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Annual Report



Capital Reach Leasing Plc

VISION

To be the preferred non banking financial institution in Sri Lanka.

MISSION

- To strive to delight our customers through custom made financial solutions, served through our professional and highly motivated team, committed to excellence.
- To create shareholder value through stability and above average returns
- To sustain our continued commitment to being a good corporate citizen, and make a positive contribution to the community and environment.

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Corporate Information

Name of the Company
Capital Reach Leasing PLC

Holding Company
Capital Reach Holdings Limited

Legal Form
Incorporated under the Companies Act No 17 of 1982
Date of Incorporation 24th August 1999.
Re-registered under the Companies Act No. 7 of 2007 on
29th September 2008.
Registered under the Finance Companies Act No. 78 of 1988
Registered under the Finance Leasing Act No. 56 of 2000.
Approved Credit Agency under the Mortgage Act No 6 of
1949 and Inland Trust receipts Act No 14 of 1990
Quoted in the Colombo Stock Exchange on January 22, 2009

Company Registration Number
PB641PQ

Tax Payer Identification Number (TIN)
134008350

Accounting Year End
31st March

Registered Office
No.1, Lake Crescent
Colombo 2

Principal Place of Business
No 1, Lake Crescent, Colombo 2
Tel : 94-11- 2307284 - 8
Facsimile : 94 11 2307289
E-mail : leasing@capitalreach.lk
Website : www.capitalreach.lk

Secretaries
P W Corporate Secretarial (Pvt) Ltd
3/17, Kynsey Road, Colombo 8

Auditors
Messrs. Nihal Hettiarachchi & Co.
Chartered Accountants
"RNH HOUSE"
622B, Kotte Road, Kotte

Bankers
HSBC
DFCC Vardhana Bank
Sampath Bank
Bank of Ceylon
Commercial Bank
Seylan Bank
Hatton National Bank
Pan Asia Banking Corporation

Legal Advisors to the Company
Nithya Partners
No. 51, Gregory's Road
Colombo 7

Board of Directors
Mr. Mayura Fernando (Chairman)
Mr. Nalin Wijekoon (Managing Director)
Mr. Daya Muthukumarana
Mr. Ranjit De Silva
Mr. C Ramachandra
Mr. B.H.S.Jayawardene
Mr. P.A.Schaffter
Mr. H.L.L.M. Nanayakkara

Management Committee
Mr. Mayura Fernando - Chairman
Mr. Nalin Wijekoon - Managing Director
Ms. Devika Gunasekera - AGM
Mr. Rohana Dahanayake - AGM
Mr. Sanjaya Vithanage - AGM
Mr. Sampath Hewapathirana - AGM
Mr. Manoj Kumar - SM
Mr. Nalinda Ranaraja - SM

Chairman's Review



I welcome all the shareholders to our 9th Annual general meeting. With the new investors who invested in our Company at the Offer for Sale and the others who bought our shares in the market subsequently we are going in to this Annual General meeting with a much larger

number of shareholders. Despite adverse market conditions at the time of the offer, the offer for Sale in December 2008 was very successful. The Offer for Sale was promoted as a medium term investment and we are confident that the investors will receive a fair return over the next few years.

The first half of the Calendar year 2009 witnessed a crisis in the Financial Services industry. Loss of public confidence and the resultant erosion of deposit bases created serious liquidity issues in many Finance and Leasing Companies. Drying up of bank funding and other sources of funding aggravated the situation further. Prudent Risk Management Policies and proactive management of the cash flows allowed us to pass through this period further strengthening the trust and confidence placed on us by our valued depositors. However we too slowed down our lending activities due to the unsettled environment.

In spite of a slow last quarter Capital Reach Leasing achieved a 20% growth in the lending portfolio and a growth of 49% in the gross income during the financial year 2008/09. The total assets of the Company grew by 14% to Rs. 1,167 Mn by the end of that year. We invested in the expansion of the activities of the Company in the first three quarters but were unable to obtain the full benefit due to the slowing down in the last quarter. That together with the additional expenses incurred in the Offer for Sale brought our profitability down and the year under review reports a marginally lower net profit compared to the previous year. Over the period of last three years your Company has grown many folds. The Assts and Income of 2008/09 shows a growth of 195% and 412% respectively compared to the financial year 2005/06 - the first period under Capital Reach. The profitability grew at a lower phase due to the investments in technology, office infrastructure, human resources and promotional activities. These investments are expected bring longer term benefits improving the future profits at a higher rate.

During this year too we stuck to our core business of lending. Only exception was a very small property development project at a cost of Rs. 20Mn. The additions to the lending portfolios mainly came from medium size facilities given to SME sector as in the previous years. The

volumes were fairly distributed geographically with the help of our branches. The growth of the lending portfolio was funded by Fixed Deposits, Securitization of receivables and Bank Loans. A notable change in the funding mix was the dominance of public deposits vis a vis the other two sources. To further diversify our avenues of funding the Company introduced Savings Accounts in August last year. The response we received for the new product was so encouraging and we believe this will be an important part of the composition of future funding.

It is our firm belief that the end of the war will bring a prosperous new era in the history of our motherland. Expected development activities both public and private will certainly create ample business opportunities to the Sri Lankan entrepreneurs. The development of Agriculture and Fisheries in those areas together with the much larger volumes of trade with the rest of the country could be a long awaited stimulus to revive our economy. Low inflation and the falling interest rates will provide further inputs to accelerate the economic activities at all levels. We look forward for a period of low interest rates as it will change the risk profile of the lending business very favorably.

Capital Reach Leasing intends to capitalize on the solid base of good lending portfolios by expanding the lending activities at a faster rate. Our plan is to achieve a higher share of the Leasing and Hire Purchase markets within the next few quarters. Expansion of the Branch network and the further consolidation in the current areas we operate are expected. To fuel this growth of activities we plan to further strengthen the equity base of the Company as well as the total debt. Issue of listed debt securities too has been identified as a source of further funding. The listing of the Company shares at the Colombo Stock Exchange provides new avenues of equity and debt issues.

I thank all the shareholders who expressed their confidence by investing in the shares of Capital Reach Leasing PLC. Creating good shareholder value is one of our prime objectives. I express my deepest gratitude to all our depositors for continued trust placed on us during the period of one of the worst industry crisis in the recent history. I thank the Board of Directors, the Managing Director, the Senior Management and all the members of staff for working tirelessly to achieve what we have achieved during the year. On behalf of the staff and the Board of Directors I place on record our appreciation for two members of the Board who resigned from the Board, Mr. Ranil Pathirana and Mr. Nihal Rajapakse for their invaluable contributions.

Sgd. Mayura Fernando
Chairman
17th June 2009.

Managing Director's Review



Year 2008/2009 saw unparalleled changes sweep across the world. The first half of the year was marked by inflation in Sri Lanka recording its highest ever as well as crude oil prices touching its highest ever. The most striking event was the collapse of the US Financial system in

September 2008 due to the sub mortgage crisis, which reverberated around world destabilizing the world's financial sector. We in Sri Lanka were not wholly immune to these developments. On a positive note, to the latter part of the financial year we saw the 26 year old conflict in North East coming to an end with a resounding victory over LTTE foretelling of better things to come.

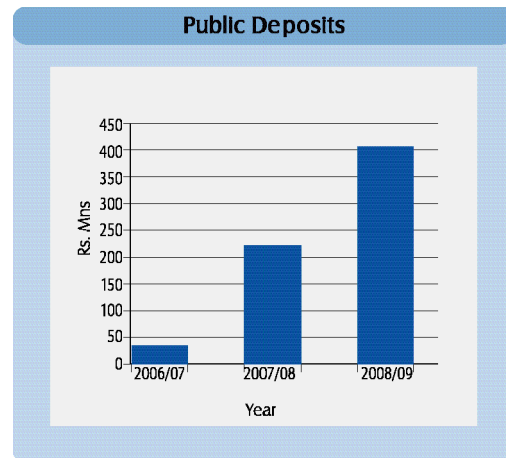
Sri Lanka experienced a deepening of the economic crisis during the year and although, the GDP showed a growth of 6% during the year it was lower than the growth of previous year of 6.8%. The RFC and Leasing sector grew by 17% which was lower than the 26% or more shown during previous years

CRL too continued to grow although as a slower pace. CRL managed to increase its asset base, gross/operating income, and the deposit base while the profits remained flat. The biggest achievement for the year was, CRL becoming a quoted public company in the Colombo Stock Exchange in January 2009. Remarkably ours was one of only two IPOs to be filed during the year. The demand in the market for a well governed company with a quality asset base was demonstrated, in the IPO being over subscribed even in a bearish market. CRL conducted seminars all over Sri Lanka to get the message across to the masses.

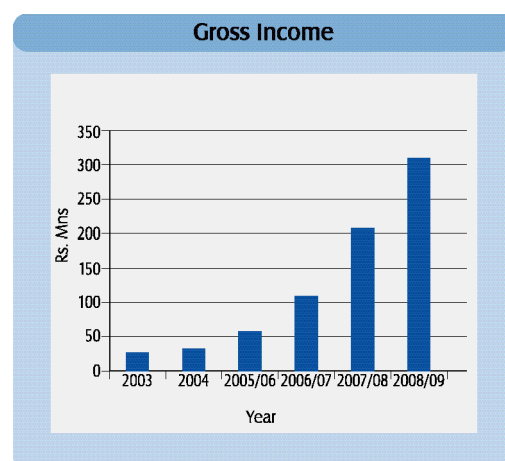
Performance

The fixed deposit portfolio increased by 80% during the year and CRL managed to keep the confidence of the customers even during the critical period of post "Golden Key" Collapse, where there was panic in the market with regard to the RFC sector. CRL continued to increase its deposit base throughout the year and maintained good renewal ratios, despite renewal cycles becoming shorter due to market conditions.

The increase in income by 49% reflected the portfolio growth of 20% and asset base growth of 14%. We were able to achieve this growth in the midst of an economic down turn and a deepening recession in the country. We successfully tapped into sectors that were performing above average like the Agriculture and the Services sector through the branch network.



In the lending portfolio product mix, the Hire Purchase portfolio continued to outpace the Finance Lease portfolio, helped on by the taxing advantages and new imports restrictions by the Government. The second hand vehicle market became more active during the year and it is reflected in our portfolio mix of Hire Purchase 70% and Finance Lease 30%. CRL managed to maintain the quality of the asset base although there was an increase in the Non Performing Loan ratio during the year. CRL's Non Performing Loan ratio was 2%. This can be called excellent compared to the RFC industry average of 6%. Although the recoveries became very tough, CRL through properly implemented mechanisms managed to keep a close reign on same, as reflected in the excellent collection ratio of 93.6% for the year under review.



The branch network continued to bring in high income generating business in the form of micro lending to the rural SME sector, which is one of the niche markets CRL is operating in for the last 9 years. The potential of the branch network is still being developed and the eight branches that became properly active in 2005 are now on a high

Managing Director's Review *Contd.*

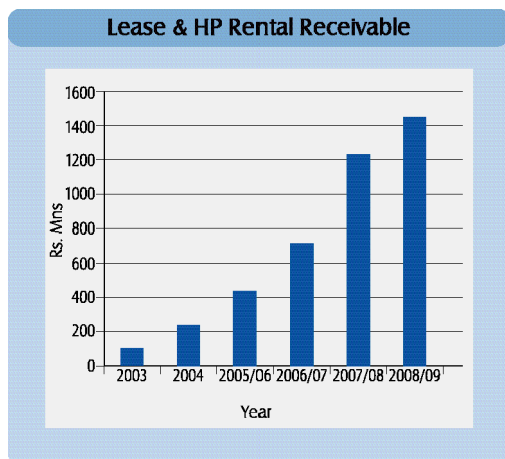
growth cycle. The lending focused on our existing client base, and concentrated on sectors like, Agriculture, Construction and Services.

New Products to the Market

As promised last year, CRL introduced a new Savings product; Itumina, a long term saving instrument cum a retirement plan. The product was launched in August 2008 and we managed to open over 500 accounts during the launch itself. The product continues to grow and is among very few products available in the market that encourage saving long term for – retirement / education etc.

Another new area ventured into was the Real estate sector. In October 2008, we were able to bring “the Reach Garden” project to the public, a developed land of 13 plots in Piliyandala. Being a small project we were able to successfully market the project although the climate changed for Real-estate sector swiftly with the drying up of bank financing for real estate sector and the collapse of Real Estate market during the latter part of the year.

The general expenditure increased during the year with additional costs incurred due to IPO and shifting of 4 branches, Ratnapura, Kandy, Kaduruwela and Badulla to ground floor locations. The interest cost continued to increase throughout the year and compared to last year it increased by 72%, though, at a slower pace than the year before. The general expenses increased sharply driven by high inflation and high energy costs.



With the closure of the North-East conflict in Sri Lanka can expect an accelerated growth in 2009/10 which will in turn help to revive the economy. The lowering of Government's Defence expenditure will hopefully translate into Corporate tax relief. The contraction of the world economy will decrease business turnover, especially in sectors that cater to export markets, this is expected to be compensated from the local industries especially

construction sector, Tourism sector, that will get a boost from rebuilding North-East under “Nagenahira Udanaya and Uthuru wansathaya” programs that are expected to be funded by foreign aid. Further, Sri Lanka will benefit from the growth expected in Asia pacific (India and China). The interest rates are expected to decrease during the coming year, which will be most welcomed by the RFC sector. The low interest rates will help to revive the flagging economy. The sectors like Construction, Tourism, Industries(with local focus) are expected to grow during the year and we hope to take advantage of the opportunities presented by them during the coming year. Overall the year is expected to increase our profitability, even with continuing of the Financial sector crisis.

The stimulus package offered by the Central Bank of Sri Lanka will also act to increase the confidence in the sector and the proper Corporate Governance directions in place will do much to improve the image of the sector that has taken an unfair beating due to the practices of some unregulated organizations that collapsed. The taking over of the troubled RFC associated with the collapse institutions, promptly under CBSL guidance would give a positive message to the investor being safer with regulated companies as opposed to others.

CRL continues to explore and implement cost efficient sustainable management practices especially during periods of economic hardship like present. Already massive cost reduction plan has been implemented, which we hope to continue during the coming year. The credit policies also have been tightened to cater to changing economic climate. It is expected that Sri Lanka will have a growth rate of GDP 4% during the coming year.

Vote of Thanks

During the year Mr Ranil Pathirana and Mr Nihal Rajapaksa resigned from the board of CRL and I take this opportunity to thank them and wish them well in their future endeavors. As always the company was taken forward with valuable direction of the board of Directors. I express my sincere appreciation to the Chairman and the Board of Directors for the direction, guidance and support that I have received. This year we were able fulfill the promise given to our share holders of taking the Company public with CRL becoming a quoted company.

I wish to thank the staff for their hard work in bringing to a close another successful but a difficult year. Thanks are due to the loyal customers especially the depositors who placed their trust in us during this turbulent time.

Sgd. Nalin Wijekoon
Managing Director
17th June 2009.

Profiles of Directors

MR MAYURA FERNANDO – CHAIRMAN

Mr Mayura Fernando is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Passed Finalist of the Chartered Institute of Management Accountants of UK. He holds a Bachelor of Science (Applied Science) degree from University of Sri Jayawardenapura.

He started his professional career at KPMG Ford Rhodes Thornton & Company and was a partner of the firm. He has extensive experience in financial services, holding many senior positions at Vanik and Forbes Ceylon Group. Mr. Fernando also functioned as the Group Finance Director of Confifi Group and joined Virtusa (An Information Technology Company based in Boston USA) as its Director Finance Asian Region. He was responsible for the finance function of the subsidiaries in India and Sri Lanka.

MR NALIN WIJEKOON – MANAGING DIRECTOR

Mr Wijekoon is a Fellow Member of the Chartered Institute of Management Accountants of UK, an Associate Member of the Institute of Chartered Accountants of Sri Lanka and a passed finalist of the Institute of Bankers of Sri Lanka. He has worked at Peoples' Bank as a Finance Officer from 1978 to 1990. Then he has joined KPMG Ford Rhodes Thornton & Co. as the Branch Manager, Kandy, in 1990 and joined DFCC as a Project Officer in 1992. He joined Vanik Incorporation Ltd as the Asst. Vice President - Finance in 1994. He has undergone numerous training programs in Sri Lanka and Overseas, including training in Harvard University, Boston, USA. He counts for more than 25 years of experience in the Financial Sector.

MR DAYA MUTHUKUMARANA – DIRECTOR

Mr. Daya Muthukumarana is a qualified Banker by the profession who has served in several Commercial Banks in the Country. He was the Senior Deputy General Manager of Hatton National Bank until 1997 and was pioneer officer (being the Deputy Managing Director) of National Enterprise Bank (Present DFCC Vardhana Bank) in 2001. He joined Pan Asia Bank as its Managing Director and served there till his retirement.

Mr. Muthukumarana is a Fellow of the Institute of Bankers and holds a MBA from the Post Graduate Institute of Management of Sri Lanka. He is also holds a Certificate in Management Development from Cranfield, University, UK and a Certificate in Project Management from Arthur D Little Boston, USA.

Mr. Muthukumarana functioned as the Chairman of the Ceylon Fisheries Corporation for a period of 2 years until 2004.

MR RANJIT DE SILVA – DIRECTOR

Mr Ranjit De Silva was the former Managing Director of Mercantile Leasing Ltd. and had also held the position of Vice President at Banque Indosuez, Colombo. He is a Fellow member of the Chartered Institute of Management Accountants, U.K (FCMA) and possesses a B.Sc. degree in Economics, from the University of London

MR C RAMACHANDRA – DIRECTOR

Mr C. Ramachandra is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (ICASL) with over thirty years experience in the fields of Auditing, Tea Exports, Fund Management and Packaging.

Mr. Ramachandra is a past President of the Chartered Accountants Students Society of Sri Lanka and is a prize-winner of ICASL and CIMA examinations. Having qualified as a Chartered Accountant, he served as a Partner of Messrs Hulugalle, Samarasinghe & Company from 1975 - 1978. He joined Lipton Ceylon Ltd in 1978 as Assistant Financial Accountant and left in 1992 as Chief Accountant / Company Secretary. He was employed as General Manager of Commercial Fund Management (Pvt) Ltd. from 1992 to 1995. From 1995 to 2004 he was the Finance Manager / Company Secretary of Varna Ltd. He also served as a Non Executive Director of Sathosa Retail Ltd, the privatized retail arm of the CWE in 2003/2004. Mr. Ramachandra joined Uni Walkers Group in 2004 and is currently Director/ CEO of Uni Walker Packaging Ltd

MR B H S JAYAWARDANE – DIRECTOR

Mr B H S Jayawardane has been a Fellow of the Association of Chartered Certified Accountants. He joined the Auditor General's Department in South Africa in 1983 as an Auditor and was later promoted to the rank of senior Auditor. He has trained local officers in carrying out qualitative audits as against basic regulatory audit work performed previously.

In 1986 he joined the Postal Services of Botswana as Head of Finance. He has traveled extensively in his work in relation to the Postal Department. He was responsible in strengthening the finances of the Department. In addition to his main function as Head of Finance of this institution he also performed the role of Secretary to the Board.

In Sri Lanka he has been involved in two World Bank Funded Projects and also holds the position of Executive Director of Vanik Incorporation Ltd.

Profiles of Directors *Contd..*

MR P A SCHAFFTER – DIRECTOR

Mr Prakash Schaffter has been the Managing Director of Janashakthi Insurance PLC since September 1996 and is a Fellow of the Chartered Insurance Institute. He counts insurance industry experience of over two decades complemented by a thorough knowledge of insurance practices in several countries. He possesses a Bachelor's Degree in Political Science from the University of London and an MBA from the University of Cambridge.

He is a Member of the Executive Committee of the Insurance Association of Sri Lanka (IASL).

MR H L L M NANAYAKKARA – DIRECTOR

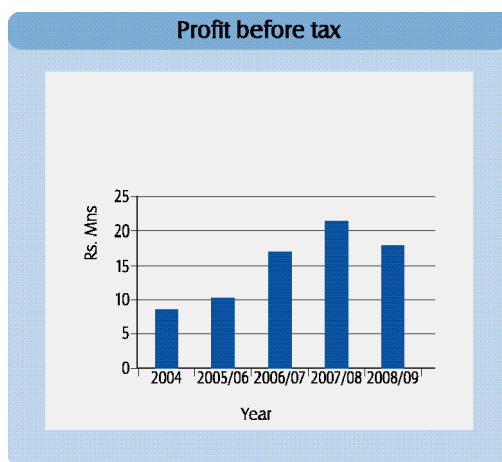
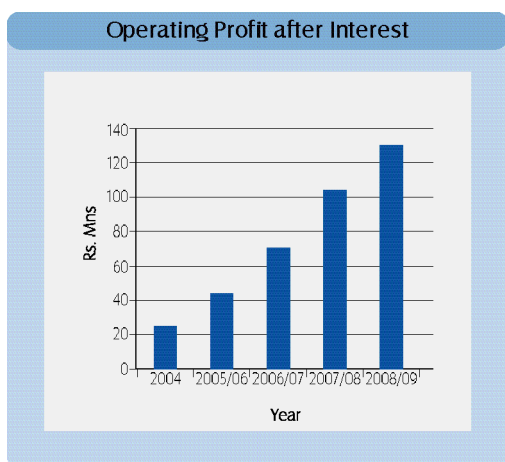
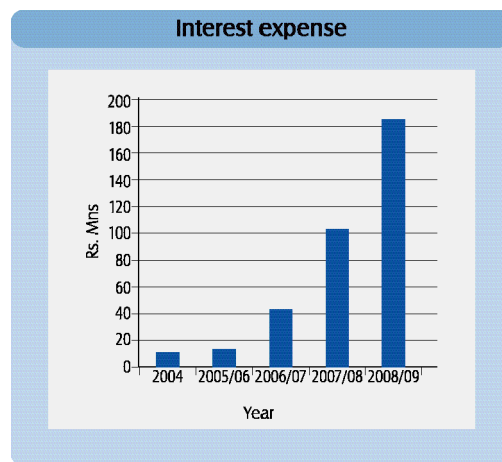
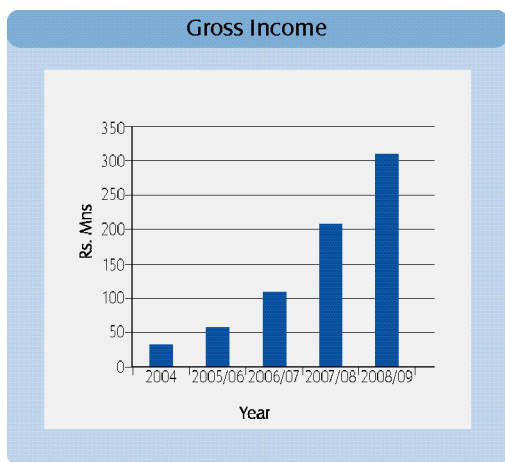
Mr Manohan Nanayakkara is a Member of the Chartered Institute of Management Accountants of UK and also holds a Master of Science in Accounting from James Madison University (USA), a Master of Applied Finance & a Master of Business Administration, both from Queensland University of Technology (Australia).

He commenced his carrier as an accounts trainee and thereafter held many senior positions in Blue chip companies in Sri-Lanka and also in foreign organizations in the rank of Management Accountant at Richard Pieris & Co, Manager at Dairy Development Foundation, Project specialist at U S Department of State (USAID), CEO at CF Venture Fund Ltd, General Manager at Bureau for Infrastructure Investment (BOI) and Group Director / Chief Operating Officer at Asian Hotels & Properties Ltd. Presently he is the Chairman & Managing Director of Asia Capital PLC.

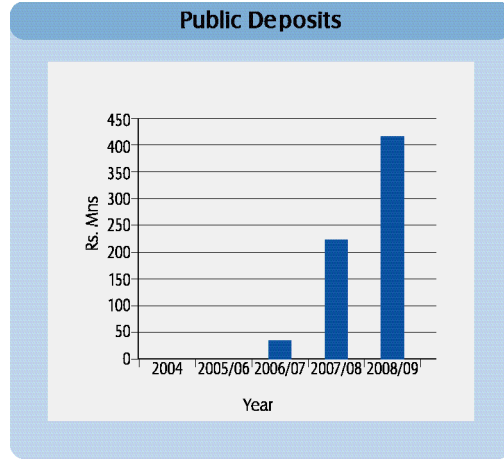
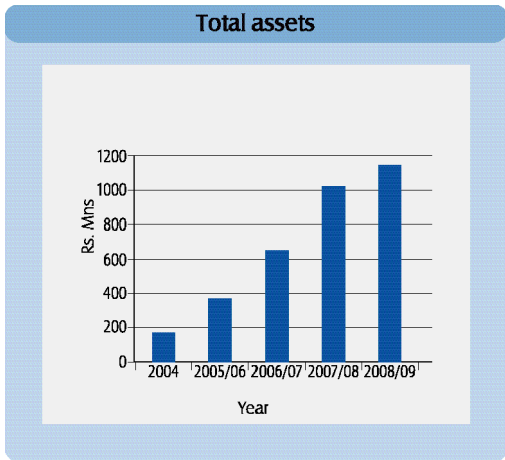
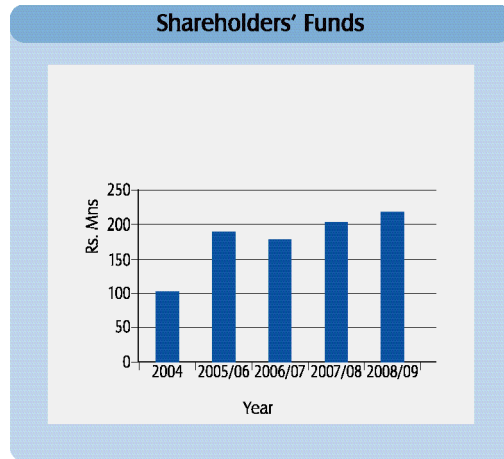
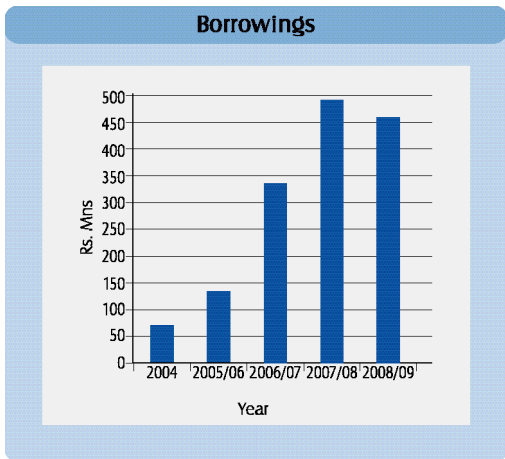
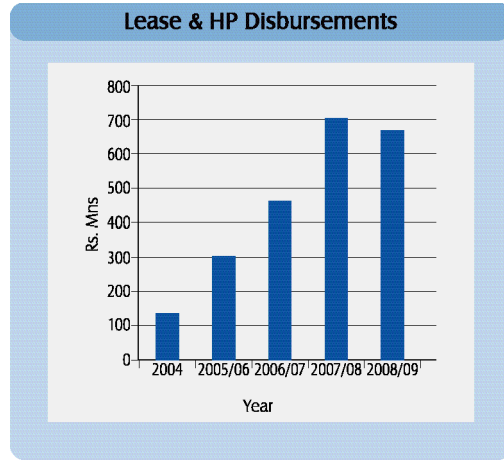
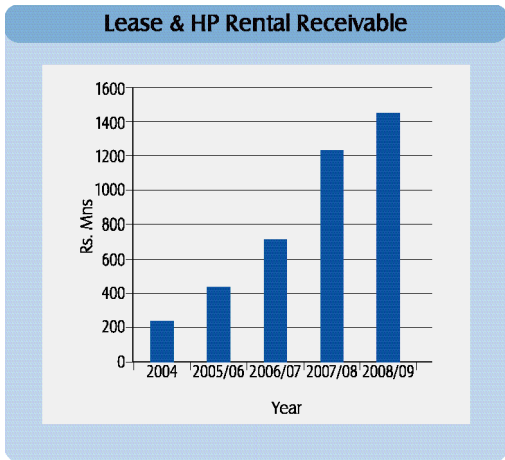
Operational Review

Five Years at a Glance

	2004 Rs. Mn.	2005/06 Rs. Mn.	2006/07 Rs. Mn.	2007/08 Rs. Mn.	2008/09 Rs. Mn.
Gross Income	35.5	60.4	112.5	206.6	309.4
Interest expense	10	14.3	41.8	107.7	185.3
Operating Profit after Interest	25.3	46.0	72.7	103.9	131.6
Profit before tax	9.1	10.1	17.2	21.8	17.8
Lease & HP Rental Receivable	223.0	424.0	713.4	1221.1	1,463.0
Lease & HP Disbursements.	121.7	300.7	466	707.1	675.8
Borrowings	74.9	148.4	345.7	497.7	453.1
Shareholders' Funds	100.5	198.8	185.9	200.1	213.9
Total assets	193	395.6	627.1	1025.1	1,167.3
Public Deposits	-	-	32	225.5	406.8



Operational Review *Contd..*



Corporate Governance

The global financial crisis has again brought into focus the importance of having good Corporate Governance practices within an organization. As a Registered Finance Company, the Company follows the Corporate Governance Direction given by Central Bank of Sri Lanka. When the Company became a quoted public company, it was further subject to the Corporate Governance Rules of the Colombo Stock Exchange. The Corporate Governance Code enforces collective responsibility on the Board of Directors, while introducing checks and balances to achieve greater transparency and accountability.

Good Corporate Governance promotes a democratic process within the institution where stakeholder interests are safeguarded at the highest level. Corporate Governance is the set of processes, customs, policies, and laws affecting the way a corporation is directed, administered or controlled. Corporate Governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. The principal stakeholders are the shareholders, management and the Board of Directors. Other stakeholders include employees, suppliers, customers, banks and other lenders, regulators, the environment and the community at large.

The Company recognizes the importance of having good corporate Governance practices, especially during economic down turns or turbulent times like the present. These practices play an important role in projecting the Company's real values to the stakeholder. Often lack of proper check and balances leads to inefficiency and mismanagement. Through good Corporate Governance the Company ensures accountability, and well placed mechanisms are used to reduce or eliminate the principal-agent conflict.

The function of the Independent Non Executive Directors have been invaluable to promote balanced decision making / transparency / effective management of resources and processes.

Board of Directors

The Board comprises eight members, six of whom are Non-Executive thereby ensuring a well represented Board with a balance of skills and experience. The two Executive Directors are the Chairman and the Managing Director. The Board has determined that two of the Non-Executive Directors are 'Independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange.

The major decision making and strategic planning activities are done with the approval of the Board of Directors which in turn facilitates proper ethical /transparent / unbiased

practices within the Company. Some of these processes are listed below

1. Setting down proper procedures and guidelines to ensure the needed controls are in place.
2. Monitoring of the processes through Internal Audits and Review Committees. The three committees in place are – Credit Review, Audit Review and Remuneration Review committees
3. The approval of the corporate strategies, plans and budgets of the Company.
4. Requesting for appropriate Management Information and providing their expertise to better interpret the information
5. Proper Risk Management of the Company through review and management of risk of the Company and the monitoring status compared with the industry benchmarks.
6. Ensuring the compliance with the regulatory framework
7. Promotes Transparency in all transactions through laid down procedures
8. Holding regular Board meetings and discussions with management.

The Board meets once a month, and wherever necessary Special Meetings of the Board are held. The Board met 13 times in the year under review and the attendance at these meetings were as follows;

Name	Position	No.
P M B Fernando	Chairman	13
N H G Wijekoon	Managing Director	13
D Muthukumarana	Director	07
R P Pathirana (Resigned in August 2008)	Director	-
M N R de Silva	Director	13
N Rajapakse (Resigned in September 2008)	Director	05
B H S Jayawardena (Appointed in September 2008)	Director	08
C Ramachandra (Resigned in December 2008 and re-appointed in February 2009)	Director	11
N A Fernando (Appointed in September 2008 and resigned in July 2009)	Director	05
P A Schaffter (Appointed in December 2008)	Director	02

Corporate Governance *Contd..*

Professional expertise

The Board includes members who are senior Chartered Accountants, experienced senior Bankers and Management Accountants. They provide an invaluable insight to its activities while providing proper decimation and analysis of financial accounts to enhance the company's performance.

Appointment to the Board

The Board collectively decides on the appointment of Directors. As per the Articles of Association, one-third of the Directors are required to retire by rotation at every Annual General Meeting of the Company. Such Directors are eligible for re-election with the Board's recommendation and approval of the shareholders. In addition, any Directors appointed during the year to fill a casual board vacancy or by way of an addition to the Board are also required to retire at the Annual General Meeting held following their appointment and with the recommendation of the Board are eligible for re-election by the shareholders.

Accountability

The maintenance of transparency of all processes are emphasized by the Board and therefore analysis and disclosure of information is promoted through proper reporting practices. The delegated authority levels are held accountable for the actions under their command.

Management Information and Documentation

Board members are given proper management information papers well in advance of the Board meeting so as to provide them with ample time to analyze and go throughout the papers.

The compliance papers are tabled every month to the Board thereby ensuring the accountability of the officers to the Board for timely compliance of the following;

1. Central Bank reporting
2. Timely payment of financial liabilities and statutory payments
3. Deviations to the credit policy
4. Compliance of legal documentation of disbursed facilities

Internal Controls

The Company has sound internal controls in place to maintain, prudent and sound practices, and to minimize possible loop holes. The controls are reviewed and monitored by the Board. The safe guarding of assets against unauthorized use or disposal is ensured and a proper recording method is in place for this process. The compliance reporting and risk management are used to achieve these objectives.

Compliance with Central Bank Regulations

As a Registered Finance Company and a Registered Finance Leasing Company, the Company is governed by the Directions, Rules and Guidelines issued by the Monetary Board of Central Bank of Sri Lanka. Further the Company is in compliance with specific statutes namely, the prevention of Money Laundering Act No 5 of 2006, the Convention on the Suppression of Terrorist Financing Act No 25 of 2005 and the Financial Transactions Reporting Act No 6 of 2006. The Company's policy is to be in compliance with the regulatory expectations at all times.

Board Sub Committees

The Board has appointed sub committees to review several crucial operational areas. The Board has delegated authority to these committees which operate within clearly defined terms of reference. The names of the members of these committees are given on page 19.

Audit Committee

The Audit Committee consists of two Non Executive Directors. The committee is empowered to examine the adequacy and effectiveness of internal control systems, review the published financial statements, assess the compliance with regulatory requirements, and consider the contents of Internal Audit Reports. The committee meets once in two months and provides a forum for the appraisal of the control framework within the Company based on the findings of the internal auditor. The committee will recommend the action to be taken to address significant control issues.

Credit Review Committee

The Credit Review Committee consists of two Non Executive Directors one of whom is independent. The

Corporate Governance *Contd..*

committee meets once a month one week before the monthly Board meeting. The committee reviews whether the facilities have been granted according to the laid down procedures of the Company; for deviations in credit policy, proper documentation and controls have been followed. The committee, gives a report on their findings and suggestions to be adopted by the Company.

Remuneration Committee

The Remuneration Committee consists of two Non Executive Directors. The committee meets annually to discuss and address remuneration norms and anomalies. The committee is responsible for reviewing and appraising the enhancement of the Executive Director and management.

The Company was listed on the Colombo Stock Exchange in January 2009. Accordingly in terms of the listing undertaking given by the Company, the Board has resolved to reconstitute the committees to conform to the requirements of the Listing Rules of the Colombo Stock Exchange.

Risk Management and Control

The importance of Risk management increases with each passing year, when the US Financial Crisis struck in September 2008, many Regulatory Authorities in the West were found fault with for not carrying out proper risk analysis to prevent the banks from taking excessive risks. The third world countries, including Sri Lanka that had greater Regulatory restrictions fared better during the crisis.

Financial crisis hit SL with the crash of 'Golden Key', an unregulated company canvassing deposits. This event precipitated a chain of events which affected RFC sector badly. CRL was able to face this challenge through proper liquidity risk management practices that were in place. These events brought into focus the vital role played by the Risk analysis for long term strategic success of the organization. The Credit risk too deteriorated sharply during the year. CRL again managed to contain it with NPL at 2% through proper Credit Risk policy change implementations.

To avoid another catastrophic meltdown in the future, the risk departments must be strengthened. Along with intelligent risk analysis tools it must become an integral element of financial institutions. Different aspects of risk are brought into focus through new legislature every year all over the world. One such practice was the Anti Money Laundering act that was implemented universally during 2008, although the laws were passed in 2007. BASEL II continues to set the standards in risk assessment today.

Risk Analysis is not a static science and needs changing with time, as has been demonstrated during the World crisis, therefore, new aspects needs to be looked at with a closer scrutiny as transactions become more complex and subtle.

At Capital Reach Leasing a comprehensive Risk management system is in place and risk is continuously monitored and reviewed systematically so as to achieve the optimum trade off in risk and value creation.

Financial Risk – Credit Risks and Market Risk

CRL has a well implemented policy that looks at a comprehensive risk management frame work. The Credit risk is evaluated at the time of granting the facility and continues to be monitored during performance period through various mechanisms. The Liquidity Risk and Interest Rate Risk are monitored weekly and quarterly respectively. Up-ward and down ward trends are benchmarked and timely counter action is taken.

Credit Risk

The Credit policy was revised considerably during the year to cater to the fast changing credit climate which deteriorated considerably during the year. The policy incorporates the subtle changes and nuances of the economic sectors and changes in local economy. The policy includes the following;

- Independent Credit scoring of the new clients and Utilizing CRIB reports
- Proper training of staff in Credit evaluation.
- Monitoring and rescheduling of facilities
- Diversification is the corner stone in mitigating the credit risks and company has established exposure levels that are strictly maintained.
- Obtaining of proper collateral
- Educating staff on provisions of the Finance Leasing Act and other statutes
- Seeking external legal opinion
- Strict adherence to single borrower limits and the regulatory guidelines of Central Bank on facility classification, interest in suspense and provisioning
- Regular review of financial market situations and industry exposures

Market Risk- Liquidity and Interest Rate risks

With the volatile interest rates prevailing in the market, interest rate risk has become a more material risk during the year and therefore has been monitored more closely. To control and mitigate this risk following procedures are in operations

- An active Senior Management ALCO committee consisting of 6 members that meets weekly
- Carrying out gap analysis regularly (monthly) and timely re-pricing of the products
- Interest rate risk is measured quarterly and timely action recommended
- Implementation of a proper cash management policy
- Daily monitoring of disbursements to recovery ratio
- Maintaining Liquid Assets ratio as per the Central bank requirements

Risk Management and Control *Contd.*

- Enhancing fee based income to minimize dependency on fund based products
- Segregating the duties of back office staff at the Treasury

Operational Risk - Systems, Technology, Mismanagement & fraud, Staff turnover and Legal Risk

Operational risk and Legal risk are managed through well defined processes which are implemented and are filtered through well placed controls. These systems have been well tested through the years, but are subject to human error. The continuous monitoring and internal audits from time to time bring to attention any modifications needed. Following measures are taken to further mitigate operational risk

- Setting up of suitable delegated authority levels
- Formulating succession plan
- Maintaining a conducive environment for the staff to operate in
- Effective internal audit function
- Monthly assessment of the extent of compliance with the statutory requirements
- Implementation of back up system

Event Risk - Disaster

Company has a Business Continuity plan to counter any unforeseen disasters. Off site data/software and hard copy format back-ups are kept and are regularly reviewed.

Human Resource Update

As a service Organisation Capital Reach Leasing PLC, is dependent upon its quality human resources to take the Company's vision forward. The workforce of the Company is the strength that steer it to attain excellence. Therefore, we believe in recruiting quality human resources to the Company. The training plays a major part in moulding the employees to become highly productive and disciplined service providers that can translate our vision into practise. Our success or failure depends on the capacity and productivity of our valuable human resources. In the achievement of corporate success and growth we always focus on the value of human resources and this has resulted in the development of a team who has the skills, desire and know-how to drive the group ahead in line with our corporate goals and values.

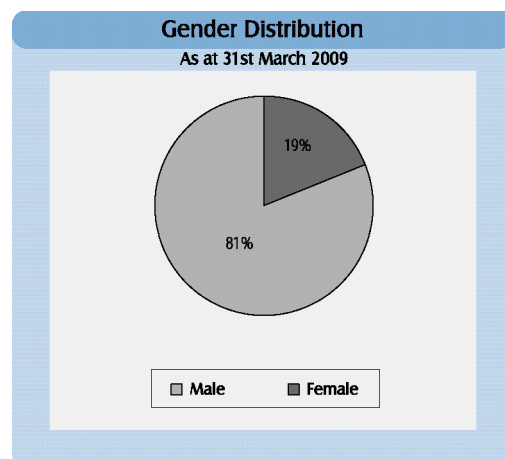
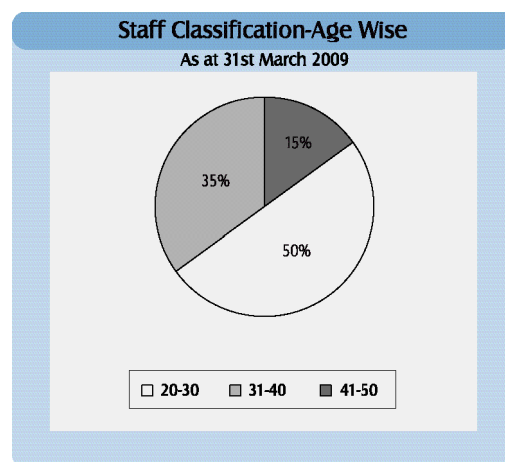
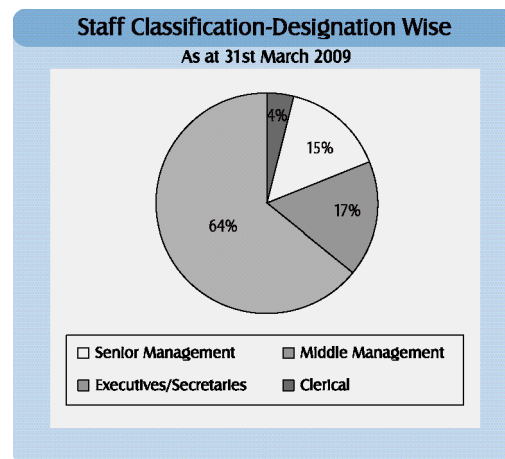
Talent Recruitment

Our main goal in recruitment and selection is to hire and retain the most qualified individuals. A well structured interview process in place to capture the most suitable person for the job. At the end of the financial year under-review, CRL had 48 of employees. During the year the number of employees increased by 26%. Head Office employs 69% while the balance 31% is attached to the branches. We adopt a recruitment policy that offers equal opportunities with non discrimination on gender, race or religion. Each member recruited to our team goes through intensive interviews and testing processes. These processes ensure that individuals who join our team are qualified, have potential to be productive and are successful.

STAFF STRENGTH			
	As at 31.03.07	As at 31.03.08	As at 31.03.09
Total no. of staff	21	38	48
Senior Management	5	7	7
Middle Management	6	8	8
Executive/Secretaries	8	22	31
Clerical	2	2	2

AGE ANALYSIS			
	As at 31.03.07	As at 31.03.08	As at 31.03.09
20 - 30	5	18	24
31 - 40	14	16	17
41 - 50	2	4	7

GENDER ANALYSIS			
	As at 31.03.07	As at 31.03.08	As at 31.03.09
Male	16	32	39
Female	5	6	9



Human Resource Update *Contd..*

Development of Our Team

We continue to invest on Training and Development for our staff in order to create a learning culture. In the year under review, in the field of Training and Development many in-house and external training programmes were conducted by external and internal resource personnel. The Training & Development programmes were designed based on the training needs identified through staff Performance Evaluations and the Training Needs Analysis performed.

Performance Appraisal

Each employee is given objectives quarterly and achievement of these quarterly goals are then reviewed with the annual performance appraisals. The employees are rewarded based on systems recognizes the achievements of our staff and equal opportunities for career advancements are provided. We recognize and reward our staff strictly on performance and we have put consistent effort to monitor the performance of staff in a way to reward top contributors.

Motivation & Retention

We always ensure to form an environment that motivates our workforce to be devoted, efficient, innovative and effective. The Recreation Club of the company organised numerous recreational activities during the year such as staff trips, get-togethers, sports days, etc. and the family participation was encouraged since we recognize family also to be an integral component in the compilation of a happy and successful team.

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

The Directors of Capital Reach Leasing PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements for the Year ended 31st March 2009.

1 General

Capital Reach Leasing PLC was re-registered as per the Companies Act, No. 07 of 2007 on 29th September 2008. The Company was listed on the Colombo Stock Exchange on 22nd January 2009 and has been assigned with PB641PQ as its new number.

2 Principal activities of the Company and review of performance during the year

The principal activities of the Company were granting lease facilities, hire purchases, vehicle hiring, other credit facilities, accepting fixed deposits, real estate sales and operation of savings accounts.

A review of the business of the Company and its performance during the year with comments on the financial results, future strategies and prospects are contained in the Chairman's review.

This report together with the Financial Statements, reflect the state of affairs of the Company.

3 Financial Statements

The Financial statements of the Company are given on pages 22 to 37.

4 Summarized Financial Results

	2008/09	2007/08
	Rs.000	Rs.000
Net Operating Income	131,626	103,953
Profit before Tax	17,761	21,853
Taxation	3,862	7,666
Net Profit for the Year	13,899	14,187

5 Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 21.

6 Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements which are given on pages 26 to 30 are consistent with those of the previous period.

7 Directorate

The names of the Directors who held office as at the end of the accounting period are given below and their brief profiles appear on page 6 to 7.

Executive Directors

Mr P M B Fernando - Chairman
Mr N H G Wijekoon - Managing Director

Non Executive Directors

Mr D Muthukumarana
Mr M N R De Silva*
Mr B H S Jayawardena
Mr E L Muthukumarana (Alternate Director to Mr D Muthukumarana)
Mr N A Fernando
Mr P A Schaffter*
Mr C Ramachandra

*Independent Non Executive Directors

Mr R P Pathirana resigned from the Board with effect from 29th August 2008 and therefore his alternate, Mr V K Hirdaramani ceased to be a Director with effect from the said date.

Mr N Rajapakse ceased to be a Director with effect from 17th September 2008.

Mr B H S Jayawardena was appointed to the Board with effect from 23rd September 2008.

Mr N A Fernando was appointed to the Board on 24th September 2008. He resigned with effect from 3rd July 2009.

Mr P A Schaffter was appointed to the Board with effect from 30th December 2008.

Mr C Ramachandra resigned from the Board with effect from 30th December 2008 and was reappointed with effect from 26th February 2009.

Mr H L L M Nanayakkara was appointed to the Board with effect from 23rd July 2009.

8 Retirement of Directors

Mr P A Schaffter, Mr C Ramachandra and Mr H L L M Nanayakkara will hold office until the forthcoming Annual General Meeting and be eligible for re-election by the shareholders in terms of Article 97 of the Articles of Association.

Annual Report of the Board of Directors on the Affairs of the Company *Contd..*

		As at 31/03/2009
	At the conclusion of the forthcoming Annual General Meeting, Mr M N R De Silva, who is 73 years of age will vacate office in pursuance of Section 210 of the Companies Act, No.07 of 2007. A resolution will be placed before the shareholders in terms of Section 211 of the Companies Act in regard to the re-election of Mr M N R De Silva.	30,000
		40,000
		20,000
		-
		-
9	<p>Interests Register The Company maintains an Interest Register in terms of the Companies Act, No.7 of 2007. All related party transactions which encompasses the transactions of Directors who were directly or indirectly interested in a contract or a related party transaction with the Company during the accounting period are recorded in the Interests Register in due compliance with the applicable rules and regulations of the relevant Regulatory Authorities.</p>	-
		-
		-
		-
		-
		-
		-
10	<p>Remuneration of Directors The Directors' remuneration is disclosed in Note 22.1.3 to the Financial Statements on page 37.</p>	
11	<p>Auditors Subsequent to the conclusion of the last Annual General Meeting, a casual vacancy arose in the office of Auditors. The Board of Directors in terms of Section 154 (2) of the Companies Act, No.07 of 2007 appointed Messrs Nihal Hettiarachchi & Co., Chartered Accountants as the Auditors of the Company. The Auditors so appointed shall hold office until the conclusion of the forthcoming Annual General Meeting.</p> <p>The fee payable to Auditors for the year under review is Rs. 170,000/-</p> <p>The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorize the Directors to determine their remuneration will be proposed at the Annual General Meeting.</p>	
12	<p>Stated Capital The Stated Capital of the Company is Rs.200,646,170/- represented by 20,064,617 Ordinary Shares.</p>	
13	<p>Directors' Shareholding The relevant interests of Directors in the shares of the Company as at 31st March 2009 are as follows;</p>	
	Mr P M B Fernando	30,000
	Mr N H G Wijekoon	40,000
	Mr D Muthukumarana	20,000
	Mr M N R De Silva	-
	Mr N Rajapakse (Resigned w.e.f. 17th September 2008)	-
	Mr B H S Jayawardena (Appointed w.e.f. 23rd September 2008)	-
	Mr N A Fernando (Appointed w.e.f. 24th September 2008 and resigned w.e.f. from 3rd July 2009)	-
	Mr P A Schaffter (Appointed w.e.f. 30th December 2008)	-
	Mr C Ramachandra (Appointed w.e.f. 26th February 2009)	-
14	<p>Major Shareholders, Distribution Schedule and other information Information on the twenty largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on page 38 to 39 under Investor Information.</p>	
15	<p>Reserves The movements of reserves during the year are given under the Statement of Changes in Equity on page 24.</p>	
16	<p>Property, Plant & Equipment Details and movements of Property, Plant and Equipment owned by the Company are given in Note 13 to the Financial Statements on page 34.</p>	
17	<p>Dividend The Directors do not recommend a dividend for the year under review.</p>	
18	<p>Donations The Company did not make any donations during the year under review.</p>	
19	<p>Events occurring after the Balance Sheet date Except for the matters disclosed in Note 21 to the Financial Statements on page 36 there are no material events as at the date of the Auditors' Report which require adjustment to, or disclosure in the Financial Statements.</p>	

Annual Report of the Board of Directors on the Affairs of the Company *Contd..*

20 Corporate Governance

The Company aspires to adhere to the best practices in Corporate Governance and the Corporate Governance Rules of the Colombo Stock Exchange.

The Board comprises of two Executive Directors and seven Non-Executive Directors of whom two are Independent.

An Audit Committee, a Remuneration Committee and a Credit Review Committee function as Board Sub Committees. The composition of the said Committees is as follows:

Audit Committee

Mr C Ramachandra (Chairman)

Mr D Muthukumarana

Remuneration Committee

Mr D Muthukumarana (Chairman)

Mr C Ramachandra

Credit Review Committee

Mr M N R De Silva (Chairman)

Mr D Muthukumarana

21 Annual General Meeting

The Annual General meeting will be held on 23rd September 2009 at No 1, Lake Crescent, Colombo 2 at 2.30 p.m. The Notice of the Annual General Meeting appears on page 41.

By Order of the Board
Capital Reach Leasing PLC

Sgd.
P M B Fernando
Director

Sgd.
N H G Wijekoon
Director

Sgd.
P W Corporate Secretarial (Pvt) Ltd
Secretaries

18th August 2009
Colombo

Audit Committee Report

The Composition of the Committee

In accordance with the currently accepted Best Practice and Corporate Governance Guidelines, the Board appointed Audit Committee comprises of the following Non-Executive Directors of the Company;

- Mr. C. Ramachandra (Chairman)
- Mr. D. Muthukumarana

The Chairman of the Committee, a Non-Executive Director, is a senior Chartered Accountant. The Committee is responsible and reports to the Board of Directors.

Terms of Reference

The main objective of the Audit Committee is to assist the Board of Directors to effectively carryout its responsibilities relating to financial and other connected affairs of the Company. The Committee is empowered to :

- Examine any matter relating to the financial and other connected affairs of the Company.
- Monitor all Internal and External Audit and inspection programmes.
- Review Internal and External Audit Reports and follow up on recommendations.
- Review the efficiency of internal Control systems and procedures, in place.
- Review the quality of Accounting Policies and their adherence to statutory and regularatory Compliance.
- Ensure that a well managed sound financial reporting system is in place to provide timely reliable information to the Board of Directors, Regulatory Authorities, Management and all other stakeholders.
- Ensure Company's policies are firmly committed to the highest standards of good corporate governance practices and operations conform to the highest ethical standards, in the best interests of all stakeholders.

Meetings

The committee held four meetings during the year under review.

The four Assistant General Managers of the Company are invited to attend all meetings. The proceedings of the Audit Committee meetings are regularly reported to the Board of Directors.

Activities

The Committee carried out the following activities.

Financial Reporting

The Committee reviewed the effectiveness of the financial reporting system in place to ensure that the information provided to the stakeholders is reliable and is in strict adherence and compliance with the requirements of the Sri Lanka Accounting Standards and disclosure requirements. Having assessed the internal financial controls, the Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and that the financial position of the Company well monitored.

Regulatory Compliance

The Company's procedures in place to ensure Compliance with mandatory Finance Company and other statutory requirements were under close scrutiny.

Internal Audit

The Company has engaged the services of a firm of Chartered Accountants as internal Auditors. The monthly reports are periodically reviewed and follow up action is monitored by the Committee.

Internal Controls

The effectiveness of the internal control procedures in place for selected procedures were carefully evaluated.

C. Ramachandra
Chairman
Audit Committee.

17th June 2009

Auditor's Report



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Website : www.nh-co.lk

Partners : R.N. Hettiarachchi FCA, FSCMA, CMA (AUS)
Ms. Darshana Wijayasuriya ACA, ASCMA
Dimuk Hettiarachchi ACA, ACMA, ASCMA

Independent Auditor's Report

To The Shareholders of Capital Reach Leasing PLC.

Report on the Financial Statements

We have audited the accompanying financial statements of Capital Reach Leasing PLC., of which comprise the balance sheet as at March 31, 2009, and 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 control 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. Financial statements of the Company for the year ended 31st March, 2008 were audited by M/s Ernst & Young whose report dated 09th July 2008, expressed an unmodified opinion.

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 principles 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 March 31, 2009 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2009 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

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007 and the Finance Companies Act No. 78 of 1988.

Sgd.
Nihal Hettiarachchi & Co.,
Chartered Accountants

17th June 2009
Colombo

Income Statement

Year ended 31st March 2009

	Note	2009 Rs.	2008 Rs.
GROSS INCOME	1	309,381,677	206,662,983
Interest Expenses	2	(185,261,253)	(107,688,354)
INCOME NET OF INTEREST		124,120,423	98,974,629
Other Income	3	7,505,443	4,978,608
NET OPERATING INCOME		131,625,866	103,953,237
OPERATING EXPENSES	4		
Personnel Costs		16,340,918	13,445,427
Staff Retirement Benefits		800,000	656,256
Provision For Bad & Doubtful Debts.		2,261,265	1,898,197
Premises, Equipment & Establishment	5	89,593,313	62,868,078
PROFIT BEFORE TAX & VAT ON FINANCIAL SERVICES		22,630,370	25,085,280
VAT on Financial Services		4,869,652	3,232,180
PROFIT BEFORE INCOME TAX		17,760,718	21,853,099
Income Tax Expense	6	3,861,858	7,666,400
Net Profit for the Year		13,898,860	14,186,699
Earnings Per Share	7	0.69	0.71

The accounting policies and notes from pages 26 to 37 form an integral part of these financial statements.

17th June 2009

Balance Sheet

As at 31st March 2009

	Note	2009 Rs.	2008 Rs.
ASSETS			
Bank & Cash Balances		29,778,355	38,993,113
Investment In Government Securities		12,000,000	16,215,715
Investments	8	1,231,779	25,860,892
Prepayments & Other Receivable	9	44,351,431	36,424,601
Amount Due From Related Companies	10	10,618,110	3,109,476
Loans & Advances	11	17,675,590	42,925,756
Lease & Hire Purchase Rentals Receivables	12	1,002,663,414	833,206,417
Vehicle Stock		10,258,748	-
Investment in Real Estates		15,365,186	-
Property, Plant & Equipment	13	23,331,580	28,259,511
TOTAL ASSETS		1,167,274,193	1,024,995,482
LIABILITIES			
Bank Overdrafts		1,488,467	-
Time Deposits		404,474,793	225,479,915
Savings Deposits		2,292,945	-
Borrowings	14	453,121,534	497,749,319
Trade & Other Payables	15	63,344,641	77,619,151
Deferred Liabilities	16	28,571,042	24,065,184
TOTAL LIABILITIES		953,293,421	824,913,570
SHAREHOLDERS' FUNDS			
Stated Capital	17	200,646,170	200,646,170
Reserve Fund		2,768,446	2,073,503
Retained Profit/(Loss)		10,566,156	(2,637,761)
Shareholders' Funds		213,980,772	200,081,912
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		1,167,274,193	1,024,995,482
Net Assets Per Share		10.66	9.97

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

(Sgd.)

D S Hewapathirana
Assistant General Manager- Finance

The Accounting policies and notes from pages 26 to 37 form an integral part of these Financial Statements.

The Board of Directors is responsible for preparation of these Financial Statements .

Signed for and on behalf of Board by;

(Sgd.)

P M B Fernando
Chairman
17th June 2009

(Sgd.)

N H G Wijekoon
Managing Director

Statement of Changes in Equity

For the year ended 31st March 2009

	Stated Capital Rs.	Share Capital Rs.	Retained Profit/(Loss) Rs.	Reserve Fund Rs.	Total Rs.
Balance as at April 1, 2007	-	200,646,170	(16,115,125)	1,364,168	185,895,213
Transferred to Stated Capital	200,646,170	(200,646,170)	-	-	-
Net Profit for the year	-	-	14,186,699	-	14,186,699
Reserve Fund	-	-	(709,335)	709,335	-
Balance as at March 31, 2008	<u>200,646,170</u>	<u>-</u>	<u>(2,637,761)</u>	<u>2,073,503</u>	<u>200,081,912</u>
Net Profit for the year	-	-	13,898,860	-	13,898,860
Reserve Fund	-	-	(694,943)	694,943	-
Balance as at March 31, 2009	<u><u>200,646,170</u></u>	<u><u>-</u></u>	<u><u>10,566,156</u></u>	<u><u>2,768,446</u></u>	<u><u>213,980,772</u></u>

The Accounting policies and notes from pages 26 to 37 form an integral part of these Financial Statements.

17th June 2009

Cash Flow Statement

For the year ended 31st March 2009

	2009 Rs.	2008 Rs.
Cash Flows from Operating Activities		
Net Profit before taxation	17,760,718	21,853,099
Adjustments for		
Depreciation	10,587,198	8,417,633
Profit on Disposal of Property, Plant & Equipment	(814,409)	-
Provision for Loan Losses	2,261,265	1,898,197
Provision for defined benefit Plans	800,000	656,256
Interest Expenses	185,261,253	107,688,354
Operating Profit before Working Capital Changes	215,856,025	140,513,539
Increase in Lease & Hire Purchase Rental Receivable	(171,718,261)	(333,056,452)
Decrease/(Increase) in Loans & Advances	25,250,167	(14,965,794)
Increase in Vehicle Stocks	(10,258,748)	-
Increase in Prepayments & Other Receivable	(7,926,829)	(19,079,286)
Increase in amounts due from Related Companies	(7,508,634)	(559,432)
Increase in Real Estate Investments	(15,365,186)	-
(Decrease)/Increase in Trade & Other Payables	(14,274,511)	30,171,842
Cash Generated from/(Used in) Operations	14,054,023	(196,975,583)
Interest Paid	(185,261,253)	(107,688,354)
Defined benefit Plan Costs Paid	(156,000)	-
Net Cash used in Operating Activities	(171,363,230)	(304,663,937)
Cash Flows from/(used in) Investing Activities		
Purchase of Property, Plant & Equipment	(7,504,626)	(7,019,397)
Proceeds from sale of Property, Plant & Equipment	3,158,479	-
Purchase/Sale of Investments	28,844,828	(8,974,004)
Net Cash from/(used in) Investing Activities	24,498,681	(15,993,401)
Cash Flows from/(used in) Financing Activities		
Net Proceeds from Borrowings	(45,126,497)	151,405,172
Net Proceeds from Public Deposits	181,287,823	193,906,383
Net Cash from Financing Activities	136,161,325	345,311,555
Net (Decrease)/Increase in Cash & Cash Equivalents	(10,703,225)	24,654,217
Cash & Cash Equivalents at the beginning of the year	38,993,113	14,338,897
Cash & Cash Equivalents at the end of the year	28,289,888	38,993,113
Reconciliation of Cash & Cash Equivalents		
Cash & Bank Balance	29,778,355	38,993,113
Bank Overdrafts	(1,488,467)	-
	28,289,888	38,993,113

The Accounting policies and notes from pages 26 to 37 form an integral part of these Financial Statements.

17th June 2009

Significant Accounting Policies

Year ended 31st March 2009

<p>1. Corporate Information</p> <p>1.1 General Capital Reach Leasing PLC is a Quoted Public Limited Liability Company incorporated and domiciled in Sri Lanka and governed by Finance Companies Act No: 78 of 1988. The registered office of the Company and principal place of the Company is located at No. 1, Lake Crescent, Colombo 2. Ordinary shares of the Company were listed on the Colombo Stock Exchange on January 22, 2009.</p> <p>1.2 Principal Activities and Nature of Operations During the period, the principal activities of the Company were granting lease facilities, hire purchases, vehicle hiring, other credit facilities, accepting fixed deposits, real estate sales and operation of savings accounts.</p> <p>1.3 Parent Enterprise and Ultimate Parent Enterprise The Company's parent undertaking is Capital Reach Holdings Limited. In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Capital Reach Holdings Limited which is incorporated in Sri Lanka.</p> <p>1.4 Date of Authorisation for Issue The Financial Statements of Capital Reach Leasing PLC for the year ended 31st March 2009 were authorised for issue in accordance with a resolution of the Board of Directors on 17th June 2009.</p> <p>2.1 Basis of Preparation The Financial Statements have been prepared on a historical cost basis. The Financial Statements are presented in Sri Lankan Rupees. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No. 07 of 2007.</p> <p>2.1.1 Statement of Compliance The balance sheet, statements of income, changes in equity and cash flows, together with accounting policies and notes, ("Financial Statements"), of the Company as at 31st March 2009 and for the year then ended; comply with the Sri Lanka Accounting Standards.</p>	<p>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 operations.</p> <p>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</p> <p>2.2 Significant Accounting Judgements</p> <p>Judgements In the process of applying the Company's accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Financial Statements</p> <p>Deferred Tax Assets Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.</p> <p>2.3 Summary of Significant Accounting Policies</p> <p>2.3.1 Borrowing Costs Borrowing costs are recognised as an expense in the period in which they are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalized as part of the assets.</p> <p>2.3.2 Taxation Current income tax assets and liabilities for the</p>
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Significant Accounting Policies *Contd.*

Year ended 31st March 2009

current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially 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 relevant tax legislations.

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

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the

liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

2.3.4 Investments in Government Securities

Investments in Treasury Bills and Repurchase Agreements held to maturity are carried at the value of the Bills purchased and the discount / premium accrued thereon. Discount received / premium paid is amortized and recognized in the Income Statement based on a pattern reflecting a constant periodic rate of return, in accordance with the Sri Lanka Accounting Standard No. 22 on Accounting for Investments.

2.3.5 Other Investment

Investments in Fixed Income Securities and Credit Information Bureau are stated at cost.

2.3.6 Loans and Advances

Loans and Advances are stated in the Balance Sheet net of provisions for possible loan losses and net of interest, which is not accrued to revenue.

2.3.7 Property, Plant and Equipment

2.3.7.1 Owned Assets

Property, Plant and Equipment is stated at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment in value. Where an item of Property, Plant and Equipment comprises major components having different useful lives, they are accounted for as separate items of Property, Plant and Equipment.

2.3.7.2 Leased Assets

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 capitalised 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. Capitalised leased assets are disclosed as Property, Plant and Equipment and depreciated consistently with that of owned assets as described under Property, Plant

Significant Accounting Policies *Contd.*

Year ended 31st March 2009

and Equipment. The corresponding principle amount payable to the lessor together with the interest payable over the period of the lease is shown as a liability. 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.

2.3.7.3 Subsequent Expenditure

Expenditure incurred to replace a component of an item of Property, Plant and Equipment is accounted for separately, including major inception & overhaul expenditure and capitalized only when it increases the future economic benefits embodied in the item of Property, Plant and Equipment. All other expenditure is recognized in the income statement as an expense incurred.

2.3.7.4 Depreciation

Depreciation is calculated on a straight line basis over the useful life of the assets using the following rates.

These rates used are:

Office Equipment	20%
Furniture & Fittings	15%
Office Partitioning	15%
Motor Vehicles	25%
Computer Software	20%

2.3.7.5 Impairment of 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 an asset may be impaired. If 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 the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2.3.8 Lease Rentals Receivable and Hire Purchase Rentals Receivable

Assets leased to customers under agreements, which transfer substantially all the risks and rewards associated with ownership other than legal title,

are classified as finance leases. Lease rentals receivable in the Balance Sheet represents total minimum lease payment due, net of unearned income and provision for doubtful recoveries.

Assets sold to customers under fixed rate hire purchase agreements, which transfer all risks and rewards as well as the legal title at the end of such contractual period are classified as hire purchase rentals receivable. Such assets are accounted for similar manner as finance leases.

2.3.8.1 Provision for bad and doubtful debts

In accordance with finance companies (provision for bad and doubtful debts) direction No. 3 of Central Bank regulations of 2006, accommodations are classified as 'non-performing' in the following circumstances

- i) whether payment of principal and/ or interest have been in arrears for a period of 6 months or more;
- ii) in the case of rescheduled accommodations, when, in aggregate, the period of time the payment of instalments have been in arrears before rescheduling (if any) and after rescheduling is 6 months or more; and/ or
- iii) in the case of an accommodation, where the asset financed under a leasing /hire purchase agreement has been repossessed and sold or where the asset taken as collateral has been sold by the finance Company and when there still exists a balance to be received.

In accordance with directions refer to above, the Company makes provision for bad and doubtful debts in accordance with the following criteria;

- a) 50 percent of all accommodations in arrears for a period of 6 months or more but not exceeding 12 months;
- a) 100 percent of all accommodations in arrears for a period over 12 months; and
- b) 100 percent with regard to the portion of the un-recovered amount of an accommodation where the asset financed under a lease/ hire purchase agreement has been repossessed and sold or where the asset taken as collateral has been sold by the finance Company.

Significant Accounting Policies *Contd.*

Year ended 31st March 2009

2.3.9 Investment in Real Estates

Real Estate Investments of the Company represents the purchase value of properties acquired and any subsequent expenditure incurred on such development including the borrowing costs up to the completion of developments less repayments.

2.3.10 Vehicle Stocks

Vehicles stocks are valued at cost or net realizable value whichever is lower. Net realizable value is the estimated selling price less estimated cost of completion and the estimated cost necessary to make the sale.

2.3.11 Preliminary and Pre-Operational Expenses

Preliminary and pre-operational expenditure are charged to the Income Statement in the period in which they are incurred.

2.3.12 Other Assets

Other assets are stated in the Financial Statements at their estimated realisable value.

2.3.13 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of Liabilities of the Company.

2.3.14 Liabilities and Provisions

Liabilities are recognised in the Balance Sheet when there is a present obligation as result of past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Liabilities classified as current liabilities on the balance sheet date are those which fall due for payment on demand or within one year from the balance sheet date. Non current liabilities are those balances that fall due for payment later than one year from the balance sheet date.

2.3.14.1 Interest bearing loans and borrowings

Interest bearing loans and borrowings are recognized initially at cost, less attributable transaction costs. Interest is accrued up to the year end.

2.3.14.2 Provisions

Provisions are recognised 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 recognised as an interest expense.

2.3.15 Defined Benefit Plans - Gratuity

The company is liable to pay gratuity in terms of payment of Gratuities Act No. 12 of 1983. Gratuity is a Defined Benefit Plan. In order to meet this liability, a provision is carried forward in the balance sheet, equivalent to an amount calculated based on a half month's salary of the last month of the period of all employees for each completed year of service, commencing from the first year of service. The brought forward provision at the beginning of each year is reduced by payments of gratuities in line with the statute and further yearly provisions are made so as to make the carried forward provision equivalent to half months salary for each completed year of service of eligible employee. The gratuity expense is charged to the income statement of the company.

The gratuity liability is not funded nor actuarially valued.

2.3.16 Defined Contribution Plans-Employees' Provident Fund & Employees' Trust Fund

Employees are eligible for Employees' Provident Fund contribution and Employees Trust Fund contribution 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.

Significant Accounting Policies *Contd.*

Year ended 31st March 2009

2.3.17 Revenue Recognition

a Accounting for Income from Leasing Activities and Hire Purchase Agreements

The accounting for lease income is on the basis of the financing method.

The excess of aggregate rental receivable over the cost of the leased assets constitutes the total income at the commencement of the contract. The unearned income is taken into account over the period of lease, commencing from the month in which the lease is executed, in proportion to the declining receivable balance of the lease.

Income arising from the residual interest on hire purchase agreements is credited to the Income Statement as it accrues in proportion to the declining receivable balance of the agreement.

However, accrual of income from leases and hire purchase agreements cease when the account is overdue for more than six months.

b Accounting for Income from Hire Rental Income and Operating Leases

Income from hire rental and operating leases is recognized on a straight line basis over the term of hire and operating leases.

c Real Estate Sales

Profit on real estate sales represents the excess of sales value over the cost of the properties sold and is recognised on an accrual basis.

d Accounting for Interest Income from Loans and Advances

Interest income from Loans and Advances is recognised on an accrual basis.

e Accounting for Overdue Charges

Overdue charges of leasing/hire purchases/ Loans have been accounted for on cash received basis.

f Accounting for Profit from Sale of Property, Plant and Equipment

Gains or losses of a revenue nature on the disposal of Property, Plant and Equipment

have been accounted for in the Income Statement.

g Income on Dividend

Dividend Income is recognized when the shareholders' right to receive the payment is established.

2.3.18 Expenses

a All expenditure incurred in the running of business and maintaining Property, Plant and Equipment in a state of efficiency has been charged to revenue in arriving at the Profit for the year.

b Interest expenses are accounted for on an accrual basis.

c For the purpose of presentation, of the Income Statement, the directors are of the opinion that the nature of expenses method presents fairly the elements of the Company's performance and hence such presentation method is adopted.

2.3.19 Cash Flow Statement

The Cash Flow Statement is prepared using the indirect method as stipulated in SLAS 9 - Cash Flow Statements. Cash and Cash Equivalents for Cash Flow Statements comprise mainly of cash in hand, balances at banks and bank overdrafts.

2.3.20 Reserve Fund

Reserve Fund is a statutory reserve created in compliance with the direction No. 1 of Central Bank Regulations of 2003. The amount transferred is not less than 5% of the net profit after taxation.

2.4 Directors' Responsibilities Statement

Directors acknowledge the responsibilities for the true and fair presentation of the financial statements in accordance with the books of accounts and the Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

Notes to the Financial Statements

Year ended 31st March 2009

	2009 Rs.	2008 Rs.
1 GROSS INCOME		
Finance Leasing	95,016,088	79,845,859
Hire Purchases	176,102,830	92,880,057
Income on Hire	9,610,348	9,239,852
Term Loans	-	15,156
Profit on Sale of Real Estate	1,407,625	-
Other Lending & Investments	27,244,785	24,682,059
	309,381,677	206,662,983
2 INTEREST EXPENSES		
Interest on Time Deposits	62,430,767	18,301,829
Interest on Savings Deposits	127,669	-
Interest on Borrowings	78,446,840	46,126,601
Interest on Securitisation	42,999,745	41,125,431
Interest on Finance Lease	1,256,232	2,134,493
	185,261,253	107,688,354
3 OTHER INCOME		
Interest Income On Staff Loans	-	76,798
Dividend Income	5,000	5,000
Profit on Disposal of Fixed Assets	814,409	-
Sundry Income	6,686,034	4,896,810
	7,505,443	4,978,608
4 OPERATING EXPENSES		
Operating expenses include the following		
Auditors' remuneration	444,000	200,000
Secretarial fees	153,000	112,500
Personnel Costs includes		
- Defined contribution plan costs - EPF & ETF	2,500,464	1,505,199
- Defined benefit plan costs	800,000	656,256
	4,907,464	3,476,955
5 OTHER ADMINISTRATIVE & GENERAL EXPENSES		
Depreciation	10,587,198	8,417,633
Loss on Disposal of Repossessed Vehicles	4,226,564	-
Other overhead expenses	74,779,551	54,450,445
	89,593,313	62,868,078
6 INCOME TAXATION		
The major components of income tax expense for the years ended 31 March are as follows :		
Income Statement		
Current Income Tax		
Current Income Tax Charge	-	4,177,777
Deferred Income Tax		
Deferred Taxation Charge/(Reversal)	3,861,858	3,488,623
Income tax expense reported in the Income Statement	3,861,858	7,666,400
6.1 A reconciliation between tax expense and the product of accounting profit multiplied by the statutory tax rate is as follows :		
Accounting Profit before Income Tax	17,760,718	21,853,099
At the statutory income tax rate of 33 1/3% (2008 : 35%)	5,920,239	7,648,585
Deductible expenses	(5,382,121)	(1,970,380)
Non deductible expenses	3,323,739	1,946,832
Others	-	41,364
At the effective income tax rate of 21.74% (2008 :35.80%)	3,861,858	7,666,400

Notes to the Financial Statements *Contd..*

Year ended 31st March 2009

6.2 As per the Inland Revenue Act No 10 of 2006 and the amendments thereto, profits of the company is liable to income tax at 33 1/3 % since the company is a subsidiary company of Capital Reach group of companies and year under assesment comes within first five years after quotation. However no taxation has been provided in view of Tax losses.

7 EARNINGS PER SHARE

7.1 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.

7.2 The following reflects the income and share data used in the basic Earnings Per Share computations.

		2009 Rs.	2008 Rs.
	Net profit for the period	13,898,860	14,186,699
	Number of Ordinary Shares used as the denominator		
	Weighted average number of ordinary shares	20,064,617	20,064,617
	Earnings Per Share	0.69	0.71
		As at 31-03-2009 Rs.	As at 31-03-2008 Rs.
8	INVESTMENTS		
	Investment In Unquoted Shares: (Note 8:1)	30,600	30,600
	Investments In Other Fixed Income Securities	1,201,179	25,830,292
		1,231,779	25,860,892
8.1	Investment In Unquoted Shares		
	Investment In CRIB	30,600	30,600
		30,600	30,600
9	PREPAYMENTS & OTHER RECEIVABLE		
	Advance, Deposits & Prepayments	18,806,814	10,482,092
	Receivable From Inland Revenue	15,931,381	18,182,389
	Other Receivable	9,613,236	7,760,120
		44,351,431	36,424,601
10	AMOUNTS DUE FROM RELATED COMPANIES		
	Amount due from Capital Reach Holdings Ltd.	10,570,937	2,105,973
	Amount due from Capital Reach Business Development (Pvt) Ltd.	47,173	461,759
	Amount due from Capital Reach Credit Ltd.	-	541,744
		10,618,110	3,109,476
11	LOANS AND ADVANCES		
	Short Term Lending - Related Companies	3,687,385	12,500,000
	- Others	13,988,205	30,383,035
	Term Loans	-	-
	Staff Loans	-	42,721
		17,675,590	42,925,756
12	LEASE & HIRE PURCHASE RENTAL RECEIVABLE		
	Lease Rental Receivable (Note 12.1)	315,668,184	322,357,040
	Hire Purchase Rental Receivable (Note 12.2)	686,995,229	510,849,378
		1,002,663,414	833,206,417

Notes to the Financial Statements *Contd..*

Year ended 31st March 2009

12.1 Lease Rental Receivable

	Current Receivable within one year	Non-Current Receivable 1-5 Years	As at 31-03-2009 Rs. Total	As at 31-03-2008 Rs. Total
Gross Investment in Leases	208,246,778	236,743,675	444,990,453	460,657,156
Rentals Received in Advance	(84,371)	(960,956)	(1,045,327)	(897,680)
	<u>208,162,407</u>	<u>235,782,719</u>	<u>443,945,126</u>	<u>459,759,476</u>
Unearned Income	(67,645,400)	(59,525,750)	(127,171,149)	(133,131,688)
Net Receivable	<u>140,517,007</u>	<u>176,256,969</u>	<u>316,773,976</u>	<u>326,627,787</u>
Interest in Suspense (Note 12.4)	(205,306)	-	(205,306)	(108,789)
Provision for Doubtful Recoveries (Note 12.3)	(900,486)	-	(900,486)	(4,161,959)
	<u>139,411,215</u>	<u>176,256,969</u>	<u>315,668,184</u>	<u>322,357,040</u>

12.2 Hire Purchase Rental Receivable

Gross Investment In Contracts	419,768,744	603,110,985	1,022,879,729	766,531,218
Unearned Income	(159,843,602)	(173,326,663)	(333,170,265)	(254,720,605)
	<u>259,925,142</u>	<u>429,784,322</u>	<u>689,709,464</u>	<u>511,810,613</u>
Interest in Suspense (Note 12.4)	(831,359)	-	(831,359)	-
Provision for Doubtful Recoveries (Note 12.3)	(1,882,876)	-	(1,882,876)	(961,235)
	<u>257,210,907</u>	<u>429,784,322</u>	<u>686,995,229</u>	<u>510,849,378</u>

All loans, advances and leases where capital or interest due is in arrears for more than six months have been classified as non performing loans.

12.3 Provision for Doubtful Recoveries & Interest in Suspense

Provision for Doubtful Recoveries	As at 31.03.2009 Rs.		As at 31.03.2008 Rs.	
	Lease	Hire Purchases	Lease	Hire Purchases
At the beginning of the year	4,161,959	961,235	2,941,184	283,813
Amount provided during the year	378,389	1,882,876	1,220,775	677,422
Write off amount	(3,639,862)	(961,235)	-	-
Total at the end of year	<u>900,486</u>	<u>1,882,876</u>	<u>4,161,959</u>	<u>961,235</u>

12.4 Interest in Suspense

At the beginning of the year	108,789	-	853,998	66,791
Amount provided during the year	96,517	831,359	108,789	-
Recoveries/ write back	-	-	(853,998)	(66,791)
Total at the end of year	<u>205,306</u>	<u>831,359</u>	<u>108,789</u>	<u>-</u>
Total at the end of year	<u>1,105,792</u>	<u>2,714,235</u>	<u>4,270,748</u>	<u>961,235</u>

Notes to the Financial Statements *Contd..*

Year ended 31st March 2009

- 12.5 Non- Performing Advances included in the above Lease Rental Receivable and Stock Out on Hire
Net exposure on non Performing advances as at 31-03-2009 and 31-03-2008 before setting off value of securities is given below

	As at 31.03.2009 Rs.		As at 31.03.2008 Rs.	
	Lease	Hire Purchases	Lease	Hire Purchases
Amount Receivable	9,273,242	17,783,015	8,130,584	3,290,234
Less -Interest in Suspense	(205,306)	(831,359)	(108,789)	-
Provision for Doubtful Recoveries	(900,486)	(1,882,876)	(4,161,959)	(961,235)
Net Non Performing Advances	<u>8,167,450</u>	<u>15,068,780</u>	<u>3,859,836</u>	<u>2,328,999</u>

13 PROPERTY, PLANT AND EQUIPMENT

13.1 Gross Carrying Amount

	Balance as at 01-Apr-08 Rs	Additions 01-04-2008 to 31-03-2009 Rs	Disposals 01-04-2008 to 31-03-2009 Rs	Balance as at 31-Mar-09 Rs
At Cost				
Office Equipment	7,554,347	2,015,634	-	9,569,980
Furniture & Fittings	2,747,835	1,951,819	(97,875)	4,601,780
Motor Vehicles	2,448,082	3,184,673	(1,552,955)	4,079,800
Office Partitioning	248,280	-	-	248,280
Computer Software	7,568,950	352,500	-	7,921,450
Motor Vehicles - given out on hire agreements	8,638,125	-	(1,750,000)	6,888,125
	<u>29,205,619</u>	<u>7,504,626</u>	<u>(3,400,830)</u>	<u>33,309,415</u>
Assets on Finance Leases				
Furniture & Fittings	3,590,487	-	-	3,590,487
Motor Vehicles - given out on hire agreements	19,468,884	498,712	-	19,967,596
Office Equipment	707,000	-	-	707,000
	<u>23,766,371</u>	<u>498,712</u>	<u>-</u>	<u>24,265,083</u>
Total Value of Depreciation Assets	<u>52,971,991</u>	<u>8,003,338</u>	<u>(3,400,830)</u>	<u>57,574,499</u>

13.2 Depreciation

	Balance as at 01-Apr-08 Rs	Charge for the period Rs.	Disposals for the period Rs.	Balance as at 31-Mar-09 Rs.
Office Equipment	3,300,849	1,374,667	-	4,675,516
Furniture & Fittings	463,302	583,808	(30,586)	1,016,524
Motor Vehicles	542,327	948,007	(234,507)	1,255,827
Office Partitioning	36,377	37,242	-	73,619
Computer Software	6,679,258	658,703	-	7,337,961
Motor Vehicles - given out on hire agreements	2,647,913	1,712,656	(791,667)	3,568,902
	<u>13,670,026</u>	<u>5,315,082</u>	<u>(1,056,759)</u>	<u>17,928,349</u>
Assets on Finance Leases				
Furniture & Fittings	1,077,145	538,573	-	1,615,718
Motor Vehicles - given out on hire agreements	9,918,175	4,592,143	-	14,510,318
Office Equipment	47,133	141,400	-	188,533
	<u>11,042,454</u>	<u>5,272,116</u>	<u>-</u>	<u>16,314,570</u>
Total Depreciation	<u>24,712,480</u>	<u>10,587,198</u>	<u>(1,056,759)</u>	<u>34,242,918</u>

Notes to the Financial Statements *Contd..*

Year ended 31st March 2009

13.3 Net Book Values

	As at 31-03-2009	As at 31-03-2008
At Cost	15,381,066	15,535,593
Assets on Finance Leases	7,950,514	12,723,918
Total Carrying Amount of Property, Plant & Equipment	23,331,580	28,259,511

14 BORROWINGS

	Payable within one year Rs.	Payable after one year Rs.	As at 31-03-2009 Total Rs.	As at 31-03-2008 Total Rs.
Central Bank - Susahana Loans Borrowings	1,114,286	3,557,142	4,671,428	5,835,714
Finance Lease Creditors (Note 14.1)	365,449,492	51,319,457	416,768,949	291,323,582
Lease Securitisation	4,339,927	406,154	4,746,081	11,512,007
	18,910,968	8,024,107	26,935,075	189,078,016
	<u>389,814,674</u>	<u>63,306,860</u>	<u>453,121,534</u>	<u>497,749,319</u>

14.1 Finance Lease Creditors

	As at 31-03-2009	Not later than 1 Year	Later than 1 Year & not later than 5 years
Gross Liability	5,091,139	4,668,748	422,390
Finance Charge allocated to future periods	(345,058)	(328,821)	(16,237)
Net Liability	4,746,081	4,339,927	406,154

15 TRADE & OTHER PAYABLES

	As at 31-03-2009	As at 31-03-2008
Trade Payables	14,444,412	16,848,721
Other Payables	48,900,229	60,770,430
	<u>63,344,641</u>	<u>77,619,151</u>

16 DEFERRED LIABILITIES

Provision for retirement gratuity	3,916,356	3,272,356
Deferred Taxation	24,654,686	20,792,828
	<u>28,571,042</u>	<u>24,065,184</u>

17 STATED CAPITAL

	2009		2008	
	Number	Rs.	Number	Rs.
Issued and Fully Paid Ordinary Shares	<u>20,064,617</u>	<u>200,646,170</u>	<u>20,064,617</u>	<u>200,646,170</u>

Notes to the Financial Statements *Contd..*

Year ended 31st March 2009

18 MATURITY OF ASSETS AND LIABILITIES

An analysis of the assets and liabilities by their remaining periods of repayment as at the balance sheet date is as follows,

Company	Less than 3 months	3 months to less than 12 months	1 year to less than 3 years	Over 3 years	Total
	Rs	Rs	Rs	Rs	Rs
Assets					
Bank & Cash Balances	29,778,355	-	-	-	29,778,355
Investment in Government Securities	12,000,000	-	-	-	12,000,000
Investments In Other Fixed Income Securities	1,201,179	-	-	30,600	1,231,779
Prepayments & Other Receivable	28,420,050	15,931,381	-	-	44,351,431
Loans & Advances	3,687,385	13,988,205	-	-	17,675,590
Lease & Hire Purchase Rentals Receivable (Gross)	156,982,788	470,948,363	559,262,469	279,631,235	1,466,824,855
Total Non-Interest Earning Assets	-	-	-	-	59,573,624
Total	232,069,758	500,867,949	559,262,469	279,661,835	1,631,435,634
Liabilities					
Bank Overdrafts	1,488,467	-	-	-	1,488,467
Time Deposits	158,450,870	200,307,121	25,032,246	20,684,556	404,474,793
Savings Deposits	-	-	1,910,737	382,208	2,292,945
Borrowings	133,509,951	256,304,723	58,878,290	4,428,570	453,121,534
Creditors & Accruals	19,769,399	40,498,875	2,616,666	459,700	63,344,641
Total Non-Interest Bearing Liabilities	-	-	-	-	28,571,042
Total	313,218,686	497,110,718	88,437,940	25,955,035	953,293,421

19 COMMITMENTS AND CONTINGENCIES

Guarantees issued and in force

	2009 Rs.	2008 Rs.
Guarantees issued and in force	9,200,000	5,825,000
	<u>9,200,000</u>	<u>5,825,000</u>
20 ASSETS PLEDGED		
The following assets have been pledged as security for liabilities.		
<u>Nature of assets</u>		
Lease Rental Receivable	166,753,894	392,581,913
	<u>166,753,894</u>	<u>392,581,913</u>

Nature of liability

The above assets have been pledged in order to obtain term loans and Securitisation facilities.

21 EVENTS AFTER THE BALANCE SHEET DATE

The Directors have recommended the payment of an interim dividend of Rs 0.50 per share for the financial year 2009/2010. As required by section 56 (2) of the Companies Act No.7 of the 2007, the Board of Directors have confirmed that the Company satisfies the solvency test in accordance with Section 57 of the Companies Act No.7 of 2007, and have obtained solvency certificates from the auditor prior to declaring the interim dividend of Rs.0.50 per share.

No other circumstances have arisen since the balance sheet date, which would require adjustments to or disclosure in the financial statements.

Notes to the Financial Statements *Contd..*

Year ended 31st March 2009

22 RELATED PARTY TRANSACTIONS

Details of significant related party disclosures are as follows:

22.1 Transactions with Key Managerial Personnel (KMPs)

22.1.1 Key Managerial Personnel includes Members of the Board of Directors of the Company and of its Holding Company.

22.1.2 The following table provides the total amount of transactions which have been entered in to with Key Managerial Personnel and their close family members

	2009	2008
Loans and advances	-	-
Borrowings by Company	2,965,982	3,315,981
Others	-	-

22.1.3 Remuneration to Key Managerial Personnel amounted to Rs. 4,754,514/- for the year ended 31, March 2009 (Rs. 4,040,000/- for the year ended 31, March 2008)

22.2 Transactions with Group Companies

The Company enters into transactions with group companies and the following tables shows the outstanding balances and corresponding transaction during the year.

		Loans & advances	Interest / Hire Earned	Amounts owed by Group Companies	Reimbursement of expenses Received/ (Paid)	Guarantees Obtained
Capital Reach Credit Ltd.	2009 Mar	3,687,385	6,614,025	-	6,043,249	-
	2008 Mar	12,000,000	5,117,956	541,744	4,141,997	-
Capital Reach Holdings Ltd.	2009 Mar	-	1,500,000	10,570,937	(1,874,832)	16,500,000
	2008 Mar	-	1,088,082	2,105,973	(999,679)	16,500,000
Capital Reach Business Development (Pvt) Ltd.	2009 Mar	-	90,000	47,173	(7,354,412)	-
	2008 Mar	500,000	67,500	461,759	(2,664,751)	-

Investor Information

1. SHAREHOLDING INFORMATION

1.1 List of Major Shareholders of the Company as at 31st March 2009

Name	No. of Shares	(%)
Capital Reach Holdings Ltd	10,257,144	51.121
Vanik Incorporation Ltd	5,376,083	26.794
Janashakthi Insurance Company PLC	1,339,600	6.676
Miss F S Riza	1,004,000	5.004
Ceylinco Insurance PLC	277,000	1.381
Capital Reach Credit Ltd	275,000	1.370
Sri Lanka Co-Operative Rural Banks Federation	179,384	0.894
Weniwella Investments Ltd	105,000	0.523
Mr A H Zameerudeen	72,000	0.359
Rosewood (Pvt) Ltd	60,000	0.299
Mrs S A Salgado	50,000	0.249
Mr D H Jayasinghe	50,000	0.249
Mr N H G Wijekoon	40,000	0.199
Mr B T Samaraweera	33,400	0.166
Mr P M B Fernando	30,000	0.150
Micro Cars Ltd	28,000	0.140
Mr P M Kathriarachchi	25,000	0.125
Mr D S A M Gnanarathne	25,000	0.125
Mr S A D A Abo Qamaz	25,000	0.125
Mr D Muthukumarana	20,000	0.100
	19,271,611	96.048
Others	793,006	3.952
TOTAL	20,064,617	100.00

1.2 Distribution of Shareholdings as at 31st March 2009

From	To	No. of Holders	No. of Shares	(%)
1	1,000	326	153,406	0.77
1,001	5,000	80	191,700	0.96
5,001	10,000	24	161,400	0.80
10,001	50,000	29	612,900	3.05
50,001	100,000	3	232,000	1.16
100,001	500,000	4	736,384	3.67
500,001	1,000,000	0	0	0.00
Over 1,000,000		4	17,976,827	89.59
		470	20,064,617	100.00

Investor Information *Contd.*

1.3 Analysis of Shareholders as at 31st March 2009

Category	No. of Holders	No. of Shares	(%)
Local Individuals	437	1,958,100	9.76
Local Institutions	28	18,030,517	89.86
Foreign Individuals	5	76,000	0.38
Foreign Institutions	0	0	0.00
Total	470	20,064,617	100.00

1.4 Public Holding

The percentage of shares held by the public as at 31st March 2009 is 21.637%

1.5 Directors' Shareholding as at 31st March 2009

Names of Directors	No. of Shares
Pattage Mayurasiri Bandula Fernando	30,000
Nalin Hemantha Gamini Wijekoon	40,000
Dayananda Muthukumarana	20,000
Madapathage Nihal Ranjith de Silva	Nil
Enoj Lalinka Muthukumarana (Alt. to Dayananda Muthukumarana)	Nil
Baddegama Hevege Sirinimal Jayawardene	Nil
Nirmal Anura Fernando	Nil
Prakash Anand Schaffter	Nil
Chandrakumar Ramachandra	Nil

2. SHARE PRICES FOR THE YEAR

Market price per share	31.03.2009
Highest during the period	Rs. 36.00
Lowest during the period	Rs. 8.00
As at end of the period	Rs. 15.00

7 Years Summary

(Rs.'000)	2008/09*	2007/08*	2006/07*	2005/06* Restated	2004 Restated	2003 Restated	2002 Restated
OPERATING RESULTS							
Gross Income	309,382	206,663	112,487	60,379	35,001	34,816	28,060
Profit Before Tax	17,761	21,853	17,225	10,058	9,060	8,478	7,513
Taxation	3,862	7,666	6,960	5,275	2,228	2,967	2,629
Profit After Tax	13,899	14,187	10,265	4,783	6,832	5,511	4,884
As at 31 March							
ASSETS							
Investments	13,232	42,077	33,102	46,124	3,031	5,881	4,465
Loans & Advances	28,294	46,035	30,510	11,694	7,390	10,100	23,245
Lease & Hire Purchase	1,002,663	833,206	502,048	301,773	173,208	138,961	126,534
Rentals Receivables							
Vehicle Stocks	10,259	-	-	-	-	-	-
Investments in Real Estates	15,365	-	-	-	-	-	-
Property & Equipment	23,332	28,260	28,951	18,268	4,955	6,400	8,153
Other Assets	74,129	75,417	32,453	17,733	4,472	4,564	4,813
	<u>1,167,274</u>	<u>1,024,995</u>	<u>627,064</u>	<u>395,592</u>	<u>193,056</u>	<u>165,906</u>	<u>167,210</u>
LIABILITIES							
Public Deposits	406,768	225,480	31,573	-	-	-	-
Borrowings	453,121	497,749	345,637	148,453	74,855	63,675	71,333
Other Liability	93,404	101,684	63,959	48,377	17,733	9,823	12,947
	<u>953,293</u>	<u>824,913</u>	<u>441,169</u>	<u>196,830</u>	<u>92,588</u>	<u>73,498</u>	<u>84,280</u>
SHAREHOLDERS' FUNDS							
Share Capital/Stated Capital	200,646	200,646	200,646	165,238	84,817	84,817	75,393
Share Premium	-	-	-	32,500	-	-	-
Reserves	13,335	(564)	(14,751)	1,024	15,651	6,591	7,537
	<u>213,981</u>	<u>200,082</u>	<u>185,895</u>	<u>198,762</u>	<u>100,468</u>	<u>91,408</u>	<u>82,930</u>
SHARE INFORMATION							
Earnings Per Share (Rs.)	0.69	0.71	0.51	0.89	1.07	1.00	1.00
Net Assets Per Share (Rs.)	10.66	9.97	9.26	12.00	12.00	10.78	11.00
Debt Equity Ratio (times)	4.45	4.12	2.37	0.99	0.92	0.80	1.02
OTHER INFORMATION							
No. of Employees	48	38	21	18	14	14	13
Supporting Network	8	8	8	8	8	8	15

Four Financial periods are restated due to Provision of Deferred Tax charge effected in 2006/2007 with retrospective effect.

* Note : Period ended 31 March

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Capital Reach Leasing PLC will be held at No 1, Lake Crescent Colombo 02 on 23rd September 2009 at 2.30 p.m. 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 Financial Statements for the year ended 31st March 2009 together with the Report of the Auditors thereon.
2. To pass the Ordinary Resolution set out below to re-elect Mr M N R De Silva who is 73 years of age as a Director of the Company:

"THAT the age limit stipulated in Section 210 of the Companies Act, No.07 of 2007 shall not apply to Mr M N R De Silva who is 73 years of age and that he be and is hereby re-elected a Director of the Company."
3. To re-elect Mr P A Schaffter as a Director in terms of Article 97 of the Articles of Association of the Company.
4. To re-elect Mr C Ramachandra as a Director in terms of Article 97 of the Articles of Association of the Company.
5. To re-elect Mr H L L M Nanayakkara as a Director in terms of Article 97 of the Articles of Association of the Company.
6. To appoint Messrs. Nihal Hettiarachchi & Co., Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.
7. To authorize the Directors to determine donations for the year ending 31st March 2010 and up to the date of the next Annual General Meeting.

By Order of the Board
CAPITAL REACH LEASING PLC

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries
18th August 2009
Colombo

- Notes:
1. A member is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
 2. A Proxy need not be a member of the Company.
 3. The Form of Proxy is enclosed for this purpose.
 4. The completed Form of Proxy must be deposited at the Registered Office of the Company at No.1, Lake Crescent, Colombo 02 not later than 45 hours before the time fixed for the meeting.

Notes

Branch Network

Head Office - Colombo

Position	Name	Contact No
Chairman	Mayura Fernando	011 - 5373525
Managing Director	Nalin Wijekoon	011 - 2307292
Assistant General Manager - Credit	Rohana Dahanayake Sanjaya Vithanage	011 - 2307284 / 8
Assistant General Manager - Deposit	Devika Gunasekera	011 - 5332712
Senior Manager - Deposit	Manoj Kumar	011 - 2307284/8
Assistant General Manager - Finance	Sampath Hewapathirana	011 - 2307284 / 8
Senior Manager - Recoveries	Nalinda Ranaraja	011 - 2307284/8

Branch Network

Badulla

Credit		
Fixed Deposit	Lakmal	0722 455710

Chilaw

Credit	Bandara	0722 243128
Fixed Deposit	Punnitha	0722 309588

Galle

Credit	Udula	0722 447622
Fixed Deposit	Lakmal	077 3825754

Polonnaruwa

Credit	Nishantha	0722 447613
Fixed Deposit	Samantha	0722 300582

Kandy

Credit	Jagath	0722 338747
Fixed Deposit	Ruwan	0722 461155

Matara

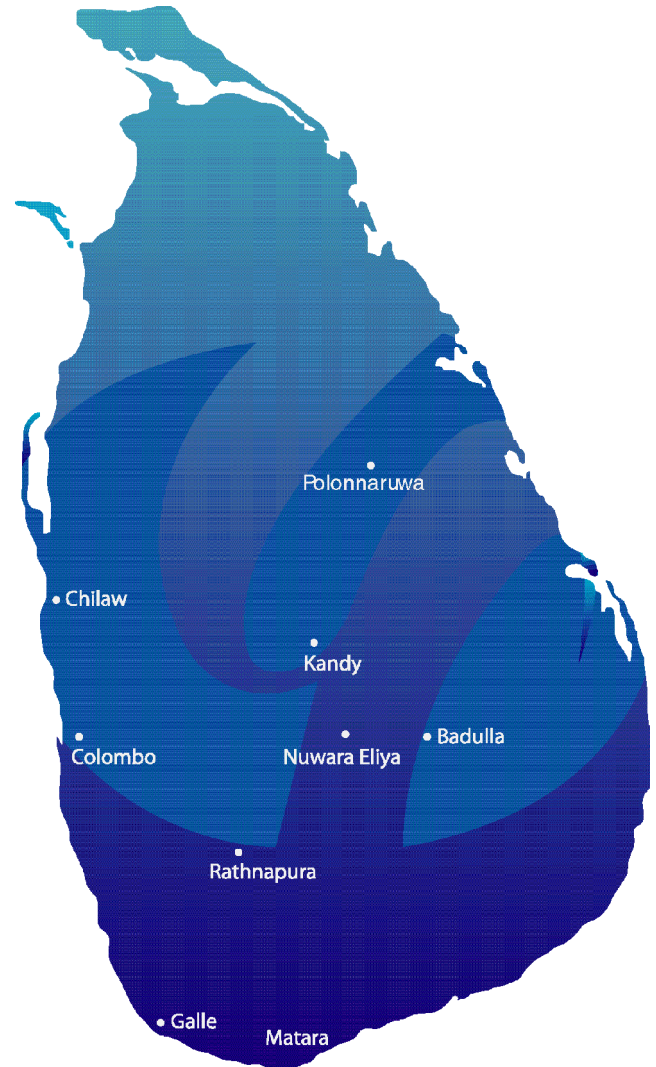
Credit	Amila	0722 463746
Fixed Deposit	Sudath	0722 300583

Nuwara Eliya

Credit	Thoradeniya	0722 309758
Fixed Deposit		

Ratnapura

Credit	Prasanna	0722 447624
Fixed Deposit		



Head Office

No.1, Lake Crescent
Colombo 2
Tel. 94 11 2307284 - 8
Fax. 94 11 2307289

Badulla

No 30, Anagarika Dharmapala Mawatha
Tel: Tel: 055-2223905

Kandy

No. 165, Kotugodella Veediya
Tel: 081- 2224912
Fax : 081-2224916

Polonnaruwa

No. 125, Batticaloe Road
Tel: 027-2225909

Chilaw

No. 66, Ground Floor, Kurunegala Road
Tel: 032-2223754

Matara

No. 8C, F. N. Building, 2nd Floor, Station Road
Tel: 041-2227257

Ratnapura

No.1/200, Ground Floor,
Main Street
Tel: 045-2223574

Galle

No.16 A, 2nd Floor, Gamini Mawatha
Tel: 091-5450020

Nuwara Eliya

No. 36, 1st Floor, Unit 6, Park Road
Tel: 052-2223383

