaries	Complied with – The Directors have access to the advice and services of the company's Secretaries, a Professional Secretarial Firm to ensure that procedures at Board level and all relevant rules and regulations are followed.
A.1.5	Independent Judgment of Directors	Complied with – An atmosphere has been created for Directors to bring forward their independent judgement at Board proceedings and assist in the formulation of strategy and Direction of the company.
A.1.6	Dedication of Adequate time and effort by the Board and Board Committees	Complied with – The members of the Board have devoted sufficient time for Board meetings and Board Committee Meetings during the period under review. Details of the meetings held and attendance are given in this report.

Code	Description	Level of Compliance
A. Directors		
A.1.7	Training of Directors	The company has made available opportunities to obtain relevant training where necessary.
Chairman and CEO		
A.2	Chairman and CEO and division of responsibilities to ensure a balance power and authority, so that no one individual has unfettered powers of decisions.	Complied with – The roles of the Chairman and the CEO are played by two different personalities.
A.2.1	Justification to combine the posts of Chairman and CEO	Not applicable
Chairman's Role		
A.3.1	Role of the Chairman	Complied with – The role of the Chairman is to provide leadership to the Board and to ensure that Board Members discharge their responsibilities effectively to make a contribution to the Board's affairs. Agenda for meetings and matters to be taken up at Board Meetings are duly scheduled.
Financial Acumen		
A.4	Ensure the availability of financial acumen to guide the Board on matters on Finance	Complied with – The Board comprises sufficient number of Directors who have financial acumen and knowledge to provide a contribution on matters related with the Board on Finance. Evidence is available from the profile of Directors given in the Annual Report.
Board Balance		
A.5.1. A.5.2	Board Balance	Complied with – The Board comprises 1 Executive and 5 Non-Executive Directors out of which 2 are Independent and maintain the balance of Executive and Non-Executive Directors.
A.5.3 – A.5.5	Board to determine annually as to the independence or Non independence of Non-executive Directors	Complied with – The determination of independence and Non-Independence of the Non-Executive Directors are made on the declarations made by the Directors and on the Corporate Governance Direction issued by the Central Bank of Sri Lanka

Code	Description	Level of Compliance
A.5.6 A.5.7	Appointment of Senior Independent Non-executive Director	Complied with – The Board has appointed Mr. V.K. Choksy, Attorney-at-Law as a Senior Independent Non-Executive Director who makes himself available for confidential discussions.
A.5.8	Meetings only with Non- executive Directors	Compliance with this section will be adhered with the reconstitution o of the Board with effect from 1st January 2012.
A.5.9	Recording of concerns of Directors in Board Minutes where they cannot be unanimously resolved	Complied with – The Minutes of Board meetings contain concerns raised by Directors and the final unanimous decisions of the Board.
Supply of information		
A.6.1	Supply of Information	Complied with – The Management provides timely and adequate information to the Board that is circulated to Directors within the prescribed period prior to regular meetings. Any special meetings are also conducted with reasonable notice with the purpose of such meetings duly communicated. Members of the Management make themselves available to respond to any queries raised at meetings of the Board and to provide additional information when required by the Board.
A.6.2	Obligation of Management to provide appropriate and timely information to the Board.	
Appointments to the Board		
A.7.1 A.7.2	Procedure for appointment of New Directors; Role of Nomination Committee and procedure for appointment of New Directors and details of newly appointed Directors.	Complied with – The Board has an accepted procedure for the purpose of appointment of Directors. Directions issued under Finance Business Act provides more details.
A.7.3	Details of new Directors to be disclosed when appointed including their profiles, nature of expertise in relevant functional areas; the names of companies in which the Director holds directorships or memberships in Board committees; and whether such Director can be considered independent.	Complied with – The company appointed one Director during the year. Profiles of the Directors in the Annual Report contain a brief profile of each Director.

Code	Description	Level of Compliance
Re-election		
A.8.1 - A.8.2	Re-election of Directors	Complied with – Re-election of Directors is carried out in terms of the Articles of Association.
Appraisal of Board Performance		
A.9.1 - A.9.3	Appraisal of Board Performance	The Board is in the process of introducing an appropriate basis for the assessment of performance of each Director and for the appraisal of the Board's performance in accordance with the Corporate Governance Direction issued by the Central Bank of Sri Lanka.
Disclosure of Information in respect of Directors		
A.10.1	Disclosure of Information in respect of Directors.	Complied with – Disclosures have been made in this Annual Report pertaining to Directors under following segments. (a) Profiles of Directors (b) Report of the Board of Directors (c) Notes to the Financial Statements on related party transactions. (d) Attendance at Board and Board Committee Meetings.
Requirement for Board to at least annually assess the performance of the CEO		
A.11.1 - A.11.2	Appraisal of Chief Executive Officer.	Mr. K.B. Wanigasekara, the present Managing Director/ CEO assumed office on 1st January 2012. An appraisal of his performance will be carried out by the Board in 2013.
Directors Remuneration		
B.1	Remuneration Procedure	

Code	Description	Level of Compliance
B.1.1	Establishment of a Remuneration Committee	Complied with – The extent of Compliance are given in Part 3 of this report under Rule 7.10.5
B.1.2	Remuneration Committee to comprise of only Non-executive Directors	Complied with – Three members of the committee are Non-Executive Directors.
B.1.3	Membership to be disclosed	Complied with – Disclosed in the Remuneration Committee Report.
B.1.4	Board to determine remuneration of Non-executive Directors	Complied with –
B.1.5	Consultation with Chairman for remuneration proposals and access to professional advice	Complied with – Consultations are made with the Chairman on proposals / revisions to compensation packages and where necessary independent advice is also obtained.
Level and make up of Remuneration		
B.2.1 B.2.9	-Level and make up of remuneration of Executive Directors including performance related elements in pay structure. -Remuneration packages to be in line with industry practices -Executive share option -Non-executive Directors' remuneration	Remuneration of Executive Directors is reviewed periodically. A performance based element is included in the remuneration package. The company does not have a share option scheme. Remuneration of Non-Executive Directors were not reviewed
Disclosure of Remuneration		
B.3.1	Annual Report to give details of the Remuneration Committee, statement of remuneration policy and aggregate remuneration payable to Executive and Non-executive Directors	Complied with – The relevant details are disclosed in the Remuneration Committee Report. Details of aggregate remuneration paid to Executive and Non-Executive Directors are disclosed in the Notes to the Financial Statements.
Relations with Shareholders		
C.1- Constructive use of Annual General Meeting and Conduct of General Meetings-		
C.1.1	Counting of proxy votes	Complied with –
C.1.2	Separate resolution to be proposed for each item	Complied with –

Code	Description	Level of Compliance
C.1.3	Heads of Board Sub-committees to be available to answer queries	Complied with –
C.1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per status	Complied with the provisions of the Companies Act No. 7 of 2007, Rules of the CSE and the Company's Articles of Association.
C.1.5	Summary of procedures governing voting at General meetings to be informed	Complied with – Requisite instructions are given in the Notice of Annual General Meeting and the Proxy Form on the voting procedure.
Major Transactions		
C.2.1	Disclosure to shareholders of all material facts concerning any proposed transaction involving acquisition, sale or disposition of greater than half of the net value of the company's assets or of its subsidiary.	The company did not enter into or proposed to have any major transactions that warrants disclosure.
Accountability and Audit		
Financial Reporting		
D.1.1	Proper disclosure of interim and other price-sensitive and statutorily mandated reports to regulators.	Complied with –
D.1.2	Should contain the following declarations made by the Directors; <ul style="list-style-type: none"> • The Company has not engaged in any activities, which contravene laws and regulations; • Declaration of all material interests in contracts; • Equitable treatment of shareholders; • Company is a going concern with supporting assumptions or qualifications as necessary; and • Effectiveness of internal controls. 	Complied with – Declaration to this effect are given in the Annual Report of the Board of Directors on the affairs of the company.
D.1.3	Annual Report to set out Statement of Directors' responsibilities for preparation & presentation of Financial Statements.	Complied with –
D.1.4	Should include a 'Management Discussion and Analysis Report' discussing at least the following issues. <ul style="list-style-type: none"> • Industry structure and developments; • Opportunities and threats; • Risks and concerns; • Internal control systems and their adequacy; • Social and environment protection activities carried out by the Company; • Financial Performance; • Material developments in human resources/ industrial relations; and • Prospects for the future. 	Please refer the Report on Management Discussion and Analysis included in this Annual Report for the extent of compliance.

Code	Description	Level of Compliance
D.1.5	Board should report that the business is a going concern with all the supporting assumptions and qualifications.	Complied with Included in the Report of the Board of Directors on the State of Affairs of the company.
D.1.6	Remedial action at Extra-ordinary General Meeting if net assets fall below 50% of value of shareholders' funds.	There were no circumstances that had arisen in order to comply with this requirement.
Internal Control		
D.2.1	Annual review of effectiveness of systems of Internal control.	Complied with The Report of the Audit Committee provides sufficient information of the level of compliance.
D.2.2	Internal audit functions.	Complied with The Chief Internal Auditor of the Group functions as the Internal Auditor and reports to the Board Audit Committee.
Audit Committee		
D.3.1 - D.3.4	Audit Committee composition, Terms of reference, duties and responsibilities and disclosure requirements.	Complied with Report of the Audit Committee provides disclosures relating to the subject.
Code of Business Conduct and Ethics		
D.4.1	Disclosure whether the Company has a Code of Business Conduct & Ethics for Directors and members of the senior management team with an affirmative statement of the Chairman. Should also disclose an affirmative declaration that they have abided by such Code. The Chairman must certify that he/she is not aware of any violation of any of the provisions of this Code.	At present a Code of Business Conduct and Ethics is not in use. Steps are being taken to compile a code to this effect in due course.
Corporate Governance Disclosures		
D.5.1	Disclosure of extent to which the Company has complied with principles and provisions of the SEC/ICASL Corporate Governance Code.	Complied with
Institutional Investors		
E.1 Institutional Investors – Shareholder Voting		
E.1.1	Regular dialogue to be maintained with shareholders and the Chairman to communicate shareholders' view to the Board.	Complied with The Annual General Meeting and Extra Ordinary General Meetings are used by the Board as well as the shareholders of the company for an effective dialog. Further, the company has institutional shareholder representation on the Board.

Code	Description	Level of Compliance
Evaluation of Governance Disclosures		
E.2	Due weight to be given to Board structure and composition by institutional shareholders.	Complied with
Other Investors Investing / Divesting Decision and Shareholder Voting		
F.1	Encourage individual shareholder participation at General Meetings.	Complied with The company has a high participation rate of individual ordinary shareholders at general meetings.

PART 3

Statement of Compliance on Rule 7.10 of the Continuing Listing Requirements of the Colombo Stock Exchange (CSE).

Code	Description	Level of Compliance
7.10.1	The Board of Directors Requirement for at least 2 Non-Executive Directors or 1/3 rd of Board whichever is higher.	Complied with – The Board comprised six Directors as at 31 st March 2012 out of which five Directors were Non-Executive.
7.10.2	Independent Directors Two or at least one-third of Non-executive Directors to be independent against specified criteria.	Complied with – The Board consists of 2 Independent Non-Executive Directors. Non-Executive & Independent Non-Executive Directors have declared in writing on their Independency / Non-Independency as per rule 7.10.4
7.10.3	Disclosure Relating to Directors	Complied with – In accordance with the criteria laid down by the CSE, the Independent Non-Executive Directors satisfy the requirements.
7.10.5	Remuneration Committee Composition; chairman to be Non-executive, functions of the Remuneration Committee and Statement of Remuneration Policy.	Complied with – Mr. V.K. Choksy , Chairman of the Remuneration Committee is an Independent Non-Executive Director and the functions of the committee are given in the Remuneration Committee Report.
7.10.6	Audit Committee Composition, chairman to be independent Non-executive with membership from accounting body; functions, ensuring internal control, independence of auditors.	Complied with – Mr. T. Someswaran the Chairman of the Audit Committee is an Independent Non-Executive Director. The other member of the Audit Committee is also an Independent Non-Executive Director. The Chairman of the Committee possesses a membership from a Professional Accounting Body. The Audit Committee Report provides other requisite information.

Directors Attendance at Meetings

Details pertaining to Directors Attendance of Meetings are tabulated below.

Names	Main Board		Audit Committee		Integrated Risk Management Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mrs. Aban Pestonjee (Chairperson)	15	01						
Mr. Rusi Pestonjee (Alternate to Chairperson)	15	12						
Mr. Rusi Pestonjee (Chairman)	03	03					02	02
Mrs. Saroshi Dubash	18	15			04	02	02	02
Mrs. Mano Alles	15	14	03	*03	02	02		
Mr. S. Sothivadivel	15	09			02	02		
Mr. Kithsiri Wanigasekara	18	18	06	*05	04	04		
Mr. Channa Pathirana	18	12			04	02		
Mr. V.K. Choksy	18	18	06	03			02	02
Mr.T. Someswaran	18	14	06	05				

* By invitation

The Integrated Risk Management Committee (IRMC) was reconstituted with effect from 1st January 2012. The committee is chaired by Ms. S. Dubash, a Non-Executive Director, with Mr. ChannaPathirana, Non- Executive Director and Mr. Kithsiri Wanigasekara, Managing Director as other members. IRMC will continue to strengthen its role in order to maintain a high standard in Governance. Key Management personnel who are involved in the management of Credit and Risk have been co-opted to the IRMC.

Mr. V.K. Choksy was appointed “Senior Director” since the chairman of the company is Non - Executive and not independent.

Vision and Strategy for Risk Management

Risk is an integral part of finance business and Abans Finance PLC aims at delivering superior shareholder value by achieving an appropriate trade-off between risk and returns. Our Risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. The policies and procedures established for this purpose are continuously reviewed in our quest to benefit from a blend of best practices.

Organizational Control and Board Governance

The Company being a Registered Finance Company that engages in Finance Business is exposed to numerous risks applicable to a Financial Institution which includes Credit Risk, Market Risk, Liquidity Risk, Operational Risk and Reputational Risk. The Risk Management Process of the company is designed with a clear understanding of these risks which are required to be mitigated on a continuous basis. The company has in place a well defined Risk Management Structure that assists it to meet accepted norms in this area.

The Board of Directors has the overall responsibility to put in place a structure that will include policies and procedures to be followed as part of the risk management process. The Board approves the Risk Management Policies and set guidelines to ensure that an effective process is in place. The Integrated Risk Management Committee (IRMC) which was established in 2011, oversees Abans Finance PLC's risk management policies and controls. The IRMC provides the Board, the assurance that the performance of the overall Risk Management Framework and Risk Management Initiatives ensure balanced coverage of Risk. The IRMC assists the Board in fulfilling its responsibilities relating to the oversight of the Company's risk management Strategies, Policies and Processes that have the potential to impact significantly on Earnings Performance, Reputation and Capital Protection, and to approve significant credit transactions and other matters beyond the approval discretion of executive management. On a day-to-day basis, the various risks inherent in operations are managed by each business unit.

The Risk Management process is carried out on a two way basis with the Credit Committee analyzing risks applicable to all credit transactions with recommendations for the minimization of all risks attached to the credit granting process.

The Assets and Liability Committee (ALCO) is entrusted with the identification of Market Risk and for the introduction of an effective risk management procedure for Market Risk. Further, The Audit Committee assists the Board in overseeing internal audit and the adequacy of the Abans Finance PLC's accounting policies and financial reporting.

The overall risk management process of the Company, thus is monitored by the Board with the assistance of the Board Sub Committees and Management Committees that are engaged in the assessment of risks related to Credit Risk, Interest Rate Risk, Liquidity Risk and the other Operational Risks that will counter adverse impact on the company.

Abans Finance PLC's Approach to Managing Key Risks

CREDIT RISK

Credit Risk that arises due to the inability of a borrower or counterparty to meet financial obligations based on agreed terms. Credit Risk is one of the key elements of risks faced by Financial Institutions due to numerous reasons. It is therefore of vital importance to strengthen credit granting standards and manage lending portfolios of the company, favorably. In view of the fact that the major component of assets of a Finance Company includes interest earning assets applicable to Hire Purchases, Finance Leases and Loans, a critical factor for the effective management of the company is the availability of an effective Credit Risk Management Process.

CREDIT RISK MANAGEMENT

Each credit transaction is initially evaluated to assess credit risk associated with such transaction. The usual practice is to recognize the industry to which prospective borrower is exposed to and the performance of such industry in the economic front. Specific attention is drawn to continuously maintain a diversified credit portfolio with limited exposure on each transaction and the single borrower limit imposed by the regulator.

DELEGATED AUTHORITY

The Board of Directors has delegated authority to the Credit Committee appointed by the Board in which the Managing Director and the General Manager are members, in addition to other Divisional Heads. The authority levels differ for numerous levels of facilities. Facilities above certain limits require the approval of the Board of Directors. The usual practice is for the Marketing/Credit Officers to submit carefully analyzed credit applications for approval within the credit policies and procedures laid down by the company. These applications are evaluated by the Divisional Heads on Credit and Documentation and other members of the Credit Committee for the assessment of creditworthiness of prospective borrowers. The facilities that are recommended by the members of the Credit Committee are referred to the Managing Director and the General Manager for approval, if such facilities are within the threshold of delegated authority of them. Credit facilities that are over and above the limit delegated to the Credit Committee are referred to the Board of Directors for their perusal and approval.

LENDING OPERATIONS / CENTRALIZED CREDIT EVALUATIONS

All lending operations pertaining to the Branch Network is centralized and is referred to the Credit Committee for evaluation, recommendation and approval thus strengthening the credit approval process and the improvement in credit quality to support a reduction in Non Performing facilities in absolute terms.

OPERATIONAL RISK

Operational Risk arises as a result of inadequate internal process systems, people or from external events. Legal Risk can also be considered as part of Operational Risk. The company manages the operations on a continuous basis with the assistance of a well defined and comprehensive Internal Control System coupled with regulatory requirements. The policy framework applicable to operational aspects acts as a catalyst in strengthening the Internal Control System for the effective management of Operational Risk. A continuous review of the systems is being done based on the outcome of the Internal Control Procedure which is subject to supervision by the Audit Committee.

IT related risks are also a key to the Operational Risk process and the review of IT system, any development of IT system, and acquisition or upgrading or customization of programs are reviewed, for risk and compliance issues prior to implementation as a part of Operational Risk process that is in place.

LEGAL RISK MANAGEMENT

All contractual documents are subject to review by a specially created division within the company to ensure perfection in documentation. The contractual documents are also subject to review and approval by the external parties to mitigate any risk element that is attached to such documentation. Whenever possible, professional advice is obtained in the best interest of the institution.

MARKET RISK MANAGEMENT

Any changes in market variables if not managed properly could result in the company incurring losses on account of market risk. Market Risk is a risk that is attached to on or off balance sheet positions due to movements in equity and interest rate markets and other related issues. The company has a well defined Market Risk Management Process which is reviewed and monitored by the Asset and Liabilities Committee (ALCO). This aspect covers liability management, pricing of assets / liabilities and interest rate risk management.

LIQUIDITY RISK

The company has to ensure at all times that sufficient funding requirements are available to meet financial obligations. The company manages its maturity profile of Assets and Liabilities to ensure availability of liquidity when required. Arrangements are in place to meet any shortfalls that may arise due to any mismatch in the maturity profile. ALCO monitors and manages the company's overall liquidity position and acts as a catalyst to maximize profitability, shareholder value and protect the company from adverse impacts due to liquidity.

On a critical analysis of prevailing interest rates in the market place, the ALCO decides on product pricing, the optimum level of Assets and Liabilities mix and the liquidity gap positions and the

benchmark lending rates that are needed for an effective Asset/Liability management in this demanding business environment. The regular meetings that are represented by Heads of Business Units in ALCO act in a positive direction.

COMPLIANCE RISK

The Board expects the Abans Finance PLC's business to be conducted in accordance with the laws, and regulations and has zero tolerance for failure to identify and escalate breaches of these obligations.

The Compliance Officer is accountable for designing a compliance program that allows the Abans Finance PLC to meet its regulatory obligations and each division has responsibility for embedding the compliance framework into its business operations.

Key Principles of the Compliance Framework are to foster an integrated approach where staff is responsible and accountable for compliance, either within their job role, or within their area of influence.

Momentous Events During 2011 - 12



Starting the business on an auspicious time after the Sinhala and Tamil New year with the religious ceremonies.



Abans Finance Team at the T - 20 Cricket match between Sri Lanka and Australia sponsored by Abans Group in August 2011.



Opening of the Kandy City Centre branch in September 2011.



Signing lease agreement for Kandy City Centre Branch in May 2011.



At the launch of the 3 years strategic plan with MTI Consultants in May 2011.



The company was listed in the Colombo Stock Exchange in June 2011.



Workshop on Strategy formation with MTI Consultants in July 2011.



Annual get together for staffs and their families, organized by the Abans Finance Welfare held at Wijaya Resort, Kiriella in August 2011.



Momentous Events During 2011 - 12 Contd.



Farewell ceremony of outgoing Managing Director Mrs. Mano Alles in December 2011.



Sales promotion for Leasing of Three Wheelers in November 2011.



Mr. Kithsiri Wanigasekara lighting of the Oil Lamp prior assuming duties as Managing Director in January 2012.



Receiving the Awards for Annual Report Competition organized by Institute of Chartered Accountants of Sri Lanka and members of the Accounts Department in December 2011.



Opening ceremony of Customer Centers inside Abans Showrooms at Moratwa and Piliyandala in February 2012.



Opening ceremony of Customer Centers inside Abans Showrooms at Kiribathgoda and Ja - Ela in January 2012.

Milestones - Our Achievements

Abans FINANCE

Quarterly News Bulletin - October/December 2011



AFSL ANNUAL REPORT TEAM

The Annual Report 2010/11 that won an award at the Annual Awards ceremony of the CA Sri Lanka was compiled by a team of members of our staff in the Finance Division. We congratulate them for their achievement.

The picture below shows our Annual Report Team who were involved in compiling the Report 2010/11 headed by Chandima Bandara (Head of Finance), M. Suthakar, Mahika Rajakaruna, Ranjani Pathmanathan, Harshani Herath, Iresha Rathnaweera, Thilini Deshapriya, Sammani Nilufika and Sidath Hettiarachchi

Abans Finance Annual Report recognized by CA Sri Lanka

Abans Finance PLC has been recognized by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) at the Annual Report Awards ceremony - 2011 held on 9th December 2011 in Colombo. The company has been awarded a "Certificate of Compliance" in the Finance Companies sector for its Annual Report 2010/11.

Abans Finance PLC, a member of the Abans Group of Companies was incorporated on 8th April 2005 and is a Registered Finance Company with the Central Bank of Sri Lanka. The company has a six year history in the Finance Industry in Sri Lanka. Mrs. Mano Alles, Managing Director Abans Finance PLC received the award at this function.



Picture shows Mrs. Mano Alles receiving the award from Mr. Riyaz Mihular, Partner KPMG Ford Rhodes Thornton & Co. In the background is Mr. Aruna Alwis CEO - (CA Sri Lanka) and Chairman, Annual Report Awards Committee Mr. Lasantha Wickramasinghe.

“The Company was recognized by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) at the Annual Report Awards Ceremony 2011 held on 9th December 2011 in Colombo. Abans Finance PLC was awarded “A Certificate of Compliance” in the Finance Company category for its Annual Report 2010/11. The Company participated in this competition for the first time and the recognition for the commitment to transparency and Corporate Governance encourages us to further strengthen the application of good governance practices within the company.”

Financial Reports

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The Directors of Abans Finance PLC have pleasure in presenting to shareholders their Annual Report on the state of affairs of the company together with the Audited Financial Statements for the year ended 31st March 2012. The Annual Report contains information and disclosures required under the Companies Act No. 7 of 2007, Sri Lanka Accounting Standards Act No. 15 of 1995, and the Finance Business Act No. 42 of 2011. The Ordinary Shares of the company were listed with the "Dirisavi Board" of the Colombo Stock Exchange with effect from 27th June 2011. The Audited Financial Statements of the company were approved by the Directors at a meeting held on 8th May 2012.

Principal Business 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 include the Acceptance of Time Deposits, Savings Deposits, Finance leasing of Motor Vehicles, Provision of Hire Purchase facilities on Motor Vehicles & Consumer Durables, Business Loans, Personal Loans, Revolving Loan Facilities, Real Estate Development and Capital Market Operations.

Review of the Year's Performance and Future Developments

The Review of the Financial and Operational Performance and Future Business Developments is contained in the message of the Chairman, Managing Director's Report and under Management Discussion and Analysis of the Annual Report.

Financial Statements

The Financial Statements of the company for the year ended 31st March 2012 duly signed by the Chief Financial Officer and two Directors of the company are given on pages 65 - 87.

Financial Performance

Profits and Appropriations

Summarized details pertaining to Profit / (Loss) for the years 2010/2011 and 2011/2012 are tabulated below :

	2011 – 2012 Rs.	2010 / 2011 Rs.
Profit for the year after payment of all expenses – Provisions for depreciation, Possible Loan Losses, Financial VAT and Contingencies	86,991,043	63,067,882
Provision for Taxation	(33,583,421)	(20,568,382)
Net Profit After Taxation	53,407,622	42,499,500
Un-appropriated profit brought forward from the previous year	(41,258,855)	(75,258,455)
Profit available for appropriation	12,148,767	(32,758,955)
Appropriations :		
- Transfer to the Statutory Fund	10,681,600	8,499,900
- Transfer to Investment Fund Account	7,833,381	-
Un-appropriated profit to be Carried forward	(6,366,214)	(41,258,855)

Taxation

Provision for taxation has been made as given in Note 25 to the Financial Statements.

Dividends

The Directors do not recommend a dividend to the shareholders for the year ended 31st March 2012.

Reserves

The Statutory Reserve Fund of the company stood at Rs. 20,201,500 as at 31st March 2012. A sum of Rs. 10,681,600 was transferred to the Statutory Reserve Fund as per Finance Companies (Capital Funds) Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka. A sum of Rs. 7,833,381 was transferred to Investment Fund Account to comply with the directions issued by Central Bank of Sri Lanka and Inland Revenue. The company carried forward a negative retained earnings balance of Rs. 6,366,214 as at end of the year.

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the company to reflect a true and fair view of the state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards and the Companies Act No. 7 of 2007.

Directors' Remuneration

Remuneration and other benefits of Directors are given under Directors Emoluments in Note 24 to the Audited Accounts as given on page 84

Donations

The company has not made any donations during the Financial Year 2011/2012.

Directorate

1. The following Directors retired on 31st December 2011 in terms of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka:

Mrs. Aban Pestonjee (Chairperson) – accordingly, **Mr. Rusi Pestonjee**, Alternate Director to Mrs. Pestonjee ceased to be an Alternate Director on the same date and was appointed as a Director and the Chairman of the Company with effect from 1st January 2012.

Ms. Gloria Noeline Manohari Alles – Retired with effect from 31st December 2011

Mr. Sangarapillai Sothivadivel – Retired with effect from 31st December 2011

2. The Directors who held office during the year are given below :

Mrs. Aban Pestonjee (Chairperson) – Retired as Director and Chairperson with effect from 31st December 2011

Mr. Rusi Pestonjee – Ceased to be the Alternate to Mrs. Aban Pestonjee and was appointed to the Board and as the Chairman of the Company with effect from 1st January 2012

Ms. Gloria Noeline Manohari Alles (Managing Director) – Retired with effect from 31st December 2011

Mr. Kithsiri Wanigasekara - Appointed Managing Director/ Chief Executive Officer with effect from 1st January 2012

Ms. Saroshi Dubash

Mr. Sangarapillai Sothivadivel – Retired with effect from 31st December 2011

Mr. Channa Dilhan Pathirana

Mr. Vishtasp Kairshasp Choksy

Mr. Thirunavukarasu Someswaran - Appointed with effect from 10th May 2011.

Re-election of Directors

In terms of the Article 26(5) of the Articles of Association of the Company, Mr. Rusi Pestonjee who was appointed a Director during the year retires and being eligible offers himself for re-election with the unanimous support of the other Directors.

Board Committees

The Board of Directors has appointed the following Board Committees to carry out certain delegated functions of the Board.

1. Audit Committee

- Mr. T. Someswaran (Chairman)
- Mr. V.K. Choksy - Appointed with effect from 1st January 2012

2. Integrated Risk Management Committee

(Appointed with effect from 1st Jan 2012)

- Ms. S. Dubash – (Chairperson)
- Mr. Channa Pathirana
- Mr. Kithsiri Wanigasekara

3. Remuneration Committee

- Mr. V.K. Choksy – Chairman
- Mr. Rusi Pestonjee
- Ms. Saroshi Dubash

Directors' Interest In Contracts

Directors' Interest in Contracts are disclosed in Note 32 to the Audited Accounts of the Company as given in Page 87

Directors Interest in Ordinary Shares

Directors	As at 31/03/2011	As at 31/03/2012
Mr. R. Pestonjee	103,501	106,801
Mrs. S. Dubash	133,334	133,334
Mr. K. Wanigasekara	-	-
Mr. V.K. Choksy	-	-
Mr. C. D. Pathirana	-	-
Mr. T. Someswaran	-	-

Directors' Meetings

The Board of Directors meets at least once a month. Special meetings are convened to transact business when necessary. Eighteen meetings of the Directors were held during the year under review.

Registered Office and Head Office

The Registered Office of the company is at No. 498, Galle Road, Colombo 3. The company operates its business with its Head Office at No. 400, Galle Road, Colombo 3

Stated Capital

The Stated Capital of the company as at 31st March 2012 was Rs. 382,373,630 consisting of 37,000,000 Ordinary Voting Shares. An analysis of the shareholding and the market value of the shares is given in pages 89 to 91 of this Report.

Corporate Governance

The Directors have taken appropriate action to be in compliance with Finance Companies (Corporate Governance) Direction No. 3 of 2008 issued by the Central Bank of Sri Lanka and the Code of Best Practice on Corporate Governance issued jointly by the Securities Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka. The report on Corporate Governance is given on pages 21 to 48

Internal Controls

The Directors are satisfied that necessary systems of internal controls are in place to carry on the business of the company in an orderly manner and to ensure as far as practicable, the accuracy and reliability of financial records. The report on Corporate Governance and Risk Management provide comprehensive information in respect of Internal Controls.

Statutory Payments

The Directors to the best of their knowledge and belief are satisfied that all statutory payments due to the state and in relation to the employees have been made on time.

Capital Expenditure

The total capital expenditure on acquisition of Property, Plant and Equipment during the year amounted to Rs. 8,098,741 and details of the status and movements of Property, Plant and Equipment during the year are given in Note 12 of the Audited Accounts.

Risk Management

The information applicable to Risk Management practices that are in place are given under Risk Management on pages 49 to 51 of this report.

Events after the Balance Sheet Date

There have not been any material events that occurred subsequent to the date of the Balance Sheet that require adjustments to the Financial Statements other than those disclosed, if any, in Note 31 of the Financial Statements.

Going Concern

The Directors having made necessary inquiries and reviews of the Future Prospects, Risks and Cash Flows and other related matters required to be addressed in accordance with the best practices on Corporate Governance and are satisfied that the company has adequate resources to continue operations in to the foreseeable future and continue to adopt the going concern basis in preparing Financial Statements.

Auditors

The Auditors of the company are M/s Ernst & Young, Chartered Accountants of No. 201, De Saram Place, Colombo 10. The Audit Committee and the Board of Directors have recommended the re-election of the Auditors at the Annual General Meeting. A resolution proposing the re-appointment of M/s Ernst & Young, Chartered Accountants is being proposed at the Annual General Meeting in terms of the Companies Act No. 7 of 2007.

Amendment to Articles of Association

To bring the Articles of Association of the Company in line with the requirements of the Finance Companies (Corporate Governance) Direction No. 03 of 2008 issued by the Central Bank of Sri Lanka, the Directors recommend to the shareholders to consider and if thought fit, to pass the following Special Resolution:

“Resolve to amend sub section (1) of Article 34 - Quorum, of the Articles of Association by adding the following sentence immediately after the first sentence:

“At least one half of the number of Directors constituting the quorum at a meeting shall be Non-Executive Directors.”.

Notice of Meeting

The 6th Annual General Meeting will be held at the Organisation of Professional Associations of Sri Lanka, No. 275/75, Prof. Stanley Wijesundara Mawatha, Colombo 7 on Thursday 28th June 2012 at 2.00 p.m. The notice of meeting is given on pages 99 to 100 of 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 1

May 21st 2012
Colombo

The responsibility of the Directors of Abans Finance PLC in relation to the preparation of Financial Statements in accordance with the provisions of the Companies Act No. 7 of 2007 is given in the following statement. The Financial Statements consist the Balance Sheet as at 31st March 2012, the Income Statement, Statement of Changes in Equity, Cash Flow Statement for the year ended 31st March 2012 and the Notes thereto.

The Directors of the Company are responsible to ensure that proper accounting records are kept to disclose with reasonable accuracy, the financial position and enable preparation of Financial Statements. The Directors have caused the company to maintain proper accounting records which meet the statutory and Financial Reporting Requirements as given in Section 148 (1) of the Companies Act No. 7 of 2007.

In terms of Section 150 (1) and 151 (1) of the Companies Act the Directors are also responsible to prepare the Financial Statements for each year giving a true and fair view of the state of affairs of the company as at the end of the financial year and of the Profit and Loss for the financial year under review.

The Directors are also responsible for the preparation and fair presentation of the Financial Statements of the company in accordance with Sri Lanka Accounting Standards and provide the information required by the Companies Act No. 7 of 2007 and the Finance Business Act No. 42 of 2011.

The Directors consider that they have adopted appropriate Accounting Policies based on reasonable and prudent judgments and applied them consistently.

The Directors acknowledge their responsibilities for the Company's system of Internal Controls which is designed to provide assurance on maintenance of proper accounting records and the reliability of financial information generated and safeguarding of the assets of the company. However, any system of Internal Controls can provide reasonable and not absolute assurance that errors and irregularities are either prevented or detected within a reasonable period of time.

The Directors to the best of knowledge and belief, are satisfied that all statutory payments in relation to all relevant regulatory and statutory authorities which were due and payable by the company as at the Balance Sheet date have been paid or where relevant provided for.

The Directors are also required to ensure that the company has adequate resources to continue in operation to justify applying the going concern basis in preparing these Financial Statements.

The Auditors M/s Ernst & Young, Chartered Accountants were given access to all accounting records, and other documents of the company to undertake the inspections they considered appropriate to form their opinion on the Financial Statements. They were also provided with all the information and explanations required for the purpose of the Audit.

By Order of the Board,
Varners International (Pvt) Ltd.,
Corporate Secretaries
Level 14, West Tower,
World Trade Center,
Echelon Square,
Colombo 01

May 21, 2012

Composition of the Board Audit Committee

The Audit Committee of Abans Finance PLC is established in accordance with Code of Best Practice on Corporate Governance issued jointly by the Chartered Accountants of Sri Lanka and Securities and Exchange Commission of Sri Lanka and the Corporate Governance Direction No. 03 of 2008 issued to Finance Companies by Central Bank of Sri Lanka.

The Board appointed Audit Committee as at 31st March, 2012 comprises of the following Non Executive directors.

Mr. T.Someswaran (Chairman) – Independent Non Executive Director

Mr. V. K. Choksy – Senior Independent Non Executive Director (appointed w.e.f. January 01, 2012)

The Chairman of the committee is a fellow member of the Institute of Chartered Accountants of Sri Lanka and possesses considerable experience in the field of Finance and Management. The profiles of the members are given on page 6. Messrs Varners International (Pvt) Ltd (Corporate Secretaries) acts as the Secretary to the Audit Committee.

Committee Meetings

During the financial year ended March 31, 2012 six committee meetings were held. The attendance of the committee Members at the meetings is given in the table on page 48. On the invitation of the Committee, a Senior Manager of Company's External Auditors, Messrs Ernst & Young attended five meetings during the year. Further, the Managing Director/ CEO, General Manager, Chief Internal Auditor of the Abans Group of Companies, Head of Finance, Head of Credit and Recoveries, Head of Branches, Manager Information Technology and Manager Deposits attend the committee meetings by invitation. Members of the Management of the Company were invited to participate in the Meetings as and when the necessity arose.

Role of the Committee

The Audit Committee assists the Board of Directors to fulfill its responsibility effectively in the following manner,

- (a) Examine in any matters, issues in relation to financial and operations.
- (b) Analyze and review the risk faced by the company and to overlook efficiency and effectiveness of internal control and procedures in place to mitigate the risk
- (c) Monitor all internal and external audit programs and review internal audit reports, management letter issued by external auditors and follow-up on their findings and recommendations.
- (d) Review the Interim Financial Statements and the Company's annual report and accounts before submission to the Board of Directors.
- (e) Review the accounting policies adopted, compliance with the statutory requirements, etc.

Summary of Activities

(1) Implementation of Internal Audit Functions

Internal Audit function is carried out by the parent company's Internal Audit Department with the guidance and the program designed by the Audit Committee. This department is authorized to perform the job independently, including free access of company's books and records and to receive explanations from staffs to conduct the audit assignment. Company is having Sub Committee meeting monthly headed by Chief Internal Auditor of the Group, Mr. S. Gurusinghe, where the internal audit issues will be discussed and the minutes will be forward to the Audit Committee meetings.

(2) External Audit

The Committee supports the Board of Directors to execute the processes of engaging External Auditors for the audit services in compliance with the provisions of the direction and agree on their remuneration with the approval of the shareholders. The Committee also makes all possible events to make sure that the auditors comply with the accounting standards and regulatory

requirements. The Committee also met the External Auditors at the latter part of the audit to review the Management Letter before submitted to Board of Directors and Central Bank of Sri Lanka.

(3) Transition to New Accounting Standards

The company is obtaining the services from Messrs Ernst & Young's IFRS unit to implement the same on timely manner. The Committee reviewed presentations made by Messrs Ernst & Young to confirm the progress made by the company in its transition to the new Sri Lanka Financial Reporting Standards (SLFRS & LKAS), which comes into effect from January 01, 2012.

sgd. - T. Someswaran

Chairman – Audit Committee.

May 21, 2012

The Board of Directors appointed Remuneration Committee comprises of the following members of Non Executive Directors,

Mr. V. K. Choksy (Chairman) – Senior Independent Non-Executive Director

Mr. Rusi Pestonjee – Non Executive Director

Ms. Saroshi Dubash – Non-Executive Director

The profiles of the members are given on pages 4 to 6. The Managing Director / CEO and General Manager attend meetings on invitation. During the year under review two committee meetings were held and all the members of the committee attended.

The main responsibility of the remuneration committee is to design the remuneration structure to achieve the goals of the organization and with simplicity, fairness, alignment with values, appropriate risk behavior and transparency.

Role of the Committee

The committee is vested with power to evaluate, assess, decide and recommend to the Board of Directors on any matters that may affect the remuneration structure of the company which include the followings,

- (a) To determine the remuneration of Managing Director / CEO, and Independent Non Executive Directors while ensuring that no Director is involved in setting his / her own remuneration.
- (b) To determine remuneration and other benefits of Key Management Personnel and to establish performance parameters in setting individual goals and targets.
- (c) To draw policies, and parameters of the remuneration structure for all staff members of the company and monitor the implementation thereof.

- (d) To review the information related to remuneration of staff members from time to time in order to ensure same is in par or above the industry norms and align remuneration to market rates to ensure retention of Key Management Personnel.
- (e) To evaluate the performance of Managing Director / CEO and the Key Management Personnel against the targets and goals.
- (f) To evaluate and recommend to the Board of Directors on the promotions of the Management Grade Staff.
- (g) To approve annual increments, bonuses and incentives.

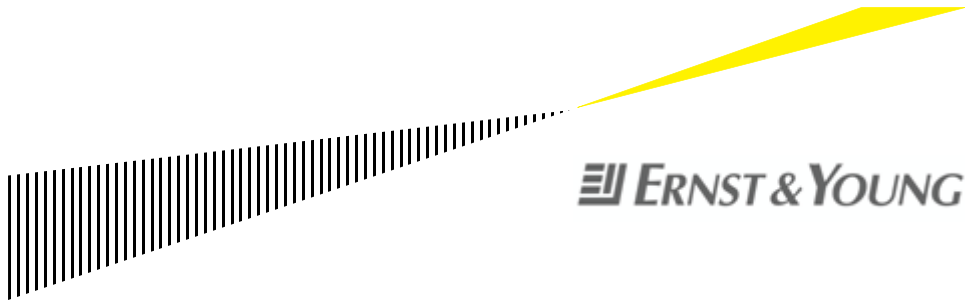
The committee is in the process of evaluating modalities of making provision for annual increments based on two indicators firstly an inflation related adjustments to all staff members of the company and secondly an incentive for identified staff members based on performance of the company and based on the individual performance.

The Chairman of the committee reports to the Board its findings and recommendations on related matters after each committee meeting.

sgd. - V. K. Choksy

Chairman - Remuneration Committee

May 21, 2012.



Chartered Accountants

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P. O. Box 101
Colombo 10
Sri Lanka
Tel : (0) 11 2463500
Fax Gen : (0) 11 2697369
Tax : (0) 11 5578180
eysl@lk.ey.com

APAG/NYR/TW

**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF ABANS FINANCE PLC**

Report on the Financial Statements

We have audited the accompanying financial statements of Abans Finance PLC, which comprise the balance sheet as at 31 March 2012, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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 plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151 (2) of the Companies Act No. 07 of 2007.

08 May 2012
Colombo

Balance Sheet as At 31st March 2012

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Abans Finance PLC
Annual Report 2011 / 2012

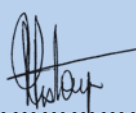
	Note	2012 Rs.	2011 Rs.
ASSETS			
Cash and amounts due from banks	15	24,020,124	12,497,605
Investments held to Maturity	3	207,005,224	154,636,199
Placements with Banks	4	24,346,356	64,446,969
Dealing Securities	5	8,085,928	11,710,673
Investment Securities	6	80,400	80,400
Loans and Advances	7	985,293,071	788,823,034
Lease rentals receivable & Stock out on hire	8	1,237,789,597	895,253,101
Real Estate & Vehicle Stock	10	144,617,200	135,883,066
Other Debtors, Deposits and Prepayments	11	42,533,174	35,216,135
Tax Recoverable		6,602,174	6,468,996
Property, Plant & Equipment	12	18,561,357	16,852,026
Deferred Taxation	25	3,190,302	25,118,995
TOTAL ASSETS		2,702,124,907	2,146,987,199
LIABILITIES			
Deposits from Customers	13	1,633,434,319	1,486,357,557
Borrowings	14	480,550,471	178,568,205
Other Liabilities	16	184,097,820	131,426,762
Total Liabilities		2,298,082,610	1,796,352,524
SHAREHOLDERS' FUNDS			
Stated Capital	17	382,373,630	382,373,630
Reserve Fund	18	20,201,500	9,519,900
Investment Fund	19	7,833,381	-
Retained Earnings		(6,366,214)	(41,258,855)
Total Equity		404,042,297	350,634,675
TOTAL EQUITY AND LIABILITIES		2,702,124,907	2,146,987,199
Commitments and Contingencies	28	-	-

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


.....
Chief Finance Officer

The Board of Directors is responsible for the preparation and presentation of the Financial Statements signed for and on behalf of the board by;


.....
Director


.....
Director

The Accounting Policies and Notes on pages 69 through 87 form an integral part of the Financial Statements.

	Note	2012 Rs.	2011 Rs.
Income	20	<u>462,637,961</u>	<u>396,244,898</u>
Interest Income	21	441,373,663	369,635,871
Interest Expense	22	<u>(221,665,092)</u>	<u>(181,474,454)</u>
Net Interest Income		219,708,571	188,161,417
Other Income	23	<u>21,264,298</u>	<u>26,609,027</u>
		240,972,869	214,770,444
Less: Operating Expenses			
Staff Costs		(65,399,971)	(53,341,872)
General & Administration Expenses		(76,027,577)	(70,204,434)
Provision for Bad and Doubtful Debts	9	(4,174,981)	(19,220,718)
Profit before VAT on Financial Services and Income Tax		<u>95,370,341</u>	<u>72,003,420</u>
Value Added Tax on Financial Services		(8,379,298)	(8,935,538)
Profit before Income Tax		<u>86,991,043</u>	<u>63,067,882</u>
Income Tax Expenses	25	(33,583,421)	(20,568,382)
Profit for the year		<u><u>53,407,622</u></u>	<u><u>42,499,500</u></u>
Earnings Per Share	26	1.44	1.15

The Accounting Policies and Notes on pages 69 through 87 form an integral part of the Financial Statements.

Statement of Changes In Equity

Year Ended 31st March 2012

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Abans Finance PLC
Annual Report 2011 / 2012

	Stated Capital Rs.	Reserve Fund Rs.	Investment Fund Rs.	Retained Earnings/ (Losses) Rs.	Total Rs.
Balance as at 31 March 2010	382,373,630	1,020,000	-	(75,258,455)	308,135,175
Net Profit for the year	-	-	-	42,499,500	42,499,500
Transferred to/from during the year	-	8,499,900	-	(8,499,900)	-
Balance as at 31 March 2011	<u>382,373,630</u>	<u>9,519,900</u>	<u>-</u>	<u>(41,258,855)</u>	<u>350,634,675</u>
Net profit for the year	-	-	-	53,407,622	53,407,622
Transferred to/from during the year	-	10,681,600	7,833,381	(18,514,981)	-
Balance as at 31 March 2012	<u><u>382,373,630</u></u>	<u><u>20,201,500</u></u>	<u><u>7,833,381</u></u>	<u><u>(6,366,214)</u></u>	<u><u>404,042,297</u></u>

The Accounting Policies and Notes on pages 69 through 87 form an integral part of the Financial Statements.

	Note	2012 Rs.	2011 Rs.
Cash Flows From / (Used in) Operating Activities			
Interest Received		441,373,663	369,635,871
Receipts from Other Income		20,757,940	21,830,190
Interest Paid		(214,395,827)	(182,033,869)
Cash Payments to Employees & Expenses		(139,324,610)	(121,371,991)
Profit from Operation before Working Capital Changes		108,411,166	88,060,201
(Increase)/ Decrease in Real Estate & Vehicle Stock		(8,734,134)	175,641
(Increase)/ Decrease in Lease Rentals Receivable and Stock out on Hire		(346,711,477)	(133,585,086)
(Increase)/ Decrease in Loans and Advances		(196,470,037)	(464,328,482)
(Increase) /Decrease in Other Debtors, Deposits, Prepayments		(7,317,039)	40,832,552
(Increase)/ Decrease in Placements with Banks		40,100,613	(22,045,360)
Increase/ (Decrease) in Deposits from Non Bank Customers		147,076,762	476,824,499
Increase/ (Decrease) in Accrued Charges		45,401,793	42,333,800
Cash Generated from Operations		(218,242,353)	28,267,765
Retirement Benefit Liabilities paid	16	(849,750)	-
Net Cash From/(Used in) Operating Activities before Tax Payments		(219,092,103)	28,267,765
Income Tax payments		(11,521,548)	(5,652,966)
Net Cash used in Operating Activities		(230,613,652)	22,614,799
Cash Flows from / (Used in) Investing Activities			
Acquisition of Property, Plant & Equipment	12	(8,098,741)	(5,062,202)
Proceeds from Disposal of Property, Plant & Equipment		14,072	84,075
Investment in Treasury Bills		52,065,027	(65,136,904)
Investment in Securities		(1,728,232)	(38,495,518)
Proceeds from Disposal of Investment Securities		2,335,829	28,381,283
Net Cash Flows from/(Used in) Investing Activities		44,587,955	(80,229,266)
Cash Flows from / (Used in) Financing Activities			
Increase/ (Decrease) in Borrowings		214,915,932	82,201,171
Net Cash Flows from/(Used in) Financing Activities		214,915,932	82,201,171
Net Increase / (Decrease) in Cash and Cash Equivalents		28,890,236	24,586,704
Cash and Cash Equivalents at the beginning of the year	15	(2,158,794)	(26,745,498)
Cash and Cash Equivalents at the end of the year	15	26,731,442	(2,158,794)

The Accounting Policies and Notes on pages 69 through 87 form an integral part of the Financial Statements.

1. CORPORATE INFORMATION

1.1 General

Abans Finance PLC is a public limited liability company incorporated and domiciled in Sri Lanka. The registered office of the Company is located at No 498, Galle Road, Colombo 03 and the principal place of business is situated at No. 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 (Pvt) Ltd.

1.4 Date of Authorization for Issue

The Financial Statements of Abans Finance PLC for the year ended 31 March 2012 was authorized for issue in accordance with a resolution of the Board of Directors on 08 May 2012.

2. BASIS OF PREPARATION

2.1 General

These Financial Statements presented in Sri Lanka Rupees have been prepared on a historical cost basis and prepared in Sri Lanka Rupees.

The preparation and presentation of Financial Statements is in compliance with the Companies Act No.7 of 2007 and Finance Business Act No.42 of 2011.

2.1.1 Statement of Compliance

The Financial Statements of Abans Finance PLC have been prepared in accordance with Sri Lanka Accounting Standards.

2.1.2 Going Concern

The Directors have made an assessment of the Company's ability to continue as a going concern and they do not intend either to liquidate or to cease trading.

2.1.3 Comparative Information

The accounting policies have been consistently applied by the Company and, are consistent with those used in the previous year.

2.2 Significant accounting judgments, estimates and assumptions

2.2.1 Judgments

In the process of applying accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements.

Impairment Losses on Loans and Advances:

In addition to the allowances made for doubtful recoveries based on Central Bank guidelines and directives for specific and general loans and advances, the Company reviews its non performing loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the Income Statement. Judgment by management is required in the estimation of these amounts and such estimations are based on assumptions about number of factors and actual results may differ, resulting in future changes to the allowance.

Deferred Tax Assets

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses where applicable, to the extent that it is probable that taxable profit will be available against which such items can be deducted in the future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

2.2.2 Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below. The respective carrying amounts of assets and liabilities are given in related notes to the Financial Statements.

Defined Benefit Plans:

The cost of defined benefit plans is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.3.1 Foreign Currency Translation

Company's functional and presentation currency is Sri Lankan Rupees. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the period end date. All differences are taken to profit or loss. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.3.2 Taxation

a) Current Taxes

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 Commissioner General of Inland Revenue. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the Balance Sheet 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 Inland Revenue Act.

b) Deferred Taxation

Deferred Income Tax is provided, using the Liability method, on temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for Financial Reporting purposes.

Deferred Income Tax Liabilities are recognized 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 recognized 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 utilized 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; and

The carrying amount of Deferred Income Tax Assets is reviewed at each Balance Sheet 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 utilized.

Deferred Income Tax Assets and Liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the Balance Sheet date.

Deferred Income Tax relating to items recognized directly in equity is recognized in equity and not in the Income Statement.

2.3.3 Operating Lease

Assets leased to customers under agreements by which all the risk and rewards incident to ownership of an asset remains with lessor, are classified as operating leases. Lease rentals receivable are recognized on a straight line basis over the term of the lease.

2.3.4 Provisions for Bad and Doubtful Debts

Amounts are set aside with regard to possible losses on Loans and Advances, Hire Purchases and Leases in line with Finance Companies (Provision for Bad and Doubtful Debts) Direction No. 3 of 2006 issued by the Central Bank of Sri Lanka.

2.3.5 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.

2.3.6 Cash and Cash Equivalents

Cash and Cash equivalents are defined as Cash in hand, Demand deposits and Short-term highly liquid investments, readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, Cash and Cash Equivalents consist of Cash in hand and Deposits in banks net of outstanding Bank overdrafts. Investments with short maturities i.e. Three months or less from the date of acquisition are also treated as Cash equivalents.

2.3.7 Property, Plant and Equipment

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 Property, Plant and Equipment when that cost is incurred, if the recognition criteria are met.

Depreciation is calculated on a Straight line basis over the useful life of the assets.

2.3.8 Impairment of Non Financial Assets

The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. When the carrying amount of an asset (or cash generating unit) exceeds its recoverable amount, the asset (or cash generating unit) is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such condition exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount.

2.3.9 Leases**a) Finance Leases – where the Company is the Lessee**

Property, Plant and Equipment on finance leases, which effectively transfer, to the Company substantially all of the risk and benefits incidental to ownership of the leased item are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged reflected in the Income Statement.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term. The Depreciation policy for depreciable leased assets is consistent with that for depreciable asset that are owned as described in 2.3.7.

The cost of improvements to or on leasehold property is capitalized, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

2.3.10 Investments

a) Investment held to Maturity

The investments in Government Treasury Bills and Bonds held to Maturity are recorded at the value of the Bills and Bonds purchased and the discount/premium accrued there on, is carried at these value until Maturity.

b) Dealing Securities

Investments in quoted shares are acquired and held with the intention of resale over a short period of time. Such quoted shares are initially measured at cost and subsequently measured at lower of cost or market value as at the Balance Sheet date.

The Cost of an investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

c) Investment Securities

Investment securities are stated at cost.

The cost of the investment is the cost of acquisition inclusive of brokerage fees, duties and bank fees.

The carrying amounts are reduced to recognize a decline other than temporary, determined for each investment individually. These reductions for other than temporary declines in carrying amounts are charged to the Income Statement.

Disposal of Investment

On disposal of an investment, the difference between net disposals and proceed and the carrying amounts is recognized as Income or Expense.

2.3.11 Retirement Benefit Liability

a) Defined Benefit Plan – Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every financial year using Projected Unit Cost Method. Actuarial gains and losses are recognized as Income or Expenses in the period in which it arises.

The Gratuity Liability is not externally funded. This item is grouped under Other Liabilities in the Balance Sheet.

b) Defined Contribution Plans – Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective Statutes and Regulations. The Company contributes 12% and 3% of gross emoluments of employees to Employees' Provident Fund and Employees' Trust Fund respectively.

2.3.12 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. 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.

2.3.13 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable net of trade discounts and sales taxes. The following specific criteria are used for the purpose of recognition of revenue.

a) Income from Leasing Activities and Hire Purchase Agreements

Income from Finance leases is recognized on the basis of the Financing method. The excess of aggregate rental receivable over the cost of the leased assets constitute the total unearned income at the commencement of the contract. The earned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed, in proportion to the declining receivable balance of the lease.

Income from operating leases is recognized on a Straight line basis over the term of the lease.

Income arising from the residual interest in Hire Purchase agreements is credited to the profit and loss account as it accrues in proportion to the declining receivable balance of the agreement.

However, accrual of income both from Leases and Hire Purchase agreements ceases when the account is overdue for more than Six months in compliance with Direction No. 15 of 1991 (Accrued Interest) issued by Central Bank of Sri Lanka and thereafter recognized on a Cash basis.

b) Interest Income from Loans and Advances

Interest income from Loans and Advances is recognized on an Accrual basis. However, income from Loans and Advances ceases when the account is overdue for more than Six months in compliance with Direction No. 15 of 1991 (Accrued Interest) issued by the Central Bank of Sri Lanka and thereafter recognized on a Cash basis.

c) Interest Income from Other Sources

Interest income from Government of Sri Lanka Treasury Bills is recognized on a time proportion basis, and discounts on purchase are amortized to income on a Straight line basis over periods to Maturity.

Income from all other interest bearing investments is recognized as Revenue on an accrual basis.

d) Dividend Income

Dividend income is recognized on a cash received basis.

e) Insurance Agency Fees

Agency Fees received in respect of insurance is recognized on accrual basis.

f) Overdue Interest

Overdue interest income from leasing and other loans have been accounted for on a cash received basis.

g) Real Estate Sales

Revenue is recognized when properties are sold and the buyer has taken possession of such properties. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash received basis.

h) Others

Other income is recognized on an accrual basis.

Net Gains and losses of a revenue nature on the disposal of Property, Plant & Equipment and other Non Current Assets including investments have been accounted for in the Income Statement, having deducted from proceeds on disposal, the carrying amount of the assets and related selling expenses.

2.4 SRI LANKA ACCOUNTING STANDARDS EFFECTIVE FROM 01 JANUARY 2012

The Company will be adopting the new Sri Lanka Accounting Standards (SLAS) comprising of LKAS and SLFRS applicable for financial periods commencing from 01 April 2012 as issued by the Institute of Chartered Accountants of Sri Lanka.

The Company has commenced transitioning its accounting policies and financial reporting in readiness for the transition. As the company has a 31 March 2012 year end, priority has been given to considering the preparation of an opening Balance Sheet in accordance with the new SLASs as at 01 April 2012. This will form the basis of accounting for the new SLASs in the future, and is required when the company prepares its first fully SLAS compliant Financial Statements for the year ending 31 March 2013.

Set out below are the key areas where accounting policies will change and may have an impact on the Financial Statements of the company. The company is in the process of quantifying the impact on the Financial Statements arising from such changes in accounting policies.

(a) SLFRS 1 – First Time Adoption of Sri Lanka Accounting Standards

Requires the Company to prepare and present an opening SLFRS Financial Statement at the date of transition to SLFRS. The company shall use the same accounting policies in its opening SLFRS financial statements and throughout all periods presented in its first SLFRS Financial Statements.

Those accounting policies should comply with each SLFRS effective at the end of first SLFRS reporting period.

(b) LKAS 1 – Presentation of Financial Statements

Requires an entity to present, in a Statement of Changes in Equity, all owner changes in equity. All non owner changes in equity are required to be presented in one Statement of Comprehensive Income or in two statements (a separate Income Statement and a Statement of Comprehensive Income).

Components of comprehensive Income are not permitted to be presented in the Statement of Changes in Equity. This standard also requires the company to disclose information that enables users of its Financial Statements to evaluate the entity's objectives, policies and processes for managing capital.

(c) LKAS 16 – Property Plant and Equipment

Requires a company to initially measure an item of Property Plant and Equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognized as interest over the period, unless such interest is capitalized in accordance with LKAS 23 Borrowing Costs.

All site restoration costs including other environmental restoration and similar costs must be estimated and capitalized at initial recognition, in order that such costs can be depreciated over the useful life of the asset.

This standard requires depreciation of assets over their useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

(d) LKAS 32 – Financial Instruments: Presentation, LKAS 39 – Financial Instruments: Recognition and Measurement and SLFRS 7 – Disclosures

Will result in changes to the current method of recognizing Financial Assets, Financial Liabilities and Equity Instruments. The standard will require measurement of Financial Assets and Financial Liabilities at Fair Value at initial measurement. The subsequent measurement of Financial Assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the Comprehensive Income and Other Comprehensive Income respectively.

Financial Assets classified as Held to Maturity and Loans and receivables will be measured Subsequently at Amortized cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The current method of loan loss provisioning will no longer be applicable under this test.

Financial Liabilities will be either classified as Fair Value through Profit or Loss or at Amortized cost. As at present, the company does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard and certain derivative instruments are not recognized on the Balance Sheet, and hence would require a change in accounting policy.

(e) LKAS 23 – Borrowing Cost

Requires the company to capitalize borrowing costs in relation to a qualifying asset. Since the current policy is to expense all borrowing costs, this will result in a change in accounting policy.

(f) LKAS 12 – Income Tax

Requires Deferred tax to be provided in respect of temporary differences which will rise as a result of adjustments made in complying with the new SLAS.

(g) LKAS 18 – Revenue

Requires the company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the company needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

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3. INVESTMENT HELD TO MATURITY

Government of Sri Lanka Treasury Bills
Re-Purchase Agreements
Government of Sri Lanka Treasury Bonds

2012 Rs.	2011 Rs.
185,712,156	88,775,199
15,311,250	65,861,000
5,981,818	-
<u>207,005,224</u>	<u>154,636,199</u>

4. PLACEMENTS WITH BANKS

Fixed Deposits

2012 Rs.	2011 Rs.
24,346,356	64,446,969
<u>24,346,356</u>	<u>64,446,969</u>

5. DEALING SECURITIES

Quoted Shares Plantations

Elpitiya Plantations PLC
Maskeliya Plantations PLC
Metropolitan Resource Holdings PLC
Watawala Plantations PLC

Hotels & Travels

Hotel Sigiriya PLC
Mahaweli Reach Hotels PLC
Aitken Spence Hotel Holdings PLC
Renuka City Hotel PLC

Chemicals and pharmaceuticals

Haycarb PLC

Diversified Holdings

Carson Cumberbatch PLC
John Keells Holdings PLC
Aitken Spence PLC

Power & Energy

Lanka IOC PLC
Chevron Lubricants Lanka PLC
Hydro Power Free Lanka Holding PLC

Banking & Finance

Sampath Bank PLC
Seylan Bank PLC
Central Finance Company PLC
Lanka Ventures PLC
Commercial Bank Of Ceylon PLC
Lanka Orix Leasing Company PLC
Merchant Bank Of Sri Lanka PLC
Pan Asia Banking Corporation PLC
Singer Finance PLC

Telecommunication

Dialog Axiata PLC
Sri Lanka Telecom PLC

Oil Palm

The Bukit Darah PLC

Manufacturing

Abans Electricals PLC
ACL Cables PLC
Lanka Ceramic PLC
Piramal Glass Ceylon PLC
Kelani Cables PLC
Royal Ceramics Lanka PLC
Tokyo Cement Company (Lanka) PLC

Footwear & Textile

Ceylon Leather Products PLC

Construction & Engineering

Lankem Developments PLC
Colombo Dock Yard PLC

Beverage Food & Tobacco

Distilleries PLC
Kothmale Holdings PLC

Stores Supplies

Hunters PLC

Total

Provision for fall in value of securities

	2012		2011	
	No of Shares	Market value Rs.	No of Shares	Market value Rs.
Elpitiya Plantations PLC	20,000	839,296	20,000	670,000
Maskeliya Plantations PLC	10,000	323,271	10,000	281,000
Metropolitan Resource Holdings PLC	6,000	289,140	6,000	195,000
Watawala Plantations PLC	5,000	160,178	5,000	125,000
	<u>41,000</u>	<u>1,611,885</u>	<u>41,000</u>	<u>1,271,000</u>
Hotel Sigiriya PLC	2,000	177,795	2,000	152,200
Mahaweli Reach Hotels PLC	9,400	365,104	9,400	319,600
Aitken Spence Hotel Holdings PLC	7,000	767,853	7,000	686,000
Renuka City Hotel PLC	200	73,828	-	-
	<u>18,600</u>	<u>1,384,580</u>	<u>18,400</u>	<u>1,157,800</u>
Haycarb PLC	4,000	806,502	4,000	621,600
	<u>4,000</u>	<u>806,502</u>	<u>4,000</u>	<u>621,600</u>
Carson Cumberbatch PLC	500	352,909	500	317,400
John Keells Holdings PLC	3,333	752,460	2,500	714,000
Aitken Spence PLC	1,000	190,106	1,000	162,300
	<u>4,833</u>	<u>1,295,475</u>	<u>4,000</u>	<u>1,193,700</u>
Lanka IOC PLC	20,000	404,484	20,000	352,000
Chevron Lubricants Lanka PLC	2,000	364,540	2,000	320,000
Hydro Power Free Lanka Holding PLC	10,000	146,624	-	-
	<u>32,000</u>	<u>915,648</u>	<u>22,000</u>	<u>672,000</u>
Sampath Bank PLC	3,069	900,979	3,000	864,900
Seylan Bank PLC	26,666	1,237,332	20,000	786,000
Central Finance Company PLC	-	-	500	636,850
Lanka Ventures PLC	5,000	130,954	5,000	110,500
Commercial Bank Of Ceylon PLC	2,020	184,866	1,000	165,600
Lanka Orix Leasing Company PLC	1,000	140,759	1,000	119,600
Merchant Bank Of Sri Lanka PLC	5,000	276,310	5,000	231,000
Pan Asia Banking Corporation PLC	2,000	59,567	1,000	51,300
Singer Finance PLC	15,000	740,705	15,000	547,500
	<u>59,755</u>	<u>3,671,472</u>	<u>51,500</u>	<u>3,910,898</u>
Dialog Axiata PLC	20,000	234,598	20,000	210,000
Sri Lanka Telecom PLC	5,100	291,377	5,100	290,700
	<u>25,100</u>	<u>525,975</u>	<u>25,100</u>	<u>500,700</u>
The Bukit Darah PLC	500	707,840	500	586,700
	<u>500</u>	<u>707,840</u>	<u>500</u>	<u>586,700</u>
Abans Electricals PLC	-	-	1,900	490,390
ACL Cables PLC	-	-	4,000	376,000
Lanka Ceramic PLC	900	109,211	900	131,760
Piramal Glass Ceylon PLC	-	-	25,000	277,500
Kelani Cables PLC	1,000	129,308	1,000	95,300
Royal Ceramics Lanka PLC	1,000	152,581	1,000	157,000
Tokyo Cement Company (Lanka) PLC	6,000	268,473	5,000	220,000
	<u>8,900</u>	<u>659,573</u>	<u>38,800</u>	<u>1,747,950</u>
Ceylon Leather Products PLC	1,000	110,221	1,000	90,000
	<u>1,000</u>	<u>110,221</u>	<u>1,000</u>	<u>90,000</u>
Lankem Developments PLC	-	-	5,000	361,500
Colombo Dock Yard PLC	1,050	262,912	-	-
	<u>1,050</u>	<u>262,912</u>	<u>5,000</u>	<u>361,500</u>
Distilleries PLC	500	91,513	-	-
Kothmale Holdings PLC	3,000	158,964	-	-
	<u>3,500</u>	<u>250,477</u>	<u>-</u>	<u>-</u>
Hunters PLC	500	718,609	-	-
	<u>500</u>	<u>718,609</u>	<u>-</u>	<u>-</u>
Total	200,738	12,921,169	211,300	13,022,657
Provision for fall in value of securities		(4,835,241)		(1,311,984)
		<u>8,085,928</u>		<u>11,710,673</u>
		8,085,928		11,716,200

6. INVESTMENT SECURITIES

Non Current Investment

Investments in unquoted shares

100 Shares in Credit Information Bureau of Sri Lanka

2012	2011
Rs.	Rs.
80,400	80,400
<u>80,400</u>	<u>80,400</u>

7. LOANS AND ADVANCES

Real Estate Loans

Mortgage Loans

Vehicle Loans

Personal Loans

Loans Against Fixed Deposits

Staff Loans

Revolving Loans

Pledge Loans

Less : Finance Charges in Suspense

Less : Provision for Bad debts (Note 9.2)

2012	2011
Rs.	Rs.
7,358,086	16,183,111
337,190,270	239,638,004
10,433,525	3,249,653
374,983,765	428,756,516
52,129,096	22,765,588
20,465,170	23,642,520
201,966,673	67,576,762
-	5,739,907
1,004,526,585	807,552,061
(18,342,490)	(17,413,225)
986,184,095	790,138,836
(891,024)	(1,315,802)
<u>985,293,071</u>	<u>788,823,034</u>

7.1 Loans granted to Company Officers, the movement of which is as follows :

Balance at the beginning of the year

Add : Loans granted during the year

Less : Repayments during the year

Balance at the end of the year

2012	2011
Rs.	Rs.
23,642,520	19,375,320
5,590,000	10,213,353
(8,767,350)	(5,946,153)
<u>20,465,170</u>	<u>23,642,520</u>

8. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE

	Within one year		1 - 5 years		Total	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Gross Investment						
- Lease Rentals	281,233,967	220,389,515	390,072,950	195,359,763	671,306,917	415,749,278
- Amounts receivable from hirers	496,777,211	462,972,608	619,263,492	474,895,260	1,116,040,703	937,867,868
	778,011,178	683,362,123	1,009,336,442	670,255,023	1,787,347,620	1,353,617,146
Less: Unearned Income	(198,242,896)	(154,148,201)	(207,901,863)	(130,292,293)	(406,144,759)	(284,440,494)
Net Investment	<u>579,768,282</u>	<u>529,213,922</u>	<u>801,434,579</u>	<u>539,962,730</u>	<u>1,381,202,861</u>	<u>1,069,176,652</u>
Less: Provision for Bad & Doubtful Debts (9.2)					(95,493,680)	(116,383,328)
					1,285,709,181	952,793,324
Rentals received in advance					(763,391)	(907,040)
Finance Charges in Suspense					(47,156,193)	(56,633,183)
					<u>1,237,789,597</u>	<u>895,253,101</u>

8.1 Non-Performing Advances included in the above Lease Rentals Receivable, Stock Out on Hire and Loans & Advances are as follows;

	Lease & Hire Purchase		Term Loans		Total	
	2012 (Rs.)	2011 (Rs.)	2012 (Rs.)	2011 (Rs.)	2012 (Rs.)	2011 (Rs.)
Gross Investment	170,057,160	214,684,402	56,841,403	60,996,687	226,898,563	275,681,089
Less: Finance Charges Suspended	(47,156,193)	(56,633,183)	(18,342,490)	(17,413,225)	(65,498,683)	(74,046,408)
Non Performing Advance	122,900,967	158,051,219	38,498,913	43,583,462	161,399,880	201,634,681
Less: Provision for Bad and Doubtful Debts	(95,493,680)	(116,383,328)	(891,024)	(1,315,802)	(96,384,704)	(117,699,130)
Net Non-Performing Advances	<u>27,407,287</u>	<u>41,667,891</u>	<u>37,607,889</u>	<u>42,267,660</u>	<u>65,015,176</u>	<u>83,935,551</u>

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8. LEASE RENTALS RECEIVABLE AND STOCK OUT ON HIRE (Contd..)

8.2 Segmental Analysis of Loans and Advances, Leases, Hire Purchase by Industry

	2012 Rs.	2011 Rs.
Agriculture	76,457,062	166,706,513
Manufacturing	219,457,547	350,082,974
Services	343,892,704	144,781,721
Trading	415,343,567	251,095,896
Transport	742,522,521	126,646,561
Construction	144,144,643	113,852,708
Personal	374,983,765	397,561,388
Others	68,927,637	326,000,952
	<u>2,385,729,446</u>	<u>1,876,728,713</u>
Lease and Hire Purchase Receivables (Note 8)	1,381,202,861	1,069,176,652
Loans and Advances (Note 7)	<u>1,004,526,585</u>	<u>807,552,061</u>
Total Advances	<u><u>2,385,729,446</u></u>	<u><u>1,876,728,713</u></u>

9. PROVISION FOR BAD AND DOUBTFUL DEBTS

9.1 Movement in provision for Bad and Doubtful Debts

	2012 Rs.	2011 Rs.
Balance at the beginning of the year	141,974,593	140,637,979
Charge during the year	4,174,981	19,220,718
Write-off during the year	<u>(41,749,759)</u>	<u>(17,884,104)</u>
Balance at the end of the year	<u><u>104,399,815</u></u>	<u><u>141,974,593</u></u>

9.2 Provision for Bad and Doubtful Debts consist of provisioning against ;

Leases	36,825,900	42,515,036
Hire Purchases	55,010,585	58,165,776
Consumer Durables	<u>3,657,195</u>	<u>15,702,516</u>
Total of Leases and Stock out on hire (Note 8)	95,493,680	116,383,328
Loans & Advances (Note 7)	891,024	1,315,802
Other Debtors, Deposits & Prepayments (Note 11)	<u>8,015,111</u>	<u>24,275,463</u>
	<u><u>104,399,815</u></u>	<u><u>141,974,593</u></u>

10. REAL ESTATE & VEHICLE STOCK

	2012 Rs.	2011 Rs.
Real Estate Stocks	139,753,680	140,883,066
Less : Advances received	<u>(205,000)</u>	<u>(5,000,000)</u>
	<u><u>139,548,680</u></u>	<u><u>135,883,066</u></u>
Vehicle Stock	<u>5,068,520</u>	<u>-</u>
Total Stock	<u><u>144,617,200</u></u>	<u><u>135,883,066</u></u>

11. OTHER DEBTORS, DEPOSITS & PREPAYMENTS

Other Debtors & Prepayments
Less : Provisions for Doubtful Receivables

Deposits & Advances
Amounts due from Related Parties (11.1)

	2012 Rs.	2011 Rs.
Other Debtors & Prepayments	32,742,158	41,626,268
Less : Provisions for Doubtful Receivables	(8,015,111)	(24,275,463)
	24,727,047	17,350,805
Deposits & Advances	14,188,135	13,955,340
Amounts due from Related Parties (11.1)	3,617,992	3,909,990
	<u>42,533,174</u>	<u>35,216,135</u>
11.1 Amounts due from Related Parties		
	Relationship	
Crown City Developers (Pvt) Ltd	Other Related Party	177,599
Abans Retail (Pvt) Ltd	Other Related Party	3,440,393
		<u>3,617,992</u>
		<u>3,909,990</u>

11.2 Other Related Parties are companies controlled / jointly controlled / significantly influenced by Abans Finance PLC Key Management Personnel.

12. PROPERTY, PLANT & EQUIPMENT**12.1 Gross Carrying Amounts**

Cost
Freehold Assets

Furniture & Fittings
Office Equipment
Motor Vehicles
Computer Equipment

	Balance as at 01.04.2011 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31.03.2012 Rs.
Furniture & Fittings	14,697,614	4,411,980	-	19,109,594
Office Equipment	5,863,660	1,827,150	(15,990)	7,674,820
Motor Vehicles	3,325,613	185,000	-	3,510,613
Computer Equipment	33,707,726	1,674,611	-	35,382,337
	<u>57,594,613</u>	<u>8,098,741</u>	<u>(15,990)</u>	<u>65,677,364</u>

12.2 Depreciation
Freehold Assets

Furniture & Fittings
Office Equipment
Motor Vehicles
Computer Equipment

	Balance as at 01.04.2011 Rs.	Charge for the Year Rs.	Disposals Rs.	Balance as at 31.03.2012 Rs.
Furniture & Fittings	6,176,657	2,981,310	-	9,157,967
Office Equipment	1,981,035	710,376	(2,165)	2,689,246
Motor Vehicles	3,048,049	289,126	-	3,337,175
Computer Equipment	29,536,846	2,394,773	-	31,931,619
	<u>40,742,587</u>	<u>6,375,585</u>	<u>(2,165)</u>	<u>47,116,007</u>

12.3 Net Book Value
At Cost

Furniture and Fittings
Office Equipment
Motor Vehicles
Computer Equipment

	2012 Rs.	2011 Rs.
Furniture and Fittings	9,951,627	8,520,957
Office Equipment	4,985,574	3,882,625
Motor Vehicles	173,438	277,564
Computer Equipment	3,450,718	4,170,880
	<u>18,561,357</u>	<u>16,852,026</u>

12.4 The useful lives of the assets are estimated as follows

Furniture and Fittings
Office Equipment
Motor Vehicles
Computer Hardware & Software

	2012	2011
Furniture and Fittings	3 - 8 Years	3 - 8 Years
Office Equipment	8 Years	8 Years
Motor Vehicles	4 Years	4 Years
Computer Hardware & Software	4 Years	4 Years

12.5 During the Financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs.8,098,741/- (2011 - Rs.5,062,202/-). Cash payments amounting to Rs 8,098,741/- (2011- Rs. 5,062,202/-) was paid during the year for purchases of Property, Plant & Equipment.

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13. DEPOSITS FROM NON BANK CUSTOMERS

Fixed Deposits
Savings Deposits

2012 Rs.	2011 Rs.
1,428,287,814	1,099,896,614
205,146,505	386,460,943
<u>1,633,434,319</u>	<u>1,486,357,557</u>

14. BORROWINGS

Bank Loans (14.1)
Bank Overdrafts (Note 15)
Commercial Papers

2012 Rs.	2011 Rs.
216,187,680	73,898,622
166,766,568	79,700,234
97,596,223	24,969,349
<u>480,550,471</u>	<u>178,568,205</u>

14.1 Bank Loans

Bank of Ceylon
Union Bank PLC
Sampath Bank PLC

	2012			2011		
	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.	Amount repayable within 1 year Rs.	Amount repayable after 1 year Rs.	Total Rs.
Bank of Ceylon	20,037,140	44,241,475	64,278,615	9,620,507	14,278,115	23,898,622
Union Bank PLC	22,552,404	59,566,662	82,119,066	10,256,425	39,743,575	50,000,000
Sampath Bank PLC	18,233,167	51,556,833	69,790,000	-	-	-
	<u>60,822,711</u>	<u>155,364,969</u>	<u>216,187,680</u>	<u>19,876,932</u>	<u>54,021,690</u>	<u>73,898,622</u>

14.2 Bank Loans

Bank of Ceylon
Union Bank Ltd
Sampath Bank PLC

	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Rs.	As at 31.03.2012 Rs.	Terms of the Loan	Security Offered
Bank of Ceylon	23,898,622	50,000,000	(9,620,008)	64,278,615	48 Months	Leases, Hire Purchases Portfolio
Union Bank Ltd	50,000,000	50,000,000	(17,880,935)	82,119,066	48 Months	Leases, Hire Purchases Portfolio
Sampath Bank PLC	-	75,000,000	(5,210,000)	69,790,000	48 Months	Leases, Hire Purchases Portfolio
	<u>73,898,622</u>	<u>175,000,000</u>	<u>(32,710,943)</u>	<u>216,187,680</u>		

15. CASH AND CASH EQUIVALENTS IN THE CASH FLOW STATEMENT

Cash & Bank Balances
Bank Overdrafts
Treasury Bills & Repurchase Agreements
Total Cash and Cash Equivalents for the Purpose of Cash Flow Statement

2012 Rs.	2011 Rs.
24,020,124	12,497,605
(166,766,568)	(79,700,234)
169,477,886	65,043,835
<u>26,731,442</u>	<u>(2,158,794)</u>

16. OTHER LIABILITIES

Creditors and Accrued Expenses
Accrued Interest
Amounts due to Related Parties (16.1)
Retirement Benefit Liability (16.2)

2012 Rs.	2011 Rs.
103,620,254	70,465,629
41,122,578	33,853,313
35,638,820	21,488,488
3,716,168	5,619,332
<u>184,097,820</u>	<u>131,426,762</u>

16.1 Amounts due to Related Parties

Abans (Pvt) Ltd

Relationship

Parent Company

35,638,820	21,488,488
<u>35,638,820</u>	<u>21,488,488</u>

16. OTHER LIABILITIES (Contd...)**16.2 Retirement Benefit Liability****Expense on Defined Benefit Plan**

	2012 Rs.	2011 Rs.
Current Service Cost	900,159	1,571,598
Interest Cost on Benefit Obligation	561,933	245,616
(Gain)/Loss arising from changes in the assumptions	<u>(2,515,506)</u>	<u>1,142,581</u>
	<u>(1,053,414)</u>	<u>2,959,795</u>

Defined Benefit Obligation

As at the beginning of the year	5,619,332	2,659,537
Current Service Cost	900,159	1,571,598
Payments made during the year	(849,750)	-
Interest charge for the year	561,933	245,616
(Gain)/Loss arising from changes in the assumptions	<u>(2,515,506)</u>	<u>1,142,581</u>
As at the end of the year	<u>3,716,168</u>	<u>5,619,332</u>

Messrs. Actuarial & Management Consultants (Pvt) Ltd, Actuaries, carried out an actuarial valuation of the defined benefit plan - gratuity on 31 March 2012. Appropriate and compatible assumptions were used in determining the cost of retirement benefits. The principal assumptions used as at 31.03.2012 are as follows:

	2012	2011
Discount Rate	11%	10.00%
Future Salary Increases	10.50%	10.00%
Staff Turnover	25%	34%
Retirement Age	60 years	60 years

17. STATED CAPITAL**17.1 Fully Paid Ordinary Shares**

	2012		2011	
	Number	Rs.	Number	Rs.
	<u>37,000,000</u>	<u>382,373,630</u>	<u>37,000,000</u>	<u>382,373,630</u>

17.2 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.

18. RESERVE FUND

	2012 Rs.	2011 Rs.
At the beginning of the year	9,519,900	1,020,000
Transfers during the year	<u>10,681,600</u>	<u>8,499,900</u>
At the end of the year	<u>20,201,500</u>	<u>9,519,900</u>

Note : Reserve Fund is a capital reserve which contains profits transferred as required by Section 3 (b) (ii) of Finance Companies (Capital Funds) Direction No. 1 of 2003 issued by the Central Bank of Sri Lanka.

19. INVESTMENT FUND

As per the guidelines issued to Registered Finance Companies and Specialized Leasing Companies as proposed by 2011 Budget, the company shall transfer following to build a permanent fund.

(i) 8% of the profits calculated for the payment of VAT on Financial Services as Specified in the VAT Act for payment of VAT

(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.

	2012 Rs.	2011 Rs.
At the beginning of the year	-	-
Transfers during the year	<u>7,833,381</u>	-
At the end of the year	<u>7,833,381</u>	-

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19. INVESTMENT FUND (Contd..)		2012	2011
		Rs.	Rs.
19.1 Utilization of Investment Fund Account (IFA)			
Balance available for utilization as at 01 April 2011		-	-
Total transfer to IFA		7,833,381	-
Total approved loans granted		-	-
Total Investment in Government Securities		5,973,282	-
Balance available for utilization as at 31 March 2012		1,860,099	-
19.2 Investment in Government Securities		Cost of	Outstanding
	Face Value	Investment	Rs.
	Rs.	Rs.	
Treasury Bonds Over 7 years	6,489,100	5,973,282	5,981,817
20. INCOME		2012	2011
		Rs.	Rs.
20.1 Summary			
Gross Income (20.2)		462,637,961	396,244,898
		<u>462,637,961</u>	<u>396,244,898</u>
20.2 Segmental Analysis of Gross Income			
Interest		441,373,663	369,635,871
Real Estate		-	113,730
Fee Based Income		13,869,342	13,990,309
Others		<u>7,394,956</u>	<u>12,504,988</u>
		<u>462,637,961</u>	<u>396,244,898</u>
21. INCOME FROM INTEREST BEARING ACTIVITIES		2012	2011
		Rs.	Rs.
Interest on Leases		65,836,352	54,645,749
Interest on Loans		188,911,050	139,754,204
Interest on Hire Purchases		145,738,731	131,962,947
Overdue Interest		5,759,797	10,485,365
Interest on Bank Deposits		4,984,646	3,261,358
Interest income on Real Estate		541,237	1,386,679
Default Interest		15,051,517	16,899,933
Interest Income on Government Securities		<u>14,550,333</u>	<u>11,239,636</u>
		<u>441,373,663</u>	<u>369,635,871</u>
22. INTEREST EXPENSES		2012	2011
		Rs.	Rs.
Interest on Fixed Deposits		151,044,460	147,167,607
Interest on Savings		29,936,107	27,092,407
Interest on Loans		15,876,817	2,218,848
Interest on Bank Overdrafts		8,225,125	4,361,644
Interest on Commercial Papers		15,222,323	633,948
Interest on Other Borrowings		<u>1,360,260</u>	-
		<u>221,665,092</u>	<u>181,474,454</u>
23. OTHER INCOME		2012	2011
		Rs.	Rs.
Real Estate Profits and Income		-	113,730
Profit from Fee based Activities		13,869,342	13,990,309
Sundry Income		6,888,844	7,739,067
Profit on disposal of Investment Securities		<u>506,112</u>	<u>4,765,921</u>
		<u>21,264,298</u>	<u>26,609,027</u>

24. NET PROFIT STATED AFTER CHARGING THE FOLLOWING EXPENSES**Included in Administrative Expenses**

	2012 Rs.	2011 Rs.
Employees Benefits including the following	65,399,971	53,271,871
- Defined Benefit Plan Costs - Gratuity (included in Employee Benefits)	(1,053,414)	2,959,795
- Defined Contribution Plan Costs - EPF&ETF (included in Employee Benefits)	5,682,767	5,173,164
Depreciation	6,375,585	6,821,541
Auditor's Fees and Expenses	475,000	399,300
Under provision in respect of previous year	81,460	60,410
Profit on Disposal of Property, Plant and Equipment	246	25,785
Directors' Emoluments	6,187,108	5,170,000
Advertising Costs	1,253,422	3,624,004
Litigation Settlements	1,246,243	583,545

25. PROVISION FOR INCOME TAX

The major components of income tax expense for the years ended 31 March are as follows :

Income Statement

	2012 Rs.	2011 Rs.
Current Income Tax		
Current Income Tax Charge (25.1)	11,860,775	12,717,549
Under/(Over) Provision of current taxes in respect of prior years	(206,047)	-
Deferred Income Tax		
Deferred Taxation Charge (25.2)	<u>21,928,693</u>	<u>7,850,833</u>
Income Tax expense reported in the Income Statement	<u><u>33,583,421</u></u>	<u><u>20,568,382</u></u>

25.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :

	2012 Rs.	2011 Rs.
Accounting Profit/(Loss) before Income Tax	86,991,043	63,067,882
Aggregate Disallowed items	187,430,689	186,031,281
Aggregate Allowable Expenses	(226,171,020)	(199,711,460)
Income not subject to Tax	<u>(2,958,146)</u>	<u>(18,912,983)</u>
	45,292,566	30,474,720
Adjusted Profit/(Loss) on Lease	2,932,656	(12,567,963)
Adjusted Profit/(Loss) on Other Businesses	<u>42,359,910</u>	<u>43,042,683</u>
	<u>45,292,566</u>	<u>30,474,720</u>
Taxable Income	45,292,566	43,042,683
Less: Carried Forward Tax Losses	<u>(2,932,656)</u>	<u>(7,243,812)</u>
Taxable Profit	<u>42,359,910</u>	<u>35,798,871</u>
Income Tax Expense at the statutory income tax rate of 28%,(2011-35%)	11,860,775	12,529,605
Social Responsibility Levy 1.5%	-	187,944
	<u>11,860,775</u>	<u>12,717,549</u>
Taxable Loss		
Tax Losses Brought Forward	(11,987,965)	(7,243,812)
Tax Losses of the year	-	(12,567,963)
Tax losses claimed during the year	2,932,656	7,823,810
Taxable Loss Carried Forward	<u>(9,055,309)</u>	<u>(11,987,965)</u>

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

	Balance Sheet		Income Statement	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Deferred Tax Liability				
Capital allowances for tax purposes	4,855,819	8,952,100	(4,096,281)	8,642,026
	<u>4,855,819</u>	<u>8,952,100</u>	<u>(4,096,281)</u>	<u>8,642,026</u>
Deferred Tax Assets				
Defined Benefit Plans	(1,040,527)	(1,966,766)	926,239	(1,035,928)
Provision for Bad and Doubtful Debt	(4,470,107)	(27,705,542)	23,235,435	2,107,520
Brought Forward Tax Losses	(2,535,487)	(4,398,787)	1,863,300	(1,862,785)
	<u>(8,046,121)</u>	<u>(34,071,095)</u>	<u>26,024,974</u>	<u>(791,193)</u>
Deferred Tax Expense			<u>21,928,693</u>	<u>7,850,833</u>
Net Deferred Tax Liability/(Asset)	<u>(3,190,302)</u>	<u>(25,118,995)</u>		

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26. EARNINGS PER SHARE

26.1 Basic Earnings Per Share is calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

26.2 The following reflects the income and share data used in the Basic Earnings Per Share computations.

	2012 Rs.	2011 Rs.
Amounts Used as the Numerators:		
Net Profit Attributable to Ordinary Shareholders for Basic Earnings Per Share	<u>53,407,622</u>	<u>42,499,500</u>
Number of Ordinary Shares Used as Denominators for Basic Earnings per share		
Weighted Average number of Ordinary Shares in issue Applicable to Basic Earnings Per Share	<u>37,000,000</u>	<u>37,000,000</u>

27. MATURITY OF ASSETS AND LIABILITIES

An analysis of the Total Assets employed and Total Liabilities at the year end, based on the remaining at the Balance Sheet date to the respective contractual maturity dates are given below.

	Less than 3 months Rs.	3-12 months Rs.	1-3 years Rs.	Over 3 years Rs.	Total Rs.
Assets					
Cash and amount due from banks	24,020,124	-	-	-	24,020,124
Investments held to Maturity	189,373,583	11,649,823	-	5,981,818	207,005,224
Placements with banks	14,311,578	10,034,778	-	-	24,346,356
Dealing Securities	8,085,928	-	-	-	8,085,928
Investment Securities	-	-	-	80,400	80,400
Loans and Advances	434,466,270	82,549,245	283,085,398	185,192,157	985,293,071
Lease rentals receivable & Stock out on hire	137,655,833	298,751,473	608,950,965	192,431,326	1,237,789,597
Real Estate Stock & Vehicle Stock	5,068,520	-	56,292,073	83,256,607	144,617,200
Other Debtors, Deposits and Prepayments	42,440,040	93,134	-	-	42,533,174
Tax Recoverable	6,602,174	-	-	-	6,602,174
Property, Plant & Equipment	-	-	9,951,627	8,609,730	18,561,357
Deferred Taxation	-	-	3,190,302	-	3,190,302
As at 31.03.2012	<u>862,024,050</u>	<u>403,078,453</u>	<u>961,470,365</u>	<u>475,552,038</u>	<u>2,702,124,907</u>
As at 31.03.2011	<u>760,956,253</u>	<u>454,144,732</u>	<u>632,542,777</u>	<u>299,343,437</u>	<u>2,146,987,199</u>
Liabilities					
Deposits from Customers	801,278,355	651,943,610	161,999,705	18,212,649	1,633,434,319
Borrowings	279,361,953	45,823,548	123,778,479	31,586,491	480,550,471
Other Liabilities	165,154,369	10,415,605	4,681,904	3,845,943	184,097,820
As at 31.03.2012	<u>1,245,794,677</u>	<u>708,182,763</u>	<u>290,460,088</u>	<u>53,645,082</u>	<u>2,298,082,610</u>
As at 31.03.2011	<u>1,044,101,495</u>	<u>494,818,729</u>	<u>165,630,428</u>	<u>91,801,872</u>	<u>1,796,352,524</u>

28. COMMITMENTS AND CONTINGENCIES

28.1 Capital Expenditure Commitments

The Company has no commitments for acquisition of Property, Plant & Equipment incidental to the ordinary course of business.

28.2 There are no significant contingencies as at the Balance Sheet date

29. ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	Carrying Amount Pledged		Included Under
	2012 Rs.	2011 Rs.	
Lease & Hire Purchase Receivables	288,701,571	187,591,429	Lease Rental Receivables and Stock Out on Hire
Lease & Hire Purchase Receivables	378,163,725	138,299,225	Lease Rental Receivables and Stock Out on Hire
Real Estate -Panadura Land	<u>37,307,266</u>	<u>37,307,266</u>	Real Estate
	<u>704,172,562</u>	<u>363,197,920</u>	

30. FINANCIAL REPORTING BY SEGMENT

	Lease & Stock out on Hire		Term Loans		Real Estate		Others		Total	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Interest	228,425,669	213,993,994	192,871,778	139,754,204	541,237	1,386,679	19,534,979	14,500,994	441,373,663	369,635,871
Real Estate	-	-	-	-	(69,640)	113,730	-	-	(69,640)	113,730
Fee Based Income & Others	<u>9,718,731</u>	<u>12,085,959</u>	<u>2,893,063</u>	<u>1,904,350</u>	-	-	<u>8,722,143</u>	<u>12,504,988</u>	<u>21,264,298</u>	<u>26,495,297</u>
Total Revenue	<u>238,144,400</u>	<u>226,079,953</u>	<u>195,764,841</u>	<u>141,658,554</u>	<u>471,597</u>	<u>1,500,409</u>	<u>28,257,122</u>	<u>27,005,982</u>	<u>462,568,321</u>	<u>396,244,898</u>
Unallocated Expenses									<u>(375,646,918)</u>	<u>333,177,016</u>
Profits/(Loss) before Tax									<u>86,921,403</u>	<u>63,067,882</u>
Income Tax expenses									<u>(33,583,421)</u>	<u>(20,568,382)</u>
Net Profit/(Loss) for the period									<u>53,337,982</u>	<u>42,499,500</u>
Segment Assets	<u>1,237,789,597</u>	<u>895,253,101</u>	<u>985,293,071</u>	<u>788,823,034</u>	<u>139,548,680</u>	<u>135,883,066</u>			<u>2,362,631,348</u>	<u>1,819,959,201</u>
Unallocated Assets	-	-	-	-	-	-			<u>339,493,559</u>	<u>327,027,998</u>
Total Assets	<u>1,237,789,597</u>	<u>895,253,101</u>	<u>985,293,071</u>	<u>788,823,034</u>	<u>139,548,680</u>	<u>135,883,066</u>			<u>2,702,124,907</u>	<u>2,146,987,199</u>
Unallocated Liabilities									<u>2,298,082,610</u>	<u>1,796,352,524</u>
Total Liabilities									<u>2,298,082,610</u>	<u>1,796,352,524</u>

31. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

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

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32. RELATED PARTY DISCLOSURES

The Key Managerial Personnel of the Company are the members of its Board of Directors. Following transactions are entered into between the Company and its Key Management Personnel and their close family members.

32.1 Transactions with individuals and their close family members who have significant voting power of the Company.

a) Compensation to Key Managerial Personnel

	2012 Rs.	2011 Rs.
Short Term Employee Benefits	6,187,108	5,170,000
	<u>6,187,108</u>	<u>5,170,000</u>
	2012 Rs.	2011 Rs.
	75,000,000	77,000,000
	83,712,977	8,278,405

b) Other transactions with Key Managerial Personnel

Fixed Deposits/Promissory Notes accepted during the year
Fixed Deposits/Promissory Notes held at the beginning of the year

32.2 Transactions with entities that are controlled, jointly controlled or significantly influenced by Key Managerial Personnel or their close member of family, or shareholders who have either control, significant influences or joint control over entity.

Nature of Transaction	Abans Limited Parent Company		Other Related Parties **		Total	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Value Rs.	2011 Value Rs.
Fixed Deposits Accepted during the year	-	-	15,500,000	8,191,836	15,500,000	8,191,836
Fixed Deposits held at the end of the year	-	-	31,218,876	14,196,030	31,218,876	14,196,030
As at 1 April 2011	(21,488,449)	(16,500,121)	3,909,991	55,334,797	(17,578,458)	38,834,676
Purchase of Articles Consumer Credit Granting	-	4,556,628	(28,729,035)	(14,157,428)	(28,729,035)	(9,600,800)
Receivable on Repossessed Consumer Durable Items	1,900,000.00	-	299,153	-	2,199,153	-
Purchase of Fixed Assets	(598,060)	-	-	-	(598,060)	-
Rent Income Recognized & Expense Recoveries	2,065,967	1,394,832	2,166,568	1,088,640	4,232,534	2,483,472
Rent Expense Paid	-	-	(617,143)	(613,559)	(617,143)	(613,559)
Funds Transferred from the Company	110,943,801	-	-	-	110,943,801	-
Funds Transferred to the Company	(126,202,705)	-	-	(10,000,000)	(126,202,705)	(10,000,000)
Settlements Paid/(Received)	(2,259,374)	-	26,588,458	(27,742,459)	24,329,084	(27,742,459)
As at 31 March 2012	<u>(35,638,820)</u>	<u>(21,488,449)</u>	<u>3,617,992</u>	<u>3,909,991</u>	<u>(32,020,829)</u>	<u>(6,638,670)</u>

**Other Related Parties include the following companies

Abans Graphics (Pvt) Ltd
Abans Marketing (Pvt) Ltd
Crown City Developers (Pvt) Ltd
Abans Retail (Pvt) Ltd

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

BALANCE SHEET

As At 31 March	2006	2007	2008	2009	2010	2011	2,012
ASSETS							
Cash & Amounts Due from Banks	2,132,191	1,725,904	13,739,953	4,525,613	7,771,603	12,497,605	24,020,124
Government Security	15,500,000	-	55,093,236	73,315,520	65,878,767	154,636,199	207,005,224
Placements with other Banks	-	-	8,500,000	15,000,000	42,401,609	64,446,969	24,346,356
Dealing Securities	-	-	-	-	-	11,710,673	8,085,928
Loans & Advances	-	45,256,723	140,794,501	194,209,439	324,568,604	788,823,034	985,293,071
Lease Rentals Receivable & Stock out on Hire	50,828,896	498,283,954	747,511,231	1,012,680,534	777,541,018	895,253,101	1,237,789,597
Real Estate Stock	-	8,202,436	131,738,766	133,343,132	136,058,707	135,883,066	144,617,200
Other Debtors, Deposits and Prepayments	29,725,954	27,130,810	46,752,731	55,775,411	79,322,350	35,216,135	42,533,174
Investment Securities	-	80,400	80,400	80,400	80,400	80,400	80,400
Tax Recoverable	-	-	-	10,727,880	13,345,635	6,468,996	6,602,174
Property, Plant & Equipment	22,698,535	23,953,967	25,741,470	27,976,307	18,682,524	16,852,026	18,561,357
Deffered Taxation	-	-	-	-	32,969,828	25,118,995	3,190,302
TOTAL ASSETS	120,885,576	604,634,194	1,169,952,288	1,527,634,236	1,498,621,045	2,146,987,199	2,702,124,907
LIABILITIES							
Deposits from Customers	-	-	396,825,828	591,000,333	1,009,533,058	1,486,357,557	1,633,434,319
Borrowings	-	122,846,756	270,548,254	477,203,912	92,607,209	178,568,205	480,550,471
Accrued Charges	6,580,711	78,237,303	76,906,007	79,202,217	85,686,066	-	-
Retirement Benefit Liability	147,500	553,000	1,038,000	2,589,813	2,659,537	-	-
Tax Payable	-	4,361,619	14,573,005	-	-	-	-
Deffered Taxation	1,816,250	2,524,250	3,952,104	4,773,242	-	-	-
Other Liabilities	-	-	-	-	-	131,426,762	184,097,820
Total Liabilities	8,544,461	208,522,928	763,843,198	1,154,769,517	1,190,485,870	1,796,352,524	2,298,082,610
SHAREHOLDERS' FUNDS							
Stated Capital	109,000,070	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630	382,373,630
Reserve Fund	-	520,000	1,020,000	1,020,000	1,020,000	9,519,900	20,201,500
Investment Fund	-	-	-	-	-	-	7,833,381
Retained Earnings	3,341,045	13,217,636	22,715,460	(10,528,911)	(75,258,455)	(41,258,855)	(6,366,214)
Total Equity	112,341,115	396,111,266	406,109,090	372,864,719	308,135,175	350,634,675	404,042,297
TOTAL EQUITY & LIABILITIES	120,885,576	604,634,194	1,169,952,288	1,527,634,236	1,498,621,045	2,146,987,199	2,702,124,907
INCOME STATEMENT							
For the Year Ended 31 March	2006	2007	2008	2009	2010	2011	2,012
Income	7,688,624	76,546,200	205,558,532	354,520,565	287,674,710	396,244,898	462,637,961
Interest Income	7,688,210	68,574,205	184,543,497	338,696,974	269,854,363	369,635,871	441,373,663
Interest Expense	-	(7,371,583)	(73,383,478)	(230,983,120)	(191,575,112)	(181,474,454)	(221,665,092)
Net Interest Income	7,688,210	61,202,622	111,160,019	107,713,854	78,279,251	188,161,417	219,708,571
Other Income	414	7,971,995	21,015,035	15,823,591	17,820,347	26,609,027	21,264,298
Staff Costs	(832,604)	(13,784,793)	(28,824,745)	(40,850,660)	(36,157,265)	(53,341,872)	(65,399,971)
General & Admin. Expenses	(1,618,437)	(33,096,306)	(52,934,768)	(71,503,988)	(67,224,035)	(70,204,434)	(76,027,577)
Provision For Bad Debts	-	(326,633)	(13,939,427)	(31,333,036)	(95,177,038)	(19,220,718)	4,174,981
VAT on F/S	(80,288)	(6,269,391)	(6,825,205)	(1,192,032)	-	(8,935,538)	(8,379,298)
Profit/(Loss) Before Income Tax	5,157,295	15,697,494	29,650,909	(21,342,271)	(102,458,740)	63,067,882	86,991,043
Income Tax (Expenses)/Reversal	(1,816,250)	(5,300,903)	(19,653,086)	(2,306,621)	37,729,196	(20,568,382)	(33,583,421)
PROFIT/(LOSS) FOR THE YEAR	3,341,045	10,396,591	9,997,823	(23,648,892)	(64,729,544)	42,499,500	53,407,622

INCOME STATEMENT

Six Months Ended

	31 Mar '2012 Rs.	30 Sep '2011 Rs.
Gross Income	239,735,976	222,901,985
Interest Income	229,825,827	211,547,836
Interest Expense	(115,897,246)	(105,767,846)
Net Interest Income	113,928,581	105,779,990
Other Income	9,910,149	11,354,149
	123,838,730	117,134,139
Less: Operating Expenses		
Staff Costs	(35,085,234)	(30,314,736)
General & Administration Expenses	(36,595,285)	(39,432,292)
Provision for Bad and Doubtful Debts	13,084,514	(17,259,495)
Profit/(Loss) before VAT on Financial Service and Income Tax	65,242,725	30,127,616
Value Added Tax on Financial Services	(5,258,794)	(3,120,504)
Profit/(Loss) before Income Tax	59,983,931	27,007,112
Income Tax (Expenses) / Reversal	(27,903,883)	(5,679,538)
Net Profit / (Loss) for the period	32,080,048	21,327,574

BALANCE SHEET

	As at 31 Mar '2012	As at 30 Sep '2011
ASSETS		
Cash and amounts due from banks	24,020,124	13,711,689
Investments held to Maturity	207,005,224	149,435,083
Placements with Banks	24,346,356	80,914,190
Dealing Securities	8,085,928	9,769,429
Investment Securities	80,400	80,400
Loans and Advances	985,293,071	939,291,864
Lease rentals receivable & Stock out on hire	1,237,789,597	940,285,823
Real Estate & Vehicle Stock	144,617,200	140,663,066
Other Debtors, Deposits and Prepayments	42,533,174	40,536,196
Tax Recoverable	6,602,174	3,912,052
Property, Plant & Equipment	18,561,357	16,448,939
Deferred Taxation	3,190,302	25,118,995
TOTAL ASSETS	2,702,124,907	2,360,167,726
LIABILITIES		
Deposits from Customers	1,633,434,319	1,576,784,457
Borrowings	480,550,471	250,540,855
Other Liabilities	184,097,820	160,880,164
Total Liabilities	2,298,082,610	1,988,205,476
SHAREHOLDERS' FUNDS		
Stated Capital	382,373,630	382,373,630
Reserve Fund	20,201,500	9,519,900
Investment Fund	7,833,381	3,681,753
Retained Earnings	(6,366,214)	(23,613,033)
Total Equity	404,042,297	371,962,250
TOTAL EQUITY AND LIABILITIES	2,702,124,907	2,360,167,726

1. Stock Exchange

The Company's Ordinary Shares were listed with the "Dirisavi Board" of the Colombo Stock Exchange (CSE) with effect from 30th June 2011. Income Statement the company have been submitted to the Colombo Stock Exchange within three months of the Balance Sheet date.

2. Number of Ordinary Shareholders as at 31st March 2012 : 462 (as at 31.03.2011 - 179)

Stated Capital of the Company solely represents Voting Ordinary Shares

No. of Shares held	Resident			Non-Resident			TOTAL	%	
	No. of Shareholders	No. of Shares	%	No. of Shares held	No. of Shareholders	No. of Shares			
1-1,000	340	116,383	0.32	1-1,000	2	1,001	0.003	117,384	0.32
1,001-5,000	79	206,080	0.55	1,001-5,000	Nil	Nil	Nil	206,080	0.56
5,001-10,000	14	109,934	0.29	5,001-10,000	Nil	Nil	Nil	116,734	0.31
10,001-50,000	8	163,200	0.44	10,001-50,000	Nil	Nil	Nil	163,200	0.44
50,001-100,000	5	433,267	1.17	50,001-100,000	Nil	Nil	Nil	433,267	1.17
100,001-500,000	10	3,196,535	9.62	100,001-500,000	1	370,000	1	3,566,535	9.64
500,001 - 1,000,000	2	1,208,233	3.27	500,001 - 1,000,000	Nil	Nil	Nil	1,208,233	3.27
Over 1,000,000	1	31,195,367	84.31	Over 1,000,000	Nil	Nil	Nil	31,195,367	84.31
TOTAL	459	36,628,999	98.997		03	12,000	1.003	37,000,000	100.00

There were 459 resident shareholders as at 31st March 2012.

	31st March 2011			31st March 2012		
	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Individuals	173	5,484,633	14.82	450	5,588,193	15.10
Institutions	6	31,515,367	85.18	12	31,411,807	84.9
	179	37,000,000	100.00	462	3,700,000	100.00

3. Twenty Largest Ordinary Shareholders as at 31st March 2012

	31-March-2012		31-March-2011	
NAME OF THE SHAREHOLDER	AMOUNT	(%)	AMOUNT	(%)
ABANS (PRIVATE) LIMITED	31,195,367	84.31	31,195,367	84.31%
MR. P N PESTONJEE	674,899	1.82	666,669	1.80%
MR. B PESTONJEE	533,334	1.44	533,334	1.44%
MRS. H G S CHANDRAKANTHI	370,000	1.00	-	0.00%
MRS. M V I F FERNANDO	370,000	1.00	370,000	1.00%
MR. A H A JAYASINGHE	370,000	1.00	370,000	1.00%
MR. D S KARUNAKARAN	370,000	1.00	370,000	1.00%
MR. K KUNENTHIRAN	370,000	1.00	370,000	1.00%
MR. N N PERERA	370,000	1.00	370,000	1.00%
MR. P K PESTONJEE	370,000	1.00	370,000	1.00%
MISS. C V SUMANADASA	370,000	1.00	370,000	1.00%
Mr S C H GAMAGE	-	0.00	370,000	1.00%
MISS. I N JALALDEEN	366,400	0.99	370,000	1.00%
MRS. S DUBASH	133,334	0.36	133,334	0.36%
MR. R PESTONJEE	106,801	0.29	103,501	0.28%
AB SECURITAS (PRIVATE) LIMITED	100,000	0.27	100,000	0.27%
CLEANTECH PVT LTD	100,000	0.27	100,000	0.27%
A B COLD STORAGE (PRIVATE) LIMITED	100,000	0.27	100,000	0.27%
MRS. A PESTONJEE	66,667	0.18	66,667	0.18%
MR. S G SALGADO	66,600	0.18	66,600	0.18%
MR. G C GOONETILLEKE	30,000	0.08	30,000	0.08%
OTHERS	566,598	1.53	574,528	1.55%
TOTAL	37,000,000	100.00	37,000,000	100%

Public Holding - 14.16%

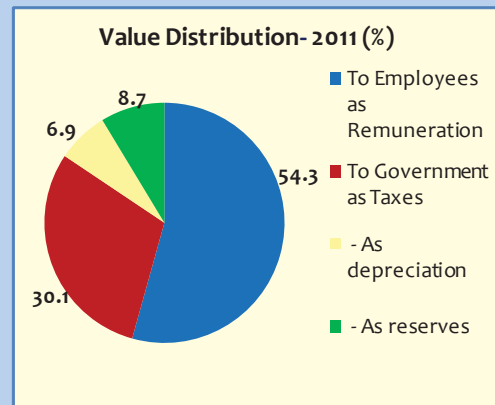
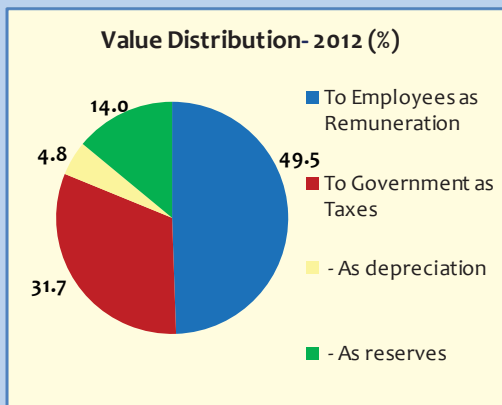
4. Market Price

	2011 / 12	2010 / 11
Lowest Market Price (Rs.)	37.00	-
Highest Market Price (Rs)	116.20	-
Price as at 31st March (Rs.)	40.30	-
Market Capitalisation as at 31st March (Rs. Mn)	1,491.11	-

5. Dividend

In terms of the Companies Act No. 7 of 2007, the Directors are not empowered to declare / recommend a Dividend to shareholders since the company does not satisfy the "Solvency Test" requirement.

For the year ended 31 March	2012 Rs. '000	%	2011 Rs. '000	%
Value Added				
Income earned by providing Financial Services	462,638		396,245	
Cost of Services	(330,385)		(298,077)	
Total	132,253		98,168	
Value Allocated to				
Employees as Remuneration	65,400	49.5	53,342	54.3
Government as Taxes	41,962	31.7	29,504	30.1
Shareholders as Dividends	-	-	-	-
Retained within the Business				
- As depreciation	6,376	4.8	6,822	6.9
- As reserves	18,515	14.0	8,500	8.7
Total	132,253		98,168	



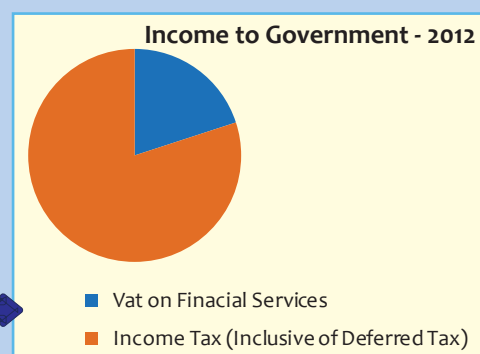
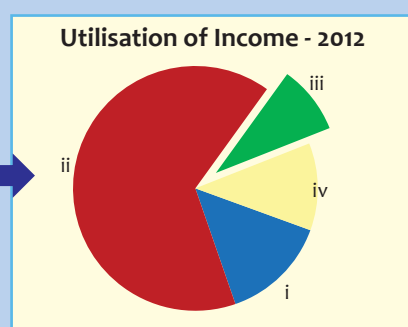
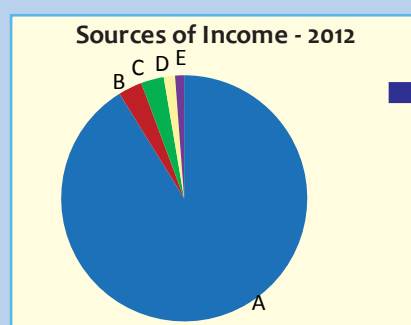
For the year ended 31 March	2012 Rs. '000	2011 Rs. '000	2010 Rs. '000	2009 Rs. '000	2008 Rs. '000
Sources of Income					
Interest Income from Loans & Advances	421,839	355,135	262,020	321,060	182,373
Interest Income from Government Securities	14,550	11,240	5,963	15,397	1,790
Fee based Income	13,869	13,990	11,846	6,518	6,780
Sundry Income	6,889	7,739	5,591	5,447	5,969
Others	5,491	8,141	2,255	6,099	8,647
Total	462,638	396,245	287,675	354,521	205,559
Utilisation of Income					
To Employees					
Salaries & Other Employee Benefits	65,400	53,342	36,157	40,851	28,825
To Suppliers					
Interest Paid	221,665	181,474	191,575	230,983	73,383
Other Expenses	80,203	89,425	162,403	93,587	66,875
To Government					
Provision for Vat on Financial Services	8,379	8,936	-	1,192	6,825
Provision for Income Tax (Inclusive of Deferred Tax)	33,583	20,568	(37,730)	2,307	19,653
To Shareholders					
Dividends	-	-	-	9,250	-
Retained Profit	53,408	42,500	(64,730)	(23,649)	9,998
Total	462,638	396,245	287,675	354,521	205,559

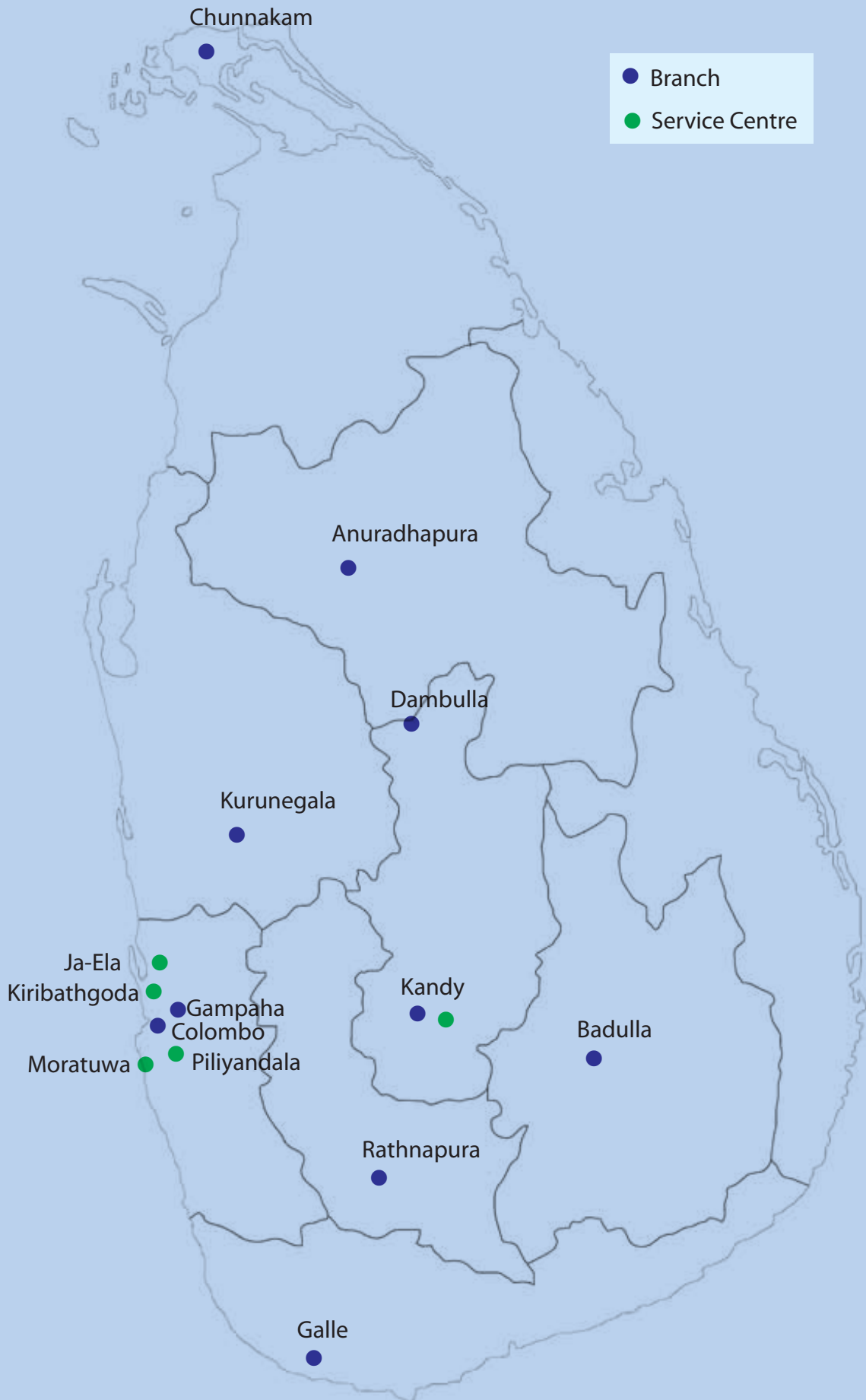
Sources of Income

- A. Loans & Advances
- B. Government Securities
- C. Fee based Income
- D. Sundry Income
- E. Others

Utilisation of Income

- i. Employees
- ii. Suppliers
- iii. Government
- iv. Shareholders





	ADDRESS	DIRECT NO	FAX NO/ E- MAIL	CONTACT PERSON
01. HEAD OFFICE	NO.400,Galle Rd, Colombo 03.	011 2375531-3	011 2375517 finance@abansgroup.com	M. K. Nambiyarooran
02. ANURADHAPURA	No.561/12, Maithreepala Senanayake Mw., Anuradhapura.	025 3856947	025 2234557 afslapr@abansgroup.com	H. M. I. Bandara
03. BADULLA	NO.45, Cococwatte Rd., Badulla.	055 3357730	055 2222101 afslbdu@abansgroup.com	P.H.H. Kumara
04. DAMBULLA	Sujatha Building, Kurunegala Junction, Dambulla.	066 3669876	066 2285000 afslidam@abansgroup.com	M Jamis Jayathilake
05. GALLE	No.71 1/7, Velsen Square, Off Olcott Mw., Galle.	091 3907720	091 2227122 afsigal@abansgroup.com	J. G. Chinthaka
06 .GAMPAHA	No.2B Holy Cross Rd., Gampaha.	033 3438602	033 2234970 afsigam@abansgroup.com	P. A. U. Ashan Ranga Perera
07.KANDY CITY CENTER	L1-17, Kandy City Center, No 5, Dalada Veediya, Kandy	081 2220744	081 2220745 afsilkc@abansgroup.com	B.W.S.R Gunawardana
08. KURUNEGALA	No. 19, Baudhhaloka Mw.,Kurunegala.	037 3877888	037 2222611 afsilkr@abansgroup.com	R.W.M. Jayantha Wijewardana
09. RATHNAPURA	No 139/1,Zeena Building, Main Street, Rathnapura.	045 3457777	045 2226873 afsilrtp@abansgroup.com	H. W. D. A. Sujeewa Kumara
10. CHUNNAKAM	No. 160 1/1 1/2 K K S Rd., Chunnakam	021 3207686	021 2241124 afsilchu@abansgroup.com	N. Sooriyanathan
CUSTOMER SERVICE CENTERS				
01.JA-ELA	No.17 Negambo Rd.,Ja-ela	011 3144338	011 2240224	A. M. A. U. Jayasekara
02.KIRIBATHGODA	No.246 C, Kandy Rd.,Kiribathgoda, Kelaniya.	011 3144342	011 2918925	A. H. Dilrukshi
03.MORATUWA	No.120, Galle Rd., Moratuwa.	011 3052200	011 2649077	G. S. Alahapperuma
04.PILIYANDALA	No.28,Swarnapla Mawatha, Piliyandala.	011 3034200	011 2604639	R. M. N. H. Wickramarathna
05. KANDY	1st Floor, Arpico Building, 123, D. S Senanayaka Veediya, Kandy.	081 3827710 081 3842720	081-2205675 afsilky@abansgroup.com	B.W.S.R Gunawardana

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.

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 repealed the Finance Companies Act, No 78 of 1988 and 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.

Cost Income Ratio

Operating expenses as a percentage of net income.

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.

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.

E**Earnings per Share (EPS)**

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue

Equity

Total of shareholders funds which comprises of Share Capital, Statutory and Other Reserves.

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.

Interest Margin

Net interest income as a percentage of average interest earning assets.

Interest Spread

This represents the difference between the average interest rate earned and the average interest rate paid on funds.

Interest Bearing Liabilities

Liabilities on which the Company is paying interest.

Interest in Suspense

Interest suspended on Non-Performing Loans, Lease, Hire Purchase and Advances.

Investment Securities

Securities acquired and held for yield or capital growth purposes and are usually held to maturity.

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.

Loan/Credit Losses and Provisions

Amounts set aside against possible losses on loans, advances and other credit facilities as a result of such facilities becoming partly or wholly uncollectible.

M

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, credit spreads and other asset prices.

Market Capitalization

Number of ordinary shares in issues multiplied by the market value of a share as at the year end.

N

Net-Interest Income (NII)

The difference between what a Companies 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 are 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 Intrest in Suspese).

NPL Ratio (Net)

Total Non-Performing Advances as a percentage of total advances portfolio.(Net of Intrest in Suspese 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

Provision for Bad and Doubtful Debts

A charge to income which is added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (primarily loans) to estimated realizable values.

Price Earnings Ratio

A valuation ratio of a company's current share price compared to its per-share earnings. It can be calculated by dividing the Market value per share by Earnings per share.

Return on 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.

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**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 2001 which repealed the Finance Companies Act No. 78 of 1988.

T**Tier 1 Capital**

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

Tier 2 Capital

Tier 2 Capital or Supplementary Capital represents total of Re-valuation Reserves, General Provisions and Subordinated Debt.

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 IS HEREBY GIVEN that the SIXTH ANNUAL GENERAL MEETING OF ABANS FINANCE PLC will be held on Thursday 28th June 2012 at 2.00 p.m. at the Organisation of Professional Associations of Sri Lanka, No. 275/75, Prof. S. Wijesundara Mawatha, Colombo 7 for the following Purposes;

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the company and the Statement of Audited Accounts for the year ended 31st March 2012 with the Report of the Auditors thereon.
2. To re-elect Mr. Rusi Pestonjee who retires at the Annual General Meeting as a Director in terms of Article 26 (5) of the Articles of Association of the company.
3. 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.
4. To consider and approve the following as a Special Resolution:

“Resolve to amend sub section (1) of Article 34- Quorum, of the Articles of Association by adding the following sentence immediately after the first sentence:

“At least one half of the number of Directors constituting the quorum at a meeting shall be Non-Executive Directors.””

BY ORDER OF THE BOARD

Varners International (Pvt) Ltd.,
Company Secretaries of Abans Finance PLC,
Level 14, West Tower,
Echelon Square,
World Trade Centre,
Colombo 1
31st May 2012

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 3, or at the office of the Secretaries at Level 14, West Tower, World Trade Centre, 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.

I/We.....of
.....

Being a member /members of Abans Finance PLC, hereby appoint ;

Mr. R. Pestonjee	of Colombo or failing him
Mrs. S. Dubash	of Colombo or failing her
Mr. K.B. Wanigasekara	of Colombo or failing him
Mr. C.D. Pathirana	of Colombo or failing him
Mr. V.K. Choksy	of Colombo or failing him
Mr. T. Someswaran	of Colombo or failing him

..... of.....
.....(National Identity Card No.....) 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 Thursday 28th June 2012 at 2.00 P.M.
and at every poll which may be taken in consequence of the aforesaid meeting and at any adjournment
thereof.

	For	Against
01. To receive and adopt the Report of the Directors and the Audited Financial Statement for the year ended 31st March 2012 and the Report of the Auditors thereon.
02. To re-elect Mr. Rusi Pestonjee as a Director
03. To re-appoint Messrs. Ernst & Young, the Auditors for the ensuing year and to authorize the Directors to determine their remuneration.
04. Approve the Special Resolution to amend Article 34(1) of the Articles of Association.

Signed this..... day of June 2012

.....
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 3 or at the office of the Secretaries at Level 14, West Tower, World Trade Centre, Echelon Square, Colombo 1, after crossing out one or the other of the alternate 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 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 been registered with the Company.
4. If the Shareholder is a Company or a 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 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.

Form of Attendance

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Abans Finance PLC
Annual Report 2011 / 2012

I/We *hereby record my / our* presence at the Sixth Annual General Meeting of Abans Finance PLC on 28th June 2012 at 2.00 pm at the Organization of Professional Association of Sri Lanka at No.275/75, Prof. Stanley Wijesundara Mawatha, Colombo 07.

Full Name of Share Holder	
National Identity Card Number	
Address	
Name of Proxy holder (If applicable)	
National Identity Card Number of Proxy holder	
Address of Proxy holder	
Number of shares held	

* Please delete what is inapplicable

.....
Signature of Shareholder

.....
Date

Note :

- (i) Shareholders are requested to bring this Form of Attendance when attending the Meeting and hand it over at the entrance to the meeting hall.
- (ii) Shareholders appointing proxies (other than the Directors of the Company) to attend the Meeting are requested to indicate the National Identity Card Number of the Proxy holder on the Form of Proxy.

Corporate Information

Name of the Company

Abans Finance PLC

Legal Form

A Public Limited Liability Company Incorporated in Sri Lanka on 8th 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

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,
Colombo 10

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

VAT Registration No.

134012439-7000

Board of Directors

Mr. R. Pestonjee

Chairman

Mr. Kithsiri Wanigasekara

Managing Director

Mrs. S. Dubash

Non-Executive Director

Mr. C. D. Pathirana

Non-Executive Director

Mr. V.K. Choksy

Senior Independent Non-Executive Director

Mr. T. Someswaran

Independent Non-Executive Director