

Phenomenal.

SOFTLOGIC FINANCE PLC | Annual Report 2011/12



LOOKING AT THINGS FROM A WINNING ANGLE

Softlogic Finance PLC is already recognised as a 'Large Finance Company' by the Central Bank of Sri Lanka.

RAM Ratings : BBB-/P3 (Stable)
Investment Grade

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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.

Softlogic Finance PLC is a Registered Finance Company under Finance Business Act No. 42 of 2011 as well as being a Specialised Leasing Company, licensed by the Central Bank of Sri Lanka under the Finance Leasing Act No. 56 of 2000. Further, the Company became a public listed company by way of Offer for Sale of Shares in December 2008.

Softlogic Finance PLC provides finance leasing and hire purchase facilities and accepts fixed deposits and savings, personal finance, business finance and gold loans.

We can sum up our
financial performance
in one word.

Phenomenal.

PROFIT AFTER TAX:	+54%
TOTAL ASSETS:	+128%
INCOME GROWTH:	+135%
SHAREHOLDERS' FUNDS:	+110%
DEPOSIT BASE:	+195%
LOAN PORTFOLIO:	+115%
PORTFOLIO VALUE:	Rs. 8 Bn
TOTAL ASSETS:	Rs. 10 Bn

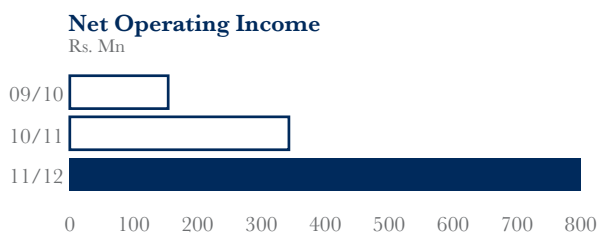
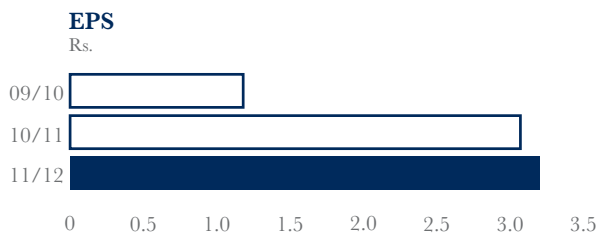
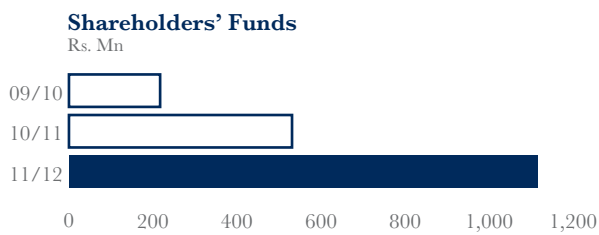
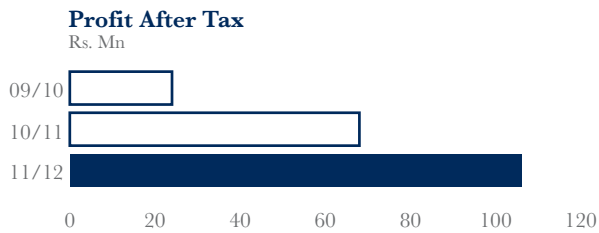
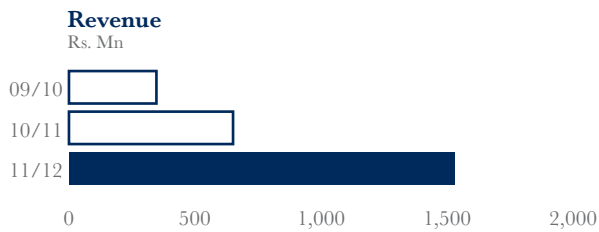


LOOKING AT THINGS FROM
A WINNING ANGLE

Performance Highlights

To deliver consistent returns whilst balancing the long-term objective of having strong yet efficient levels of capital.

2011/12 was another year of great performance. We have demonstrated we have the right strategy, the right culture and the right geographical footprint to deliver consistent and sustained value for our shareholders.



**the
year at a
glance**

- 
- Softlogic Finance PLC posted an exceptional 2011/12 financial year, recording an income of **Rs. 1.53 Bn for the year ended 31st March 2012.**
 - Achieved phenomenal results with **PBT of Rs. 150 Mn.**
 - Opened 18 Gold Loan Centres and 8 Branches in **many parts of the country.**
 - Impressive portfolio of **customer assets amounting to Rs. 8.1 Bn.**
 - Deposit growth to reach **Rs. 4.6 Bn at the end of 2011/12.**
 - Credit-rating agency accorded **BBB-/P3 (Stable) rating to Softlogic Finance.**
 - Categorised as a **Large Finance Company by the Central Bank of Sri Lanka.**



LOOKING AT THINGS FROM
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Chairman's Message

Dear Stakeholder,

It is with great pleasure that I present to you the Softlogic Finance PLC Annual Report for the year 2011/12. This is the first full year of Softlogic Finance being under the Softlogic umbrella and I am happy to state that your company has achieved phenomenal results with revenue of Rs. 1.53Bn and a PBT of Rs.150Mn thereby achieving growth rates of 135% and 76% respectively when compared to the previous financial year.

In keeping to the promise of providing much needed financial solutions to the most important SME segment, that is a strong pillar of the local economy, Softlogic Finance PLC opened eight branches in total including one in Jaffna. Your company also extended its services by opening 18 Gold Loan Centres in many parts of the country. With the expansion of our Softlogic Finance network, we have been able to provide Leasing and Hire Purchase, Personal Loans, Gold Loans, Consumer Loans and Business Loans to a wider customer base thus helping in uplifting the economic standards across the varied spectrum of the economy, including the provincial areas. These expansions have enabled the Company to achieve over 100% growth in many of the products offered in our portfolio.

Softlogic Finance PLC is now categorised as a Large Finance Company by the Central Bank of Sri Lanka and was given a BBB-/P3 rating from RAM Rating - the outlook on the long term being stable during the financial year. Adding to the stability of Softlogic Finance is the Risk Management practices and processes that are in place as we believe that prudent internal controls and practices are a must in order to run a sustainable finance company. Our customer advances have more than doubled when compared to the previous period, and recorded an exemplary Gross Non Performing Loan (NPL) ratio that has decreased to 0.66% from 1.1%, that is amongst the best in the industry. The loyalty of our customers and the faith they have in your company is evident from the growth in customer deposits that almost tripled when compared to the previous year. We hope to further develop products and services with the convenience of our customers foremost in mind that will be rolled out in the ensuing year.

The first half of the financial year experienced an economic boost with the relaxed import taxes on motor vehicles which saw an increased demand for our financial products. The economy also saw a steady maintenance of interest rates during this time period. However, the second half of the financial year experienced economic uncertainty in terms of increased import duty in vehicles, higher interest rates that are yet to stabilise, and depreciation of the rupee that has had a negative impact on businesses. At the beginning of the financial

This is the first full year of Softlogic Finance being under the Softlogic umbrella and I am happy to state that your company has achieved phenomenal results with revenue of Rs. 1.53 Bn and a PBT of Rs. 150 Mn thereby achieving growth rates of 135% and 76% respectively when compared to the previous financial year.

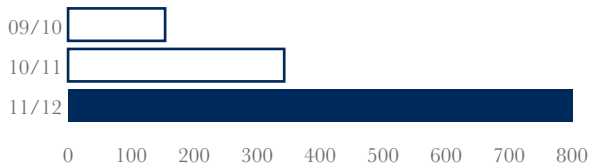
year, the Central Bank ceiling on one year deposits was 12.16% which grew to 13.23% in January 2012 and reached 16.32% in April 2012, an increase of over 4% for the year. Amidst these turbulent market conditions, your company's growth continued in a measured manner surpassing the competition in the market to end the financial year with some phenomenal achievements. We have firmly set our sights on establishing Softlogic Finance as a leading player in the industry and are well on our way to achieving our objective.

The industry is competitive with several Leasing Companies receiving Licensed Finance Company status this year and a few more expected in the coming year. However, regulatory measures taken by the Central Bank of Sri Lanka places all finance companies in a steady and similar playing field. The Central Bank of Sri Lanka, introduced the Finance Business Act, No. 42 of 2011 replacing the Act No 17 of 1988 which would strengthen the financial system in Sri Lanka. The new Act amongst many other rules gives powers to the regulators to prevent deposit taking by any unlicensed "businesses". The new measures taken by the Central Bank of Sri Lanka bodes well for the future of the financial services industry and ensures that the hard earned money of the public is managed in a responsible and efficient manner when placed with legitimate finance companies.

Our human capital is our most treasured asset. The results achieved are a fantastic reflection of the team effort at Softlogic Finance, including the senior management team who have provided crucial guidance and direction, initially in building capacity, and then manoeuvring the tricky second half of the year. They continue to provide our valued clients with practical and meaningful "financial solutions" and are fully committed to delivering these solutions with high end customer service.

Net Operating Income

Rs. Mn



EPS

Rs.



I wish to express my sincere thanks to the Board of Directors, for their guidance and for fulfilling their advisory role; and other stakeholders, for their valued cooperation and assistance. I seek your continued support to extend our 'winning angle' and take part in our journey as we scale the heights of the Financial Services industry in Sri Lanka.

Ashok Pathirage

Chairman

22nd June 2012

“Softlogic Finance is now categorised as a Large Finance Company by the Central Bank of Sri Lanka, was given a BBB-/ P3 rating from RAM Rating - the outlook on the long term being stable during the financial year.”





LOOKING AT THINGS FROM
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CEO's Review

Looking back on the year, I can state that Softlogic Finance PLC posted an excellent 2011/12 financial year end surpassed many milestones identified in the period. The company was able to get on with an aggressive expansion in the first six months of the year, due to the favorable macro-economic factors in the country supported by high liquidity levels, low interest rates and positive demand for credit. However as the favourable market conditions slightly declined with the interest rates rising and liquidity levels falling in the latter part of the year, the company and also the industry slowed down in the business. Yet, I am pleased to note that the company managed to sustain the momentum from the first half of the year and maintained the profitability levels as before.

Phenomenal Financials

Softlogic Finance PLC posted an exceptional 2011/12 financial year, recording an income of Rs. 1,531 million for the year ended 31st March 2012, which marks an increase of 135% over the previous year's income of Rs. 651 million. Strident growth is evident across all its financial indicators, with Profit after Tax echoing the trend by recording Rs. 106 million compared to Rs. 69 million in the preceding year, marking a clear 54% leap. Total company assets, which stood at Rs. 4.4 billion as at 31st March 2011, more than doubled during the financial year to reach Rs. 10.1 billion as at 31st March 2012.

The company possesses an impressive portfolio of customer assets amounting to Rs. 8.1 billion currently, staying focused on its core target group of SMEs.

The SME sector is widely considered to be the backbone of the Sri Lankan economy and is being prioritised as a key sector that will be the engine of growth to spur grassroots economic resurgence in the nation. Although the SME sector remains our core customer segment, we also have large institutional investors and smaller retail investors availing of our personal finance solutions.

The financial year under consideration proved to be extremely fortuitous for the company in the realm of deposit mobilisation. The rapidly expanding presence of the company islandwide resulted in a three-fold deposit growth to reach Rs. 4.6 billion at the end of 2011/12, in contrast to Rs. 1.6 billion in the 2010/11 period. The fixed deposit team put in a colossal effort to bring the deposits up to the current levels, to keep the company on a sound footing. The company was also able to successfully maintain above industry Non Performing Loans (NPL) level of less than 1%. Another significant growth area was the hire purchase and leasing segments, which outperformed all forecasts for the year.

Strong investor backing has enabled the company to drive its growth strategy in a focused manner during the financial year. As a result of this investor confidence, Softlogic Finance PLC was in a position to double total shareholder funds through the cash infusion of Rs. 535 million by way of a rights issue.

Favourable Ratings

The finance company's strong growth story has been further underscored by its categorisation under 'Large Finance Companies' by the Central Bank of Sri Lanka with further affirmation via its rating as 'Investment Grade' by RAM Ratings. The credit-rating agency accorded the BBB-/P3 (Stable) rating to Softlogic Finance, which is a testimonial to the company's strong balance sheet and future potential for growth.

Pursuit of Excellence

Our pursuit of operational excellence during the year resulted in the achievement of rapid growth and expansion in all areas of our operations. The company was able to record growth in profitability, volume and geographical reach, boosted further by a climate of low interest, high liquidity levels and positive business sentiment.

The positive macro economic factors in the country during the first six months of the year spurred the company to embark on an aggressive expansion drive to increase reach, improve distribution, enhance our human resource pool and undertake capacity building efforts in all areas of operations.

We also introduced two new products to further enhance customer convenience to the greatest extent possible. Western Union Money Transfer and Margin Trading were introduced to add value to our branches whilst optimising the branches as well. Through the year, we continued to explore ways in which the company could leverage on the joint synergies of its parent company, Softlogic Holdings, by showcasing our products and services at some of the over 100 strategically located Softlogic outlets across the country.

I am glad to announce that Softlogic Finance has been granted a license by the Central Bank of Sri Lanka as an 'Authorised Money Changer' and we intend to make this service operational in the 2012/13 financial year. Another new product in the pipeline is Savings Accounts, devised in response to customer feedback. We perceive immense opportunities to mobilise low cost funds and expect this product to add further value to our branches while simultaneously enhancing customer convenience.

Varied Distribution Channels

One of the main highpoints of the rapid growth of the company during the period under review was that the company focused on widening coverage and expansion its presence during the year. We launched eight new branches during the 2011/12 period which brought our total number of branches to 16. The addition of 18 new Gold Loan Centres brought the total tally of standalone Gold Loan Centres to 21, with nine other Softlogic Finance branches having a

gold loan counter as well. Moreover, we have leveraged on group synergies to ensure our presence at 10 Sofilogic outlets by way of Business Extension Units. Our distribution network thereby exceeds 50 locations.

Since its re-launch under the Sofilogic Group in 2010, the company has been readying itself to meet future corporate objectives. So, while the new name and logo were launched in 2010, the year 2011 was marked by branch expansion and refurbishment, with some branches being relocated to more strategic geographical areas. The expansion has necessitated recruitment of staff and we invested in enhancing our talent pool by recruiting 259 new staff during the year, bringing the staff strength to 550 in total.

Poised to Soar

Our phenomenal financial performance provides a ripe platform for future growth and gives us added confidence to pursue goals that would have seemed unreachable in the previous year. The company is well on its way to becoming one of the top five registered finance companies in the country.

The financial year 2011/12 will be a watershed year for the company because we were able to lay the bricks and mortar base on which the future growth path of the company can be consolidated. We envisage a brilliant future for this emerging company in the Sofilogic Group on the basis of the current year's performance and we are confident that our expansion plans will provide the optimum thrust to our growth.

The year under review was of particular significance because it was instrumental in enabling us to carve out a greater market share for the company and to establish our credentials as a company that is forging ahead with enviable momentum into the top tier within a short period of time since the take-over of the company by the Sofilogic Group in 2010. Sustainability of our business will drive future growth plans and we will continue to place high value on social, economic and environmentally responsible operations.

Looking ahead, we expect that the financial market will improve following the steps taken by the regulator to slow credit growth, improve liquidity levels and stabilise the interest rates and exchange rate. We are hopeful that interest rates too come down or remain the same in the coming financial year. The company is gearing up to take advantage of favourable market conditions in the latter half of the year 2012/13 and we foresee a smooth journey thereafter.

Appreciation

I would like to express my gratitude to the Chairman and the Board of Directors for their fullest support and backing during this period of expansion. The

Sofilogic team too deserves special mention for having become true business partners in the company's growth. Our valuable human resource pool is what differentiates us from the rest of the market and we will continue to maintain this unique quality about the company. Our success would not have been possible without the cooperation of our valuable shareholders and loyal customers who have provided the bulwark to our growth. The company has benchmarked resounding growth levels during the period under review and we are confident of sustaining the same in the unfolding months and years.

Mayura Fernando

Director/CEO

22nd June 2012





LOOKING AT THINGS FROM
A WINNING ANGLE

Board of Directors

R A K Pathirage

Chairman

Having co-founded Softlogic in 1991 with a vision of redefining Sri Lanka's economic potential, Mr. Pathirage has served the Softlogic Group as its Managing Director since its inception. He was appointed its Chairman in 2000 and has carved out a reputation as one of the country's savviest and most successful business leaders. He was the catalyst in the Group's transformation from its beginnings as a humble software development company to its current

status as one of the most successful, diversified conglomerates in the country, with a turnover of USD 100 million. He is also the Managing Director of the Asiri Group of Hospitals, Sri Lanka's number one private healthcare provider, and serves as the Chairman of Softlogic Capital PLC, and Softlogic Finance PLC. He also serves as the Deputy Chairman on the NDB Board. Mr. Pathirage counts over 25 years of senior leadership experience in the IT industry and the business world.



Mayura Fernando

Director/CEO

Mr. Mayura Fernando is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Fellow member 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.





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Board of Directors

Nalin Wijekoon

Director/Deputy CEO

Mr. Wijekoon is a Fellow Member of Chartered Institute of Management Accountants, London and Associate Member of the Institute of Chartered Accountants of Sri Lanka and Finalist of the Institute of Bankers (Sri Lanka). He worked at Peoples' Bank as a Finance Officer from 1978 to 1990. He then joined KPMG Ford Rhodes Thornton as the Branch Manager, Kandy, in 1990 and joined DFCC as a Project Officer in 1992. He joined Vanik Incorporation Ltd as Asst. Vice President - Finance in 1994. He has undergone numerous training programmes 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.

B H S Jayawardane

Director

Mr. B H S Jayawardane is 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 travelled extensively in his work in relation to the Postal Department. He was responsible in strengthening the finance function 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 PLC.

Chris Corea

Director

Mr. Chris Corea holds BSc (Hons) degree from the University of Colombo. He has obtained his MBA and MSc degrees from the same University.

Mr. Corea has completed his CIMA Examinations in 1983. He is a member of the Computer Society of Sri Lanka (former Treasurer), the Chartered Institute of Management Accountants (UK) and the Natural History Society of Sri Lanka (former President). He started his career at the Computer Service Bureau as an Analyst Programmer and has extensive experience at the John Keells Group and Jaykay Computer Services. He served with the Keells Group as the head of the MIS Division of the Group where he was responsible for the Software Development and IT consulting for the entire group until he left the group in 2004 to launch Riscor Consultants a software products company.

Mr. Corea was a visiting lecturer on the MBA Programme of the University of Colombo for a period of 5 years

Dushan Soza

Director

Mr. Dushan Soza is the Managing Director of WNS Global Services (Pvt) Ltd. Sri Lanka. He pioneered high end BPO Services in the country by setting up Sri Lanka's premier "Finance Centre of Excellence" and thereafter Legal Services being the first to do so out of Sri Lanka. He is considered a thought leader in the industry and his contribution has helped to fashion the BPO industry in the country. He has over 25 years of diverse work experience in UK, India, Philippines and Sri Lanka and has held many senior leadership positions. Dushan was a founder board member of SLASSCOM and currently serves as an Advisor to the EDB on IT BPO. He is a much sought after speaker and has presented papers at many national and international industry forums.

Mr. Dushan Soza is an engineer by profession and a graduate from the University of Reading, UK. In his early years he was a professional cricketer and has captained the Sri Lanka Under 19 Cricket Team and the University of Reading First XI and played for combined British Universities.

T M I Ahamed

Director

Mr. Ifthikar Ahamed is an Executive Director at Softlogic Capital PLC and counts 27 years of experience in a wide range of métiers within the financial services industry. He has specialist knowledge and exposure in the Treasury area and extensive Banking experience both in Sri Lanka and overseas having held senior positions at Nations Trust Bank PLC and Deutsche Bank AG. He holds an MBA from University of Wales, UK.



LOOKING AT THINGS FROM
A WINNING ANGLE

Management Team



Mayura Fernando
Director/CEO



Nalin Wijekoon
Director/Deputy CEO



Sudath Jayawardena
General Manager



Sanjaya Vithanage
Deputy General Manager



Shihan Nanayakkara
Deputy General Manager



Chamilantha Fernando
Deputy General Manager



Rohana Dahanayake
Assistant General Manager



Sampath Hewapathirana
Assistant General Manager



Dilhan Manoj Kumar
Assistant General Manager



Nalinda Ranaraja
Assistant General Manager



Colin Samarathunga
Assistant General Manager



Ananda Wickramasinghe
Senior Manager



Lasantha Perera
Senior Manager



Gayan Jayatissa
Senior Manager



Shehan Uduwara
Senior Manager



Shalika Hewawickrama
Manager



Surendra Rodrigo
Manager

**Individual talents and creative minds
at the heart of our success.**

**Since the company was founded
our greatest strength has been our
ability to share skills and creativity
with our clients.**



LOOKING AT THINGS FROM
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Management Team Profiles

Sudath Jayawardhana

General Manager

Jayawardhana holds a Masters of Business Administration Degree from University of Lincoln (UK). He has received his Diploma in Credit Management from the Ceylinco Institute of Credit Management of Sri Lanka, and Diploma in Management from Open University of Sri Lanka. He has over 26 years of experience in diverse areas of Leasing, including Marketing, Credit, Recoveries, Legal Recoveries and Administration.

In 1993 February he joined Vanik Incorporation Ltd, as an Assistant Manager in the Leasing Department where he continued to work till 1999 when he was seconded to Capital Reach Leasing Ltd, as Head of Marketing and Business Development and subsequently was promoted as the General Manager of Softlogic Finance PLC. Apart from the above he has undergone numerous training programmes pertaining to Leasing industry in Sri Lanka and overseas, including Amembal, Deane & Associates- Leasing Training programmes.

Sanjaya Vithanage

Deputy General Manager

He holds a B.Sc (Agri.) Degree (2nd Class Lower) from the University of Peradeniya and Post Graduate Diploma in Business Statistics from University of Ruhuna. He has over 15 years of managerial experience in diverse areas of Leasing, Hire Purchase, Factoring, Bill Discounting, Margin Trading and Mobilisation of funds. He joined Vanik Incorporation Ltd, as an Assistant Manager in 1997 and was seconded to Capital Reach Business Development (Pvt) Ltd, (CRBDL) in 2005 as an Asst. General Manager. He has undergone several training programmes pertaining to Leasing Industry including Amembal, Vinod Kothari - Leasing Training Programmes.

Shihan Nanayakkara

Deputy General Manager

Nanayakkara holds a MBA from Post Graduate Institute of Management (University of Sri Jayewardhanapura) and an Associate of Institute of Bankers, Sri Lanka. Shihan commenced his banking career in 1992 at Seylan Bank Ltd and has been involved in Credit Monitoring, Branch Credit, Leasing and Margin Trading. He joined Nations Trust Bank in May 2000 and was the Senior Manager Credit Risk, managing the Retail, Corporate and SME portfolios and also was involved in formulating policies and procedures and overseeing the recovery functions of the bank. Subsequently he joined ICICI Bank in September 2006 as the Senior Manager Retail Credit and later became the

Head of Retail Banking overlooking the Retail Assets and Liability functions of the bank. He counts over 20 years experience in the financial services sector.

Chamilantha Fernando

Deputy General Manager

Chamilantha Fernando has over 13 years of experience in Banks, covering Retail and Personal Banking. He headed Sales Teams in Assets, Liability and Retail Banking products. Prior to joining Softlogic Finance PLC, he has worked at Standard Chartered Bank Sri Lanka as the Head of Consumer Sales in Retail Banking handling the Credit Cards and Personal Loans Teams and at Nations Trust Bank as Manager, American Express Card Sales handling the American Express Credit Cards Team. Prior to that he was at HSBC handling Retail Banking.

He is an Associate Member of Institute of Bankers of Sri Lanka (AIB - SL), Member of Chartered Institute of Marketing - UK (MCIM), and also a member of the Sri Lanka Institute of Marketing (MSLIM). He also hold a degree from University of Western Sydney - Australia Majoring in Finance and Marketing.

He is currently reading for an MBA at Edith Cowa University, Australia.

Rohana Dahanayake

Assistant General Manager

Dahanayake graduated with a Bsc (Hons) degree from the University of Peradeniya. He also a holder of an advanced certificate in Information Technology from the Boxhill College, Victoria, Australia and Post Graduate Diploma in Business Administration at the University of Peradeniya.

Mr. Dahanayake commenced his career as a research assistant at the Tea Research Institute and served at DFCC Bank as a Project Officer and later at Lankem Ceylon Ltd. as a Research and Development Manager. He was at Vanik Incorporation Limited from 1996 to 2005 and was the Assistant General Manager in charge of Kandy Branch.

Sampath Hewapathirana

Assistant General Manager

He functions as the Head of Finance of Softlogic Finance PLC. He holds a B.Sc. (2nd Class Lower) Degree in Business Administration, University of Sri Jayawardhanapura and is reading for the Final Stage of the Institute of Chartered Accountants of Sri Lanka.

He joined Vanik Incorporation Ltd, in January 1998 and was appointed as an Accountant of Vanik Money Brokers. He has handled Group Financial Accounts of Vanik Incorporated Ltd, and was seconded to Vanik Leasing as the Manager Finance and later appointed as Senior Manager at Capital Reach Leasing Ltd. He has over 13 years of managerial experience in Auditing, Treasury, Taxation and Accounting in financial services sector.

T Dilhan Manoj Kumar

Assistant General Manager

Manoj is an Associate Member of the Institute of Bankers in Sri Lanka (IBSL). He holds a Masters in Financial Economics from University of Colombo, Post Graduate Diploma in Economic Development from University of Colombo, Post Graduate Diploma in Management studies from Greenwich School of Business Management in UK and partly qualified in ACCA. He has 18 years of experience in the local and internationally in banking and finance sector with knowledge in Credit Management, General Banking, Marketing and also exposed into Manufacturing Sector related to Trading & Technical Arena.

Nalinda Ranaraja

Assistant General Manager

Nalinda Ranaraja is a Fellow Member of The Association of Accounting Technicians of Sri Lanka (FMAAT), passed finalist of the International Association of Bookkeepers and he has completed the Foundation stage of the Certified Management Accountants of Sri Lanka (CMA).

He started his career at Thornton, Panditharathne and Company (Chartered Accountants) as an Audit Assistant and then worked as a Senior Audit Examiner in the same firm. He then joined E.W. Balasooriya (EWB) and Company as an Accounts Clerk and he held the position of Senior Book Keeper, after which he joined Marigold Hotels (Pvt) Ltd, (subsidiary of Vanik Incorporation) as an Accountant. Subsequently he was employed at Vanik Incorporation Ltd. as a Manager. He joined the Capital Reach Group and worked in several capacities, such as Senior Manager - Branch Operations, Senior Manager- Recoveries (Capital Reach Credit Ltd), Senior Manager - Marketing in Capital Reach Business Development (Pvt) Ltd. (CRBDL) Trading Unit. Presently he is the Assistant General Manager in charge of Business Finance Recoveries. He has over 20 years experience in Auditing, Finance, and Accounting and also in other fields.

Colin Samaratunge

Assistant General Manager

Colin Samaratunge holds a B. Sc. (Agric.) Special Degree from University of Peradeniya and Post Graduate Diploma in Information Technology from University of Kelaniya. He has one year experience as an Assistant Lecturer at the University of Peradeniya and over 11 years experience in Financial Services Sector.

He has been in various managerial positions at Vanik Incorporation Limited and the Capital Reach Group including the position of branch manager of Polonnaruwa, Kurunegala and Nuwaraeliya branches. Currently, he overlooks the overall business operations of North, North Western and North Central provinces including the operations of Chilaw, Polonnaruwa, Kurunegala, Anuradhapura and Jaffna branches. His experience varies from leasing and hire purchase to factoring, bill discounting, margin trading, fund mobilisation and recovery.

Ananda Wickramasinghe

Senior Manager

Wickramasinghe is a Member of the Institute of Certified Management Accountants of Sri Lanka (CMA), a Member of Certified Professional Managers(CPM) and also a member of Association of Accounting Techniques of Sri Lanka (MAAT). Further he has completed the Professional I Examination of the Institute of Chartered Accountants of Sri Lanka. He started his professional career at KPMG Ford Rhodes Thornton & Company and was a Senior Audit Examiner of the firm.

He joined Vanik Incorporation Ltd, in 1993 and was appointed as the Accountant of Vanik Money Brokers and was able to gain managerial experience in diverse areas of Financial Accounts. In 2000 he was appointed as the Accountant of Vanik Factors Ltd, and in the year 2001 he was assigned Head of Finance Operations of Vanik Incorporation Ltd. In 2005 he joined Asset Line Leasing where he gained experience of Marketing and Credit Operations, holding many senior positions at Vanik Incorporation and Asset Line Leasing Co. Ltd. He has over 11 years experience in Financial Services.



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A WINNING ANGLE

Management Team Profiles

Lasantha Perera

Senior Manager

Lasantha Perera holds a Degree in Business Administration from University of Sri Jayawardanapura. Apart from that he has obtained special training in Credit and Risk entrepreneur assessment from the EDI University of Ahamadabad, Special Training in Legal and is involved with Micro - Finance and Livelihood Development at International Law Organization.

He has over 13 years of managerial experience in the Micro Finance Sector. Previously he has worked at SEEDS (Guarantee) Ltd. In 2009, he joined Capital Reach Credit Ltd. as an Assistant Manager in the Consumer Credit Unit and subsequently was promoted as Manager in 2010. Later he was promoted as Senior Manager in 2012 and is currently heading the personal loan and consumer durable loan units of Softlogic Finance PLC.

Gayan Jayatissa

Senior Manager

Gayan Jayatissa is a Member of the ICS2 and ISACA Sri Lanka chapters. He is a Member of the British Computer Society (MBCS), He holds CISSP, ITILV3, CEH, ISMS Internal Auditor, RHCE, CCNA and MCITP professional certifications.

He commenced his career as a systems operator and holds over 10 years of experience in IT, which covers three years of international exposure working at a multinational insurance Institute and IT infrastructure management entity in Norway and leading local Insurance and Manufacturing entities. His work experience varies from systems administration, infrastructure management, information security and business continuity management.

Shehan Uduwara

Senior Manager

Shehan Uduwara is a new addition to the Softlogic group following a eight year career spell at Nations Trust Bank PLC. Shehan's experience in managerial capacity specialised in Credit Risk Management would add strength to the ever expanding sector of the Group. His training and experience counts on providing administrative and strategic guidance and feed back to all areas connected to consumer loans and credit cards. He also possesses experience in the travel sector, with his short stints with Aitken Spence PLC and Walkers Tours Ltd.

Shalika Hewawickrama

Manager

Shalika Hewawickrama is an Executive Secretary and Administrative Assistant, with 13 years of experience in different industries. She started her career as a Junior Secretary to the Director at Dewelco (Pvt) Ltd in 1999. She then joined Asian Alliance Insurance Company Ltd as the Junior Secretary to the Assistant General Manager - Operations and in 2003 she joined Virtusa (Pvt) Ltd, as the Secretary to the Asian Region Finance Director. Shalika joined Capital Reach Holdings Limited in 2005 and worked as Secretary to the Group Chairman and moved to Human Resources as a Senior Executive in 2007 and currently she is heading the Human Resources Department of Softlogic Finance PLC.

Shalika is currently reading for the Professional Qualification in Human Resource Management and National Diploma in Training and Development at Institute of Personnel Management.

Surendra Rodrigo

Manager

Surendra Rodrigo has 11 years of experience in the Finance industry. He started his career as a Sales Consultant at Ceylinco Insurance Company Ltd in 2001. He then joined The Finance PLC as a Recoveries Executive in the Kandy Region. Then he joined Central Investment and Finance as a Senior Executive and was mainly handling Real Estate projects. Surendra joined Capital Reach Credit Limited in 2009 as an Assistant Manager Recoveries and he was over looking Nuwara Eliya, Badulla, Polonnaruwa, Kandy and the Western Province. In addition to his main functions he was handling Leasing Marketing and Dealer Finance. Subsequently in 2010 he has moved to Gold Loan Division and he is heading the Gold Loan Department of Softlogic Finance PLC. Surendra is currently reading for the Credit Management Diploma at the Institute of Credit Management and 2nd stage of Sri Lanka Institute of Marketing and also he has undergone numerous training programmes.



Softlogic Finance is now positioned in one of the fastest-growing financial solution demanding regions of the country, and has the strong capital base, liquidity and customer relationships required to make the most of this opportunity.

**phenomenal
positioning**



LOOKING AT THINGS FROM
A WINNING ANGLE

Management Discussion & Analysis

The 2011/12 financial year has been marked by capacity increases across the length and breadth of our business. Branch expansion, aggressive recruitment of staff, an open loan book, enhanced productivity and value addition were factors that blended seamlessly to produce a phenomenal year for the Sofilogic Finance.

Sofilogic Finance provides retail and SME customers personal and business financial solutions through its expanding branch and the Sofilogic Group showroom network. The company possesses a product portfolio that encompasses Leasing, Hire Purchase, Fixed Deposits, Savings Accounts, Business Finance, Personal Finance and Gold Loans. Sofilogic Finance is backed by the support of its dynamic holding company, the Sofilogic Group, which is one of Sri Lanka's most diversified and fastest-growing conglomerates.

Operational Review

Hire Purchase, Leasing & Business Loan Portfolios

The hire purchase and leasing industry counts 54 players in the non banking financial sector operating in what could be easily described as a fiercely contested crowded market segment. However, the industry gained some respite from price wars as a result of the promising developments that unfolded during the period under review.

The Hire Purchase & Leasing industry experienced one of the best-ever financial periods in its history during the 2011/12 financial year. The reduction in vehicle import duty structures during 2011 triggered a massive growth spurt in the segment. Reduced import duty burdens coupled with a low interest regime jointly helped the market to grow by leaps and bounds through the period under review, right up until November/December 2011.



The favourable market conditions were reflected in a substantial 46.3% growth in non banking sector loans and advances as against the 25% growth we experienced in previous years. This strident growth was prompted by the sharp rise in the number of vehicles being registered soon after the reduction of import

duties. Therefore, the first half of the year provided the ideal environment for the industry because of the favourable policy decisions and the low interest regime prevalent during the period.

However, this dream run for the industry was reversed post December 2011, when the government rolled back its decision and re-introduced a portion of the import duties alongside an increase in interest rates, thereby resulting in slowed growth in the last quarter for the entire industry. However, despite this stumbling block in the latter half of the year, Sofilogic Finance succeeded in posting scintillating growth on all its operational and financial indicators, by harnessing its available resources and leveraging on new channels of distribution such as business loans, preapproved loan facilities to existing customers.

Our lending growth experienced a 115% increase during the period, with the company disbursing Rs. 4.5 billion during the 2011/12 financial year as opposed to Rs. 3 billion over the 2010/11 financial year. We were able to successfully maintain the non performing loan (NPL) ratio below 1% throughout the year and we remained focussed on our target segment, which is the SME sector.

In terms of revenue from geographical areas, maximum growth emanated out of the Western Province, which witnessed a sharp increase in the hire purchase and leasing segments.

The Hire Purchase and Leasing segments in the SME sector demonstrates huge potential and the company's over one decade of experience in serving SME customers held it in good stead. Our branch offices attract a large segment of SME customers. Since many of our branch employees hail from similar communities and are in a better position to understand the needs of local customers.

Another reason that Sofilogic Finance was able to record strong results in the Hire Purchase and Leasing segment is because that even though new vehicle registrations declined in the last quarter of 2011/12, our business volumes remained unaffected, because 75% of our business is focussed on the second-hand vehicle markets, favoured by the SME sector, which remained largely unaffected by the duty increases on brand new vehicles.

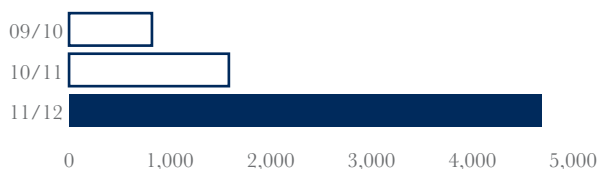
Deposit Mobilisation

The strength and backing of our parent group, Sofilogic Holdings, accrued rich dividends during the year, with customers placing their faith squarely in Sofilogic Finance PLC. As a result of this improved business confidence, we experienced a 195% growth in deposit mobilisation, bringing our deposit base up from

Rs. 1.6 billion in 2010/11 to Rs. 4.6 billion in 2011/12. Our enhanced branch network and focussed marketing efforts played a contributory role in achieving this successful performance.

Growth in deposit base

Rs. Mn



Group Loans

Softlogic Finance extends Personal Loans products in the form of Cash Loans and Consumer Durable Loans to customers.

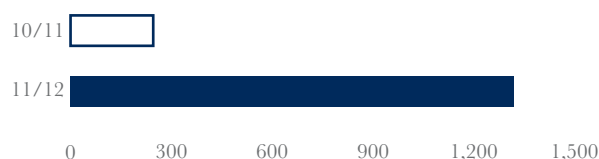
Personal Loans: The personal loan portfolio amounted to Rs. 1.3 billion as at 2011/2012 and achieved 437% growth compared with 2010/2011. The main reason for this strong performance has been following up right process, selection of right marketing segments resulted improve volumes. In the personal Loans segment, we mainly cater to the government, semi government and private sector employees, with salaried class.

Sri Lanka has a rising middle class and much of the 1.12 million public sector employees fall into this segment. The reason for our focus on public sector employees is that being 1.12 million in numbers, they far outnumber the 3.2 million private sector employees in the country. Moreover, the company possess the knowhow and the insights to drive growth in this segment. Over the period under review, we have improved processes in order to provided fast and efficient delivery speed to delight our customers.

The humane approach and the ability to read the pulse of this segment has translated into a loyal customer base, which prefers to deal with us rather than visit banks, which are usually on the lookout for high net worth customers, are deficient in skills to handle SME customers and which demand extensive paperwork to be completed before granting loans.

Personal Loan Portfolios

Rs. Mn



Gold Loans

The Gold Loans segment is largely ruled by banks, which have garnered an almost 93.2% market share of the existing gold loan or pawning market among registered institutions. The remaining 6.8% of the market is shared by non banking financial institutions including finance companies. However, the market also counts approximately 2,000 unauthorised pawning centres, which are conducting pawning services without regulatory approval, thereby eating into the market share of legitimate financial institutions.

Gold Loan Industry in Sri Lanka

(Rs.Millions)	2011	2010	Change %
Banking sector	281,909	166,315	69.5
Non banking financial institution	20,568	15,231	35.04
Total	302,477	181,546	66.61

Source: Central Bank of Sri Lanka Annual Reports

Until end March 2011, we had 3 standalone Gold Loans Centers and 5 centers were operated in Softlogic Finance branches. During 2011/12, we have added 18 new Standalone Gold Loans Centres, eight centers within Softlogic Finance branches. That was a significant achievement. We established a Gold Loans Centre in Jaffna and are in the process of identifying strategic locations to set up Gold Loans Centres in the east as well. The rise in gold prices over the last five years have driven the increased volumes in the segment as people are able to get larger advances because of the current steep value of gold.

Our efforts will be to reach out to the segment of the population that avail of Gold Loan services and which perceive Softlogic Finance as a safe haven for their valued belongings. Softlogic Finance is specifically catering to specify segment of the market, for example, the Fishing community in Chilaw, the Agricultural community in Polonnaruwa or the Estate sector in Badulla.

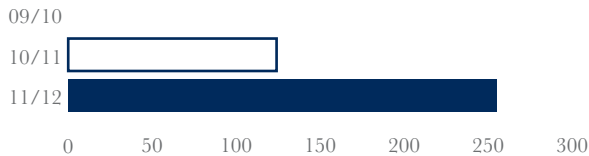


LOOKING AT THINGS FROM
A WINNING ANGLE

Management Discussion & Analysis

We have realised that the secret to success in the gold loans segment is the customised products. Speedy service, a humane approach and sensitive customer service are qualities that bring us repeat customers.

Growth in Pawning Advances Rs. Mn



Western Union & Margin Trading

Softlogic Finance focuses on enhancing customer convenience and on forging deeper bonds with customers by partnering them in all their financial requirements. In a bid to add further value to our branches, we have set up Western Union Money Transfer at our branches and standalone Gold Loans Centres to enhance our revenue and to offer a one-stop money shop concept of convenience to customers. The coming year will witness joint awareness raising initiatives by Western Union and Softlogic Finance to apprise people about the advantages of the money transfer mechanism.

Branch Network

Softlogic Finance currently operates 16 branches, 24 Gold Loan centres and a team of Softlogic Finance marketing officers at over 100 Softlogic Group outlets. During the year, eight branches were added to our network and existing branches were refurbished and relocated wherever necessary to ensure maximum utilisation. Our aggressive branch expansion through the year served to heighten the visibility of the Softlogic Finance brand and gain a wider geographical reach.

Human Resources

This financial year was dedicated to setting up a Training and Development Unit in the HR division. As a result of this initiative, we were able to make substantial gains in improving HR systems and processes in the company. The new training and development unit was initiated with the successful recruitment and deployment of 2 batches of Executive and Management trainees. All Executive and Management trainees underwent an comprehensive six month training and development programme and were rotated in all

departments of the company for understanding of all aspects of business in the company.

Furthermore, we have devised a crystal clear Career Succession Plan for all employees which has given them the roadmap they can follow to achieve further career progression. The career succession plan was specially implemented for the fixed deposit staff during the period under review. On completion of this programme, promotions were granted to in-house staff and the selected few were given greater responsibility.

The Career Succession Plan was initiated with the fund mobilisation marketing team, wherein two team leads were identified to function with the responsibility of overlooking a fund mobilisation team in the same capacity. On completion, they would be eligible for a promotion as manager of the particular unit if they achieved the stipulated targets within six months.

We identified employees who would undergo training programmes which are aimed at bettering the performance of individual staff which in turn bring about the overall organisational effectiveness. Furthermore, we commenced executing staff induction for new recruits in order to familiarise them with the company policies and procedures and its culture. An English language improvement programme for executives was also conducted. Available online, the objective of this initiative was to provide employees with an insight into day to day usage of English in the workplace.

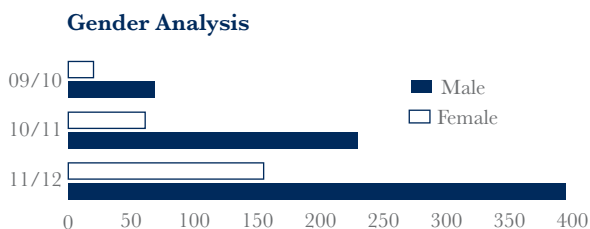
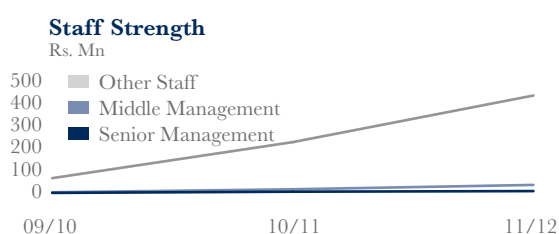
In another development, Softlogic Finance was enrolled as an approved City & Guilds Assessment Centre to offer City & Guilds UK qualification.

Infusing a Culture of Meritocracy

Before the acquisition of Softlogic Finance by the Softlogic Group, a flat bonus scheme was in place. But ever since the takeover, we have introduced a dynamic performance driven culture. The CEO sets out corporate objectives at the beginning of the year which are then further cascaded down to divisional and individual levels. This is followed up by a biannual evaluation, after which only the individuals who have achieved their targets are duly rewarded. This performance driven culture provides the right impetus for heightened productivity and efficiency improvements within the company.

Our Employees

Staff turnover remains fairly high at 31% and we are exploring further ways in which to reverse this trend. We maintain open channels of communication and an open door policy to provide redress to any complaints from staff. However, the high attrition rate is led by marketing staff, a common enough occurrence in the function across industries.



Numerous recreational events such as staff outings, year-end get togethers and religious ceremonies were organised by the Sofilogic Recreation Club to boost the morale of the staff and to improve retention levels.

Corporate Shared Value

The company's corporate shared value project entitled WIN is a youth internship scheme which was initiated in September 2011. The project was conducted over three months in six Sofilogic branches, accommodating one intern each. The programme consisted of training on all operational aspects of financial products and services, knowledge on financial instruments, IT, soft skills and business English. The prime objective was to develop provincial talent and expose them to the demands of an actual workplace, thereby enhancing their chances of employment in the future.

Information Technology - Next Generation Systems

Since the acquisition of the company by the Sofilogic Group in 2010, the newly branded Sofilogic Finance has been undergoing system and process improvements in every aspect of its operations, to bring it up to par with its dynamic parent group which leverages on its industry benchmarking IT platform.

Sofilogic Finance's IT systems are in need of a complete overhaul that will enable the company's operations to leverage on advanced technology for better delivery of its services. The analysis of existing processes and the identification of next generation systems to provide the growth platform for the company was the first step towards this goal. However, now that the company's systems and processes have been sufficiently mapped, the transition of upgrading to the premier industry slot, the IT system has to enable this growth trajectory.

During the year under review, we hired an IT Manager who will dedicate himself to overseeing this transition. The company's IT structure will be consolidated by virtualisation and we plan to import the latest technology to further the company's business goals. The process of upgrading and modernisation will witness closer emphasis on the security of customer data. The current legacy system will be upgraded suitably to further the business goals of the company in a manner that it could accommodate new products and services in the future.

We have a clear roadmap for an IT overhaul and are going about achieving it in a focussed manner. We view IT staff as an important resource and crucial to the company's efficiency.

We intend to enhance staff strength in the IT division as capacity increases are made. The IT division is also closely involved with technical training of staff. The team will have to carefully implement new improvements to ensure smooth acceptance by users.

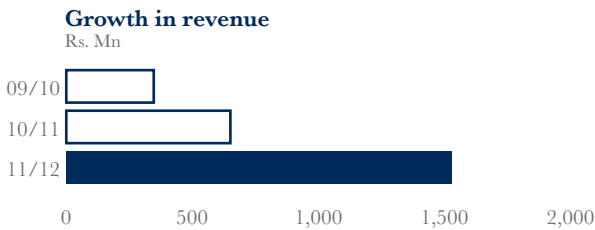


LOOKING AT THINGS FROM
A WINNING ANGLE

Management Discussion & Analysis

Financial Review

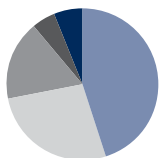
The financial year 2011/12 was marked by innovative responses to emerging opportunities arising in the financial and operational aspects of the business. Revenue increased by 135% during this period as compared to the previous year. The main contributing factors for the exceptional performance were the 115% increase in the lending portfolio, a multi pronged focus on all products to seize available market opportunities through the introduction of innovative products such as business loans, margin trading and consumer loans. All our activities during the year were geared towards laying down a foundation for future growth of the company. The company's borrowings also increased during the year as a result of the expansion projects.



Interest Income and Expenses

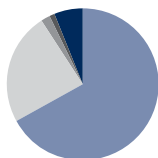
The company is continuously and more frequently analyzing and adjusting the interest rates during Management Committee and Asset Liability Committee meetings in light of market interests, competitor interest rates and regulatory requirements. The company effectively managed its interest rate spread through this exercise, while obtaining competitive advantage over other players in the market.

Interest Income Mix 2011/2012



■ Hire Purchases 45%
■ Finance Leasing 27%
■ Personal Loans 17%
■ Pawning 5%
■ Others 6%

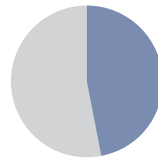
Interest Income Mix 2010/2011



■ Hire Purchases 67%
■ Finance Leasing 24%
■ Personal Loans 2%
■ Pawning 1%
■ Others 6%

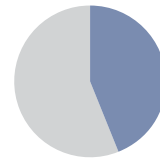
The composition of interest expenses changed favorably in the overall performance of the company. In the previous year, interest on borrowings and securitisation accounted for 56% of the interest costs, however, during the year under review, the same costs recorded a 53% resulting increase in interest on time deposits which attracts lower interests compared to other borrowing sources.

Interest Expenses Mix 2011/2012



■ Deposits 47%
■ Borrowings 53%

Interest Expenses Mix 2010/2011



■ Deposits 44%
■ Borrowings 56%

Cost Management

During the year, the company increased its staff strength by 259 to record 550 staff as at 31st March 2012 compared to the previous year. Hence, staff cost increased by 202% which was mainly due to the cost of acquisition and retaining highly qualified and experienced staff. The company was able to secure funds from leading banks by way of three bank loans and four securitisation facilities at competitive rates due to strong financial credentials. The Central Bank of Sri Lanka (CBSL)'s caution to commercial banks to curb lending and the prevailing high interest rates in the latter part of the year led us to reduce our dependence on outside funding through the period as we reduced bank borrowings and securitisation in tandem in a bid to cut costs to the farthest extent possible.

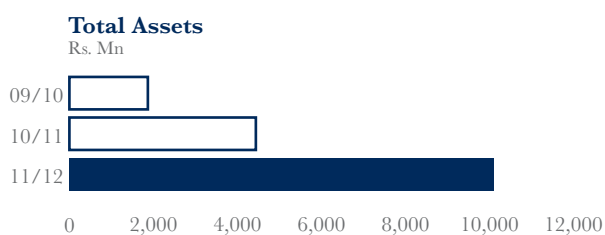
Capital Cost

Property, Plant & Equipment costs increased 4.6 times over the duration of the period. The increase is mainly due to increase in branches, pawning centers and cluster offices. Further, the company invested Rs. 5.8 million in computer software and heavy investments in computer hardware which is mainly to build the infrastructure facilities for existing and future growth of the company.

Strong Balance Sheet and Cash Flows

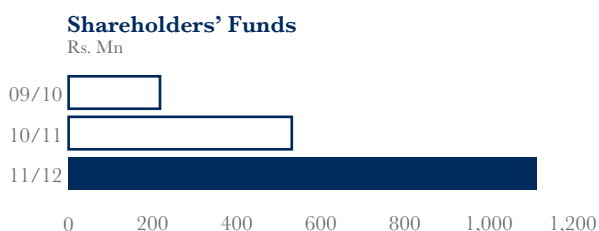
The total assets of the Company increased to Rs. 10.1 billion as at 31 March 2012 compared to Rs. 4.4 billion as at 31 March 2011. The lending portfolio of the company recorded significant increase over the corresponding period in the previous year. The chief contributory factors were the healthy economic conditions prevailing in the country, which created opportunities to increase the lending portfolio. Finally, an increase in the branch network resulted in helping the company reach new markets. The concept of cluster offices introduced during the year resulted in more than 10 cluster offices as at 31 March 2012. These offices contributed significantly in marketing the company's products and services in the market.

The company was able to generate net cash flow from operating activities amounting to Rs. 629Mn during the year ended 31 March 2012 (2011 - Negative Rs. 107Mn). Further, despite heavy investments in investing activities amounting to Rs. 907 million as compared to Rs. 206 million in 2011, the company was able to record favorable cash position of Rs. 210 million, which indicates the healthy liquidity position of the company.

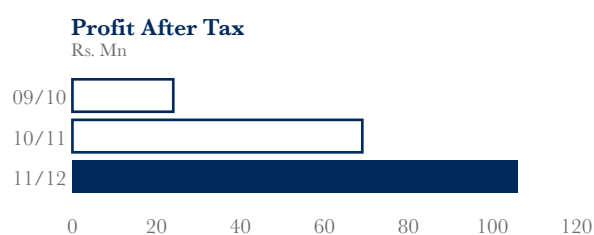


Shareholders' Funds and Earnings per Share

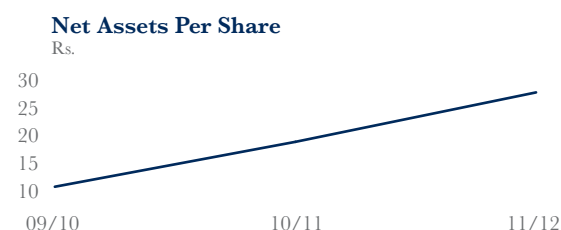
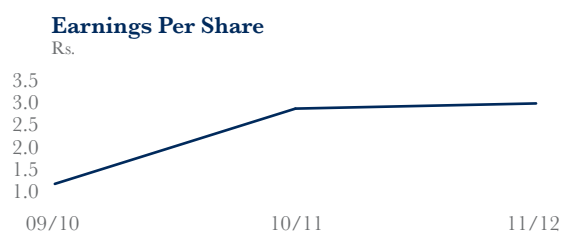
Shareholders' funds increased by Rs. 585 million and this is mainly due to the successful right issue amounting to Rs. 535 million in the year ended 31 March 2012. Full subscriptions for these right issue indicated solid investor confidence in the company.



The company recorded Rs. 106 million profit after tax against Rs. 69 million in the previous year, which also contributed to the increase in shareholder funds despite dividend payments of Rs. 56 million in the latter period as against Rs. 26 million in the previous year.



Earnings per share increase to Rs. 3.20 for the year 2011/2012 from Rs. 3.07 per share in previous year despite the increase in ordinary shares by 10.7 million during the period under review.



Treasury

The Asset and Liability Committee (ALCO) is tasked with managing the Company's Liquidity and Interest Rate Risk. It is chaired by the CEO and comprises the Non Executive Director, Deputy CEO, Treasury Head, Risk Management Head, Finance Head and Business Unit Heads. The committee meets once a month and if the situation so warrants, then the committee meets more often. A comprehensive agenda is discussed at length that includes the following:



LOOKING AT THINGS FROM
A WINNING ANGLE

Management Discussion & Analysis

- Approval of minutes of previous ALCO and discussion of matters arising from previous meeting
- Overview of the current economic situation and future projections
- Status of current strategies that include Balance Sheet evaluation, Variance analysis, Ratio analysis - Liquidity, Interest Rate and Capital.
- Peer-group analysis
- Budgets and growth assumptions
- Funding plan and contingency funding arrangements
- Pricing consideration
- Capital Adequacy and Compliance Reporting
- Strategic objectives and targets

The implementation of policy decisions taken are handed down to the Treasury department for execution.

The chief risks facing the company in relation to Assets and Liability Management are liquidity and interest rate risks. Liquidity risk dictates how the company raises cash to pay off its liabilities. The task of the committee is to ensure the maximum cash outflow which takes into account the maturity profile of assets and liabilities are within prescribed limits. In terms of prioritising risks, short term risks are of greater importance as it gives us a true picture of our cash flow position. The company maintains a healthy liquidity ratio, which is maintained well above the statutory requirements specified by Central Bank. In addition we also have standby funding lines, such as unutilised permanent overdraft facilities and revolving credit lines that are in place in case of an unexpected liquidity crunch. The committee also undertakes cash flow forecasting six months ahead to make sure the company possesses sufficient funds in line with the budgeted growth for the future. In terms of the Interest Rate Risk, the committee follows a very dynamic approach by analyzing the impact of a shift in the yield curve and the impact of such a shift on the existing balance sheet. The interest rate risk report is a dynamic report that takes into account variations based on market rates to see how such a scenario could impact profitability.

During the period under review, the market witnessed an upward trend in interest rates whereby the mismatch of asset and liability durations put pressure on the net interest margin of the Company. This risk was somewhat addressed by structuring floating rate/short term lending products as well as introducing attractive fixed rate/long term deposit products. A look at our balance sheet

reveals over 128% growth in assets and liabilities; however we have maintained an even higher growth in relation to Cash and bank balances, which have grown by over 330% to stand at Rs.278 Million against Rs.64 Million last year. The company is in a healthy liquidity position that is well above statutory requirements. Assets held in liquid form which include Cash, Government Securities and Bank Deposits are in excess of Rs. 1.2 Billion over the previous year's figure of Rs. 326 Million. In terms of statutory liquid assets the company has maintained over Rs. 385 Million above the regulatory requirement.

Future Focus

The current state of play in the economy is not conducive to high levels of growth in the upcoming financial year. There is slowdown in liquidity, along with a rise in interest and exchange rates, not forgetting the reintroduction of some elements of the vehicle import duty. The end result of this high pressure environment can be evidenced by the fact that vehicle registrations have dropped down from 25% to 18% in the last quarter of the financial period under consideration.

In a bid to drive our personal loans products, we are innovating new strategies and market segments. We will consider branded and customised loan packages and preapproved loan facilities to attract a greater segment of the target market. We will of course explore joint synergies with the parent company to see how we can leverage on existing strengths of the group to improve profitability.

We will continue to analyse our product portfolio and add value by expanding products and services which enhance the lives of our customers. Money exchange services will commence at all our branches soon along with internal money transmission services. By making maximum utilisation of our outlets, we are able to add value without increasing overhead costs, resulting in maximum cost utilisation.

Our forecast for the new financial year is that the liquidity situation will ease in the coming five to six months based on the fact that the government has already taken steps to devalue the rupee. We expect the rupee to stabilise at the Rs. 125/- level, which should see a positive reversal in the market's fortunes.

The infrastructure development being carried out in the country will generate a greater demand for vehicles and we expect demand in the hire purchase and leasing sector to increase in the coming months as a direct consequence.

At Softlogic Finance, we are confident of sustaining the growth levels achieved during this year and plan to consolidate in the next Financial Year.

Corporate Governance

The Company's compliance with the parameters set out in the Code of Best Practice on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka (ICASL), the Securities and Exchange Commission (SEC), the Listing Rules of Colombo Stock Exchange (CSE) and the Finance Companies (Corporate governance) Direction No.3 of 2008 is tabulated below.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Board of Directors				
The Board should direct, lead and control the Company	A.1	7.10.3 (a) & (c)	2 (1) (g) & 2 (2)	At present, the Board of Directors of the Company comprises of Five Non-Executive Directors and Two Executive Directors. The Board consists of members who have adequate knowledge and skills to direct, lead and control its operations. The Profiles of the Directors are presented on pages 8 to 11 of this Annual Report. The Company is controlled by a team of Senior Managers headed by the Chief Executive Officer (CEO). The Board plays an active role in setting the directions for the Company and the process of implementation of strategies. The Senior Managers are given the authority and responsibility to implement strategies. Annual budgets and corporate plans are the key tools in this process. The Board ensures that the Company's plans are directed towards the achievement of set objectives which are regularly monitored and updated through a well established monitoring process. Key Performance Indicators are used to assess the performance at each Board meeting.
Board Meetings				
Frequency of Board meetings	A.1.1		3 (1)	Board meetings are held once in every month to review and evaluate the performance of the Company. Special meetings are held based on the requirement to discuss specific matters. The number of Board meetings held during the year and the individual attendance by each member of the Board thereat is presented on page 38 of this Annual Report
Board Responsibilities				
Formulation and implementation of a sound strategy and effective systems	A.1.2		2 (1) (a), (b), 3 (2), 6 (1) & 6 (2)	Developing and implementing an annual business plan, annual budgets and managing day-to-day operations are fulfilled by the management as the Board has delegated its authority, responsibility to the management and the board review the delegation process. These plans and the budgets are approved by the Board at the beginning of the year and the performance of the Company is reviewed by the Directors in line with the set targets and performance indicators. In setting targets for the future, the Board is responsible for approving the next three year budget at board meetings. Necessary adjustments are made to the plans and budgets and the strategies are altered accordingly. The changes by the Board are based on the Internal Strengths, Weaknesses and the Opportunities and Threats prevailing in the macro-environment. In addition, competitive actions are also considered in finalizing any change.



LOOKING AT THINGS FROM
A WINNING ANGLE

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Competence of the CEO and Senior Management in implementing Business Strategies	A.1.2		2 (1) (f), (h) & (k)	The Senior Management / Management Committee consist of competent members who have skills, knowledge and experience and qualifications to carry out their respective functions effectively. The CEO is responsible for the effective implementation of the policies approved by the Board. The Senior Management / Management Committee meets once in every week to discuss, review policies & decisions of the Company. The profiles of the Senior Management and the Management Committee are presented on pages 14 to 16 of this Annual Report.
Effective succession planning for the CEO and Senior Management	A.1.2		2 (1) (j)	A proper succession plan is in place to ensure that there are adequate options available within the Company to replace the key personnel. Continuous training programs are put in place to ensure that the staff is up to the required standard in filling a vacant position. The Company culture is designed in a way to identify and develop internal personnel to fill key positions whenever required.
Effective Systems to secure Integrity of Information, Internal Controls and Risk Management	A.1.2		(2) (1) (c) & (e) 10 (2) (h), (i)	To secure integrity of information, internal controls, risk management policies and effective systems have been implemented by the Company. The effectiveness of such systems is continuously monitored by the management, internal and external auditors and independent consultants whenever necessary. There was no material non-compliance to prudential requirements, laws and internal controls as disclosed in the Annual Report of the Board of Directors on the Affairs of the Company on page 47. Further, there were no supervisory concerns on lapses in risk management, non-compliance with the Act and rules and directions that have been pointed out by the Director-SNBFI and requested by the Monetary Board to be disclosed to the public.
Compliance with Laws, Regulations and Ethical standards	A.1.2		2 (1) (i) & (l)	The Company has been taking steps to follow ethical standards in carrying out operations. The Company has taken relevant measures to comply & understand with the laws and regulations applicable to ethical business practices wherever possible.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Consideration of all Stakeholders' Interest in Corporate Decisions	A.1.2		2 (1) (d) & 7(10)	Stakeholders' interests are taken into consideration in evaluating a strategic decision. The Chairman ensures the effective communication with the shareholders and that their interests are taken into consideration in making decisions. The Board always makes an effort to minimize negative aspects towards any stakeholder in the corporate decision making process and a policy on communication with stakeholders is in the process of implementation.
Adoption of appropriate accounting policies and fostering compliance with financial regulations	A.1.2		10 (1) (a) & 10 (2) (a)	The Company's Accounting Policies are prepared based on the Sri Lanka Accounting Standards (SLAS) and Industry best practices. Further, such policies are reviewed annually and updated accordingly to reflect the true and fair financial position of the Company. Financial statements of the Company are prepared and presented in Compliance with the Sri Lanka Accounting Standards (SLAS) and also comply with the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No.42 of 2011 and the directions issued there under. Financial Statements have been published in the newspapers in all three languages. The Independent Auditor's Report is given on page 55 of this Report.
Fulfilling other Board functions are vital, given the scale, nature and complexity of the business concerned	A.1.2			The Board consistently discharges its stewardship obligations on behalf of all Shareholders. Further, it ensures that recommendations given by external auditors are implemented properly to improve internal controls and business processes within the Company. The Board continuously monitors and develops the ethical guidelines to meet the highest level of public interest in its business activities.
Act in accordance with the laws and regulations relevant to the organization and place procedures to obtain independent advice.	A.1.3		2 (3)	The Board ensures that members across the Company are independently and collectively responsible to act according to the relevant laws and regulations. The Directors are authorized to obtain any independent professional advice that they require regarding laws and regulations at the expense of the Company and the company is in the process of implementing a procedure for the directors on seeking such professional advice.
Access to Company Secretary	A.1.4		3(5), (6), (7) & (8)	All the Directors have access to the advice and service of the Company Secretary .The Secretary ensures that Board procedures are followed and are in compliance with the provisions of the Companies Act No.07 of 2007 and other applicable rules and regulations. The Secretary is responsible for maintaining minutes. The Secretary possesses the required qualifications as per the Companies Act and only the Board has the authority to change the Secretary.



LOOKING AT THINGS FROM
A WINNING ANGLE

Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Independent Judgment	A.1.5		4 (6)	Independent judgments of each Director on issues of strategy, performance, resources and standards of business conduct are discussed by the Board in order to evaluate matters effectively so that correct decisions can be made for the benefit of the Company and thus avoid conflicts of interests.
Dedication of adequate time and effort to matters of the Board and the Company	A.1.6		3 (3)	To ensure that the duties and responsibilities owed to the Company are satisfactorily discharged, the Directors attend monthly Board meetings and discuss prevailing matters. Time is allocated at each meeting to discuss the matters related to changes in business operations, risks and controls. Board papers are circulated amongst the members 7 days prior to each Board meeting in order to enable them to analyse and call for additional information and clarifications, if required. The Board members also conduct regular meetings and discussions with the Management and follow up on issues consequent to such meetings. The number of meetings attended to by each Director is presented on page 38 of this Annual Report.
Training for Directors	A.1.7			The Chairman is responsible to ensure that the Directors possess sound knowledge to carry out their duties in an effective manner. The Company facilitates the Directors to enhance their knowledge on the industry, general economic conditions, market developments and trends etc. The Company also provides necessary resources for the training of the Directors on a continuous basis at the Company's cost. Through this the Company expects to minimize the gap between the present status and the Company's vision, mission and goals.
Division of responsibilities between the Chairman and CEO	A.2		7 (1), (11)	The role of the CEO and Chairman are not combined. The Chairman is a Non-Executive Director while the CEO serves as an Executive Director of the Company. This is to ensure a balance of power and authority such that no one possesses unfettered powers of decisions. CEO functions as the apex executive in-charge of the day-to-day management of the Finance Company's operations and business.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Chairman's Role	A.3 & A.3.1		7 (2), (4), (5), (6), (7) & (8)	<p>The Chairman, who is a Non Executive Director, provides leadership and facilitates the effective functioning of the Board. The Chairman encourages the effective participation of the Directors towards the strategic decision making process in order to make collective decisions and ensure that the Directors utilize their maximum potential in favor of the Company. Therefore, the Chairman ensures that the Directors are informed adequately and in a timely manner about the issues arising at Board meetings.</p> <p>Different views of the Directors are evaluated to take strategically viable decisions and to ensure that stakeholder interest is not adversely affected. The Board has complete control over the affairs of the Company, by way of reviewing and analyzing performance on a monthly basis. The Chairman presents the views of the Board to the public.</p> <p>The Agenda of the Board Meeting is a prearranged document and any additional issues are added to the agenda by the secretary with the approval of the Chairman.</p>
Financial Acumen				
Availability of sufficient financial acumen and knowledge	A.4		4 (6)	The Directors hold the required qualifications and experience in the financial service sector as set out in their profiles given on pages 8 to 11 of this Annual Report and provide the Company with the necessary financial guidance in conducting its business.
Board Balance				
Composition of the Board	A.5 & A.5.1	7.10.1	4 (1) & (3)	The Board of Directors of the Company comprises of Five Non-Executive Directors and Two Executive Directors, who are the CEO & Deputy CEO of the Company and their views carry significant weight in the Board decisions.



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Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Independence of the Directors	A.5.2, A.5.3 & A.5.5	7.10.2 & 7.10.3.(c)	4 (4) & (8)	At present, there are two Directors who are Independent Non executive Directors and they are free of any business or other relationship with the Company that could materially interfere with the exercise of their unfettered and independent judgment. Appointment of those two Directors as Independent Non-Executive Directors complied with the applicable statutory provisions. The Independency / Non-Independency, Executive /Non-Executive capacity of each Director is specified on page 47 of this Annual Report.
Submission of Annual declarations	A.5.4	7.10.2		Each Non-Executive Director is responsible to submit a signed and dated declaration on an annual basis of his/her Independency/Non-Independency. At present two of the Directors of the Company are Independent and the other five Directors are Non-Independent.
Requirement to appoint a Senior Independent Director	A.5.6 & A.5.7		7 (2)	The company is in the process of appointing a Senior Director.
Board meetings only with Non-Executive Directors	A.5.8			As and when the necessity arises, the Board meets only with the Non Executive Directors to review the performance of the CEO.
Unresolved matters	A.5.9			The Director's concerns pertaining to unresolved matters are discussed and recorded in the Board minutes and discussed at the subsequent Board meeting.
Supply of Information				
Supply of Information Provision of timely information	A.6.1			The Senior Management provides accurate, timely, relevant and comprehensive financial and non financial information to the Board to facilitate the decision making process on a regular basis.
Chairman to ensure that all the Directors are properly briefed on issues arising at Board meetings	A.6.1		7 (6)	The Chairman takes necessary actions to update any Director who could not attend a meeting, prior to the next meeting.
The minutes, agenda and papers required for a Board meeting	A.6.2		3 (3)	The minutes, agenda and the Board Papers to be tabled at Board meetings are circulated among the Board members 7 days prior to each Board meeting.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Appointments to the Board				
Assessment of Board Composition	A.7.2		4 (9)	The Board as a whole assesses its own composition to ascertain whether the combined knowledge and experience of the Board matches when the Company is faced with strategic demands. The findings of such assessments are taken into account when making new appointments to the Board.
Disclosure of profiles of the newly appointed Director	A.7.3	7.10.3.(d)		No directors were appointed to the Board during the financial year
Resignation of a Director			4 (11)	Resignations of the Directors from the Board during the reporting period are presented in the page 48 of this Annual Report. Resignation of these Directors was accordingly notified to the Central Bank of Sri Lanka and to the CSE for dissemination to the public.
Period of Service			4 (2)	No Director has exceeded the period of nine years of holding the office of Director other than a director who holds the position of executive director.
Appraisal of Board Performance				
Board Appraisal	A.9		2 (8)	Board performance is assessed to ensure that the Board matches the strategic demands facing the Company. The findings of the appraisal will be taken into consideration in the appointment of new Directors. The Board carries out an annual review, headed by the Chairman and it covers the areas such as effectiveness of strategies taken, compliance with laws and effectiveness of the systems implemented. All the Directors actively participate in the review and improvements are implemented immediately. The Company is in the process of implementing a scheme of self assessment by each director.
Fitness and Propriety of Directors			5 (1) & (2)	None of the Directors of the Company are above the age of 70 years and they do not hold office as a Director or any other equivalent position in more than 20 Companies/Societies/Bodies Corporate.
Disclosure of Information in respect of Directors				
Information in relation to each Director	A.10	7.10.3 (c)	2 (4), 7 (3) & 10 (2) (d)	The information in relation to Directors is disclosed in the Annual Report. In terms of the Articles of Association of the Company, Directors abstain from voting on any Board resolution on a matter in which he or any of his relatives has substantial interest and are not counted in the quorum for relevant agenda item at the Board meeting. The Chairman, CEO and directors do not have any relationship between them.



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Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Appraisal of CEO	A.11			Financial and Non financial targets for the CEO are set at the beginning of the financial year and the performance of the CEO is reviewed based on achievement of such targets at the end of the year.
Directors' Remuneration				
The Level and Make up of Remuneration	B.2			The Remuneration Committee in deciding the remuneration of the Directors (including the compensation package of the CEO & Deputy CEO) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors
Executive Share Options	B.2.5			The Company does not have any executive share options at present.
Disclosure of Remuneration	B.3	7.10.5 (c)	10 (2) (e)	The remuneration paid to the Directors is disclosed on page 75 of this Annual Report.
Relations with Shareholders				
Constructive use of AGM and conduct of General Meetings	C.1			The AGM is held in a participative way with the presence of Softlogic Capital PLC as the major shareholder and the other shareholders. The Board is responsible for encouraging all the shareholders to be present at AGM's of the Company.
Consideration of proxy votes	C.1.1			Proxy votes together with the votes of the shareholders present at the AGM are considered for each resolution.
Separate Resolution for Separate issues	C.1.2			The Company proposes a separate resolution on each substantially separate issue and the adoption of the Annual Report and accounts is proposed as a separate resolution.
Circulation of Notice of AGM and other documents	C.1.4			The Annual Report, Financial Statements, copies of proposed resolutions to be passed at the AGM and the notice are sent to shareholders with a notice period of at least 15 working days in compliance with the Companies Act.
Summary of procedure governing Voting at General Meetings	C.1.5			Instructions on appointing a Proxy with regard to representing the shareholder at the General Meeting to ensure the voting right is sent to each shareholder.
Major Transactions				
Disclosure of major transactions	C.2			Future strategies of the Company and their potential impact are disclosed on the page 24 of this Annual Report.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Accountability and Audit				
Financial Reporting	D.1		10 (1) (a) & (b)	The Company places a great emphasis on complete disclosure of both financial and non financial information and has presented a balanced assessment of the Company's position bi-annually and for the period ended 31st March 2012. In preparing the bi-annual and annual Financial Statements, the Company has complied with the Companies Act No. 07 of 2007, the Finance Business Act No.42 of 2011 and the directions issued there under and the Financial Statements are presented in conformity with the Sri Lanka Accounting Standards. Financial Statements have been published in the newspapers in all three languages. The Company has also complied with the requirements of the regulatory authorities such as the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange.
Interim accounts, price sensitive public reports, reports to regulators and information required by statute	D.1.1			Interim and Annual Financial Statements and other price sensitive information are disclosed to the CSE duly on a timely basis. All other regulatory reports are also submitted by the due dates.
Director's Report	D.1.2			Declarations by the Directors as required by the Code of Best Practice on Corporate Governance are presented on page 50 of this Annual Report.
Responsibilities of the Board and Auditors for the preparation of Financial Statements.	D.1.3			The statement of Directors' Responsibility for Financial Reporting and Independent Auditors' Report are presented on pages 54 respectively of this Annual Report.
Management Discussion and Analysis	D.1.4			A detailed Management Discussion and Analysis is presented on pages 18 to 24 of this Annual Report.
Declaration of Going Concern by Directors	D.1.5			This Information is provided in the Annual Report of the Directors on the affairs of the Company on page 47 to 50.
Internal Control				
Maintain a sound system of Internal Control	D.2		2 (1) (e)	The ultimate responsibility of internal controls and mitigating risks rests with the Board of Directors. The Company's Internal Control systems and procedures are designed to eliminate possible risks and minimise any unforeseen risks while an effective disaster recovery plan is in place. A detailed Risk Management Report is presented on pages 40 to 42 of this Annual Report.



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Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Review of the effectiveness of the group's system of internal control	D.2.1			The Management, with the assistance of the Internal and External Auditors reviews the effectiveness of the internal control procedures at the group level and takes corrective actions immediately.
Report by the Board of Directors on the Finance Company internal control mechanism			10 (2) (b)	Report of the Board on the effectiveness of internal control mechanism is on page 52.
The External auditors certification on the effectiveness of the internal control mechanism in respect of any statements prepared or published after march 31,2010			10 (2) (c)	The external auditors are in the process of reviewing the report.
Internal Audit Function	D.2.2			The Company's Internal Audit Function is carried out by a firm of Chartered Accountants.
Related Party Transactions				
Identifying & recording related party transactions			9 (2), (3), (4) & 10 (2) (f), (g)	The Company is in the process of strengthening the monitoring mechanism in this regard during the year 2012/13 and the related party transactions during the year under review are set out in the note 21 to the Financial Statements.
Board Committees				
Board Committees	D.3	7.10.5 & 7.10.6	8 (1)	The Company consists of the following Board Committees as required by the relevant statutory provisions; <ul style="list-style-type: none"> • Audit Committee • Integrated Risk Management Committee • Remuneration Committee Each of the above Committees directly report to the Board and is responsible to present a report on performance, duties and functions at the AGM.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Sub Committees				
Audit Committee	D.3	7.10.6 (a), (b) & (c)	8 (2)	The Audit Committee consists of three members of the Board, out of the three members, two are Independent Non-Executive Directors. The Chairman of the Committee is an Independent Non-Executive Director who possesses qualifications and experience in accountancy. The other members of the Committee are also Non Executive Directors. The composition and functions carried out by the Audit Committee is presented on page 51 of this Annual Report.
Integrated Risk Management Committee			8 (3)	<p>The Committee consists of one Non Executive Director, the CEO, DCEO and key management personnel to make decisions on behalf of the Board in relation to the risks applicable to the Company and is responsible to submit a risk assessment report to the Board. The composition of the Risk Management Committee is presented on page 40 of this Annual Report. As per the terms of reference of the Committee adopted by the Board of Directors, the following functions are being performed by the Risk Management Committee,</p> <ul style="list-style-type: none"> (i) Assess all risks to the Company on a monthly basis through appropriate risk indicators and management information. (ii) Review the adequacy and effectiveness of all management level committees to address specific risks and to manage those risks within quantitative and qualitative risk limits as specified by the committee. (iii) Take prompt corrective action to mitigate the effects of specific risks in cases where such risks are at levels beyond the prudent levels decided by the committee on the basis of the Company's policies and regulatory and supervisory requirements. (iv) Meet at least quarterly to assess all aspects of risk management including updated business continuity plans and take prompt corrective action to mitigate such effects. (v) Take appropriate actions against the officers responsible for failure to identify specific risks and take prompt corrective actions as recommended by the committee, and/or as directed by the Director of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. (vi) Submit a risk assessment report within a week of each meeting to the Board seeking the Board's views, concurrence and/or specific directions.



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Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Integrated Risk Management Committee (Contd)			8 (3) (Contd)	(vii) The committee shall establish a compliance function to assess the Company's compliance with laws, regulations, directions, rules, regulatory guidelines, internal controls and approved policies on all areas of business operations. A dedicated compliance officer selected from key management personnel shall carry out the compliance function and report to the committee periodically.
Remuneration Committee	B.1.1. B.1.2 & B.1.3			Details of Remuneration Committee is presented on page 50.
Independence and objectivity of the Auditors	D.3.2		8 (2) (d), 2 (1) (m)	The Independence of the internal and external auditors is monitored by the Board/ Audit Committee in order to ensure that the Company gets a good service and their work has not been impaired due to lack of independence. The Company's External Auditors during the period under review were Messrs. PricewaterhouseCoopers, Chartered Accountants. Internal Auditors of the Company during the year were Messrs. SJMS Associates, Chartered Accountants. The Auditors do not have any relationship or interest in the Company or its subsidiaries. Further, the external auditor has not provided any non-audit service during the period which is substantial in nature.
Code of Business Conduct and Ethics				
Adoption of a Code of Business Conduct	D.4			The Code of Business Conduct includes provisions to, <ul style="list-style-type: none"> Protect the Company's reputation when associating with people, organizations, products or transactions that could potentially damage the reputation. Comply with legal and regulatory authorities in protecting stakeholder interest. Each member must maintain the highest standards of integrity, honesty and personal conduct in all matters, which affect the Softlogic Group. Staff is encouraged to report any suspicions of wrong doing to the Senior Management. Seek business relationships which are mutually beneficial and lead to success through fair dealing and high standards of business integrity. Seek competitive proposals from suitable suppliers and service providers. Acknowledge responsibility for all employee related issues including health and safety.

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Adoption of a Code of Business Conduct (Contd)	D.4 (Contd)			<ul style="list-style-type: none"> • Encourage a healthy work-life balance among staff. • Employees are encouraged to be a part of the good performance of the Company and while making them responsible towards work, encompassing self imposed disciplines. • Softlogic Finance's discipline policy is aiming at corrective actions rather than punitive and sets reasonable standards of performance and behavior to ensure consistency and fairness of treatment of all employees when the standards are not met. • Support local communities through charitable donations, and gifts in kind and encourage the involvement of staff voluntarily. • Responsible lending through a better understanding of customer needs. • Maintain a clear link between equality, diversity and business excellence.
Confidential Information	D.4.1			The Directors regard the confidentiality of customer information as highly important. Systems and controls within the Company ensure that the information is secured and integrity is maintained to avoid insider trading.
Affirmation from the Board regarding not violating the provisions of the code	D.4.2			There were no violations of the Company's Code of Ethics during the year.
Practice of good Corporate Governance	D.5	7.10	1	The Company is taking steps to be compliant with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and SEC, the Corporate Governance Rules for listed Companies issued by the CSE and the Corporate Governance direction for registered Finance companies issued by the Central bank of Sri Lanka.
Inclusion of a Corporate Governance Report in the Annual Report	D.5.1		2 (7)	The Corporate Governance Statement states to what extent the Company is compliant with the Corporate Governance guidelines.
The external auditor's certification of the compliance with the act and rules and direction issued by the monitory board in the annual corporate governance report published after January 1, 2011.			10 (2) (j)	The external auditors are in the process of reviewing the report.



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Corporate Governance

Principle	Reference to Code of Best Practice issued by ICASL	Reference to the Listing Rules of CSE	Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008	Level of Compliance
Shareholders				
Institutional Investors				
Ensure institutional shareholders' voting intentions are translated into practice.	E.1			All shareholders are encouraged to participate and vote at the AGM. The names and the number of shares held by the 20 largest shareholders and percentage of such shares are presented in page 78 to 79 of this Annual Report along with other shareholder information.
Regular and structured dialog with shareholders	E.1.1			The primary mode of Communication between the Company and the Shareholders is through the Annual General Meeting. The Chairman ensures the views of shareholders are communicated to the Board as a whole.
Other Investors				
Investing/ Divesting Decisions	F.1			The Annual Report is circulated to all shareholders in a timely manner and includes adequate information to enable the shareholders to make decisions relevant to their investment in the Company. The following reports aim at providing an overall assessment of the Company's activities and future prospects. Chairman's Review Page 4 CEO's Review Page 6 Management Discussion and Analysis Page 18 Annual Financial Statements Page 56 During the financial year under review, the Company conducted one Rights Issue. Information relating to the said Right Issue is presented in page 48 of the Annual Report.
Encourage individual shareholders to participate in general meetings and exercise voting rights	F.2			All shareholders are encouraged to participate and vote at the AGM.

The Board met 12 times in the year under review and the attendance at these meetings was as follows,

Name	No.	Name	No.
Mr A K Pathirage (Chairman)	12	Mr S A B Rajapaksa (Resigned w.e.f. 15th April 2012)	8
Mr P M B Fernando (CEO)	12	Mr T M I Ahamed	12
Mr N H G Wijekoon	12	Mr C J E Corea	11
Mr B H S Jayawardene	11	Mr D T C Soza	10
Mr R P Pathirana (Resigned w.e.f. 31st December 2011)	8		



We would like to thank our investors for their continued support throughout the year, and for the confidence they have shown in our future. This has given us excellent balance sheet strength as a foundation for further growth.

**phenomenal
value**



LOOKING AT THINGS FROM
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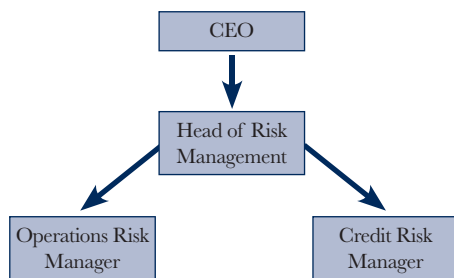
Integrated Risk Management

Integrated Risk Management (IRM) is an ongoing dynamic and evolving process that is intrinsic to the conduct of any financial institution. A comprehensive IRM framework greatly assists in the achievement of strategic corporate objectives. More significantly, it is important to approach it from a holistic perspective, so that risks can be managed effectively.

The activities of the company invariably attract an element of risk. IRM makes it possible to identify, assess, quantify, control and mitigate the risks within the institution and within the limits of its risk appetite and risk tolerance levels. The objective of IRM in Softlogic Finance is to measure and manage risk and capital across the range of services the company is engaged in. The promotion of a risk management culture has become an integral part of the way we do business and is now firmly enshrined in our corporate culture.

Our vision of Risk Management is to deliver superior shareholder value between risk and return. The Risk Management department ensures that these risks are at acceptable levels and overlooks the Credit and Operations Risks in all the business activities that the organization is engaged in. The organization believes that risk management needs to be constantly updated and be on par with or above the best in the market in the dynamic environment that the company operates in.

The proposed structure of the integrated risk management is as follows.



The Risk Management Department is divided into two main functional departments, which are the Credit Risk and the Operations Risk departments.

Integrated Risk Management Committee

The company has formed an IRM committee which consists of a Non Executive Director, CEO, DCEO, GM, Head of Risk, Head of Operations and any other management committee member required as per the agenda. The committee discusses credit, operations and strategic risk matters regularly. The minutes of the meetings along with the matters discussed and recommendations made are forwarded to the board for their perusal.

Detailed MIS reports are circulated and discussed at the meeting to manage risks faced by the organization. The committee also overlooks at regulatory and company policy parameters to ensure that they are fulfilled and if not that adequate measures are taken to fulfil the same in the future.

If any policy breaches or any significant risk which affects the organization committed by an employee is detected, the committee will take appropriate action against the employee and take corrective measures to mitigate these risks.

A dedicated compliance officer has been appointed to overlook regulatory and other guidelines. Any compliance/breaches will be reported to the committee which will take appropriate action depending on the type of breach committed.

Main Types of Risks Monitored and Controlled by the Risk Team

Credit

- Recovery
- Default
- Concentration

Operational

- Process
- People
- Systems
- External events
- Compliance
- Strategic
- Reputational

All products and services offered by us are independently evaluated by the Risk Management Department (RMD) to ensure that appropriate measures have been taken to mitigate any risks that are envisaged. In order to achieve this as a team, the staff of RMD engages in continuous dialog with the respective business areas which are responsible for assuming various risk exposures.

The RMD continuously monitors the portfolios to ensure that the quality of the portfolios is maintained and to ensure that any risks affecting any of the portfolios are identified measured and corrective action taken immediately.

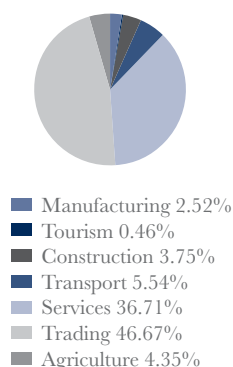
Credit Risk

Credit risk is the potential financial loss that could arise as a result of the failure of a borrower to honor its contractual obligations. The Credit Risk department regularly monitors the health of the portfolio by looking at trends and macro economic conditions.

The credit risk is managed at two broad levels: Pre and Post disbursement. Pre disbursement is regulated by establishing an appropriate credit culture in the organization and having approved delegated lending limits. Post disbursement involves monitoring and follow-up through regular MIS and economic indicators.

Sectoral Exposure

Exposure by Economic Sector

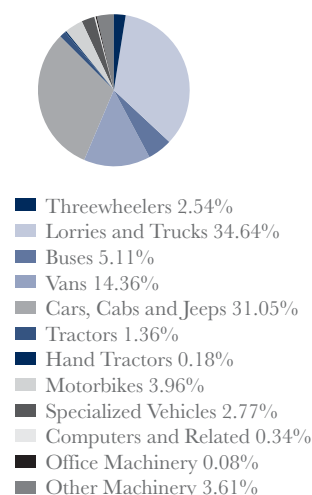


The company's credit policy approved by the board has defined prudential limits for each sector in the economy. These limits are regularly monitored and changed in line with the macro economic situation in the economy.

Exposure to Types of Leased Assets

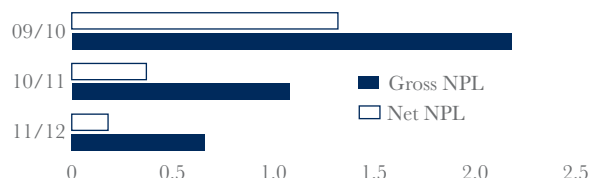
The company's credit policy approved by the board has defined prudential limits for lending for different asset classes. These limits are regularly monitored and changed in line with the macro economic situation in the economy. These limits are placed in order to ensure that there is no concentration risk to a particular type of asset which will have a lesser re sale value due to the changes in the macro economic situation in the economy

Exposure by Asset Type



Non Performing Assets

Trend in Non Performing Assets



The gross non performing loan ratio of the company has reduced substantially from 1.08% to 0.66% during the financial year under consideration. The net NPA ratio which reflects the potential future provisioning has also significantly reduced from 0.37% to 0.18%. These ratios are among the best in the industry and are the results of the stringent credit risk management framework, some of which are described below.



LOOKING AT THINGS FROM
A WINNING ANGLE

Integrated Risk Management

Credit Culture of the Organization

The new recruits, especially the staff involved in granting credit facilities are trained in the credit policies and processes of the organization in order to have a uniform credit culture. Periodic trainings are conducted to ensure that revisions to the policies are disseminated to the staff.

Delegation of Authority

The loans are approved by officers who have been empowered by the board in the form of delegation of authority (DA) and a thorough evaluation is done. The DA of the staff is regularly monitored through daily, weekly and monthly management reports. Major risks emerging in the portfolios are detected well in advance to take remedial measures without delay.

This process is complemented by the management committees which meet regularly to review various aspects of the lending activities of the company.

In addition, Credit Risk Review function is deployed by the Risk Management unit to independently monitor the credit processes, quality of portfolios and risk grading systems to ensure that high credit standards are maintained by Lending Officers at all times.

We are planning to introduce a score card based lending evaluation to ensure that turnaround times are minimized and to ensure that there is uniformity in evaluations.

Market Risk

Market Risk Monitoring

Market risk is the possibility of loss in 'on and off' balance sheet' figures as a result of fluctuations in the value of financial instruments due to movements in market variables such as interest rates, exchange rates, equity and commodity prices. The company has put into place a comprehensive Treasury Policy that has been approved by the Board and which is updated regularly to incorporate the latest developments in the market.

In terms of the Interest Rate Risk, the committee comes out with an Interest rate risk report which is a dynamic report that takes into account variations based on market rates to see how a scenario could impact profitability.

Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Most of the processes in the organization have been documented and these are revived continuously to ensure that operations/activities are carried out seamlessly. The central operations team is involved in processing the bulk of the operations of the organization.

We continuously monitor the processes and review the policies in order to achieve faster turnaround times and to reduce the incidents of operational losses.

We have also formulated a process to track near misses in the operations department. Near misses can be defined as lapses in processes or human error which has resulted in a situation which could have resulted in an operations loss. This data gathering will enable us to have an effective operations monitoring system.

Capital Adequacy

Capital Adequacy Ratio (CAR) is a measure of the adequacy of a financial institution's capital against the risks it encounters. It is a key ratio used to protect investors and promote the stability and efficiency of organizations. In the year under review the company maintained a CAR of 13.2% which is above the statutory requirement of 10%

Significant Events of the Financial Year 2011/12

April 2011

Opening of Dematagoda Gold Loan Centre

Opening of the Metro Branch

May 2011

Opening of Negombo Branch

Opening of Gold Loan Centre at Kandana

Sinhala Hindu New year get-together at Wadduwa Holiday Resort

Vesak dansala organised by Recreation club of Softlogic Finance

Relocation of Chilaw Branch

June 2011

Commencement of Management & Executive Trainee Programme

Opening of Modara Gold Loan Centre

July 2011

Relocation of Nuwara Eliya Branch

Opening of Borella Gold Loan Centre

August 2011

Rights Issue made for two shares for every five shares held

Opening of Gold Loan Centres in Kegalle, Nuwara Eliya, Kaluthara and Kochchikade

September 2011

Affirmation of the rating as 'Investment Grade' by RAM Ratings

Declaration of Interim Dividend of Rs. 1.50 per share.

Opening of the Branches in Dambulla, Embilipitiya and Kadawatha

Opening of Gold Loan Centres in Kelaniya, Horana, Minuwangoda and Mawanella

Annual Day out at Leisure World organized by Recreation Club of Softlogic Finance

October 2011

Opening of Gold Loan Centres in Matale, Ambalangoda, Kottawa, Weligama, Kiribathgoda and Ambalanthota

December 2011

Opening of Nawala Branch

Year-end staff get-together at Opulent River Face Hotel

Opening of Softlogic Finance Training Centre

Relocation of Central Processing Unit

February 2012

Opening of Jaffna Branch

Opening of Gold Loan Centres in Hatton, Bandarawela and Thissamaharama

March 2012

Reaching total company assets to Rs. 10 billion

Opening of Kurunegala Branch



Opening of Metro Branch

Our first branch opened in Western Region



Vesak dansala organised by Recreation club of Softlogic Finance



LOOKING AT THINGS FROM
A WINNING ANGLE

Significant Events of the Financial Year 2011/12



Management & Executive Trainee Programme 2011

The new training and development unit was initiated with the successful recruitment and deployment of 2 batches of Executive and Management trainees in June 2011



Opening of Soflogic Finance Training Centre

Internal training programmes conducted in our training centre which are aimed at bettering the performance of individual staff



Opening of Jaffna Branch

Rising to meet new challenges in Jaffna, we partner with Jaffna for prosperity through modern day financial solutions



Best Performers with CEO

Our team members being appreciated for their significant performance shown



Annual Staff Day Out at Leisure World

Numerous fun filled events like movie nights, staff outings, year-end staff gatherings organized by the Recreational Club of Softlogic Finance in order to uplift the morale of Softlogic Finance staff



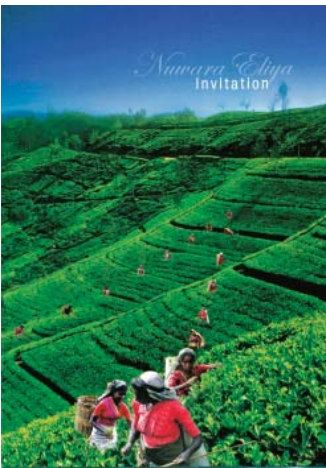
Metro Branch - 28th April 2011



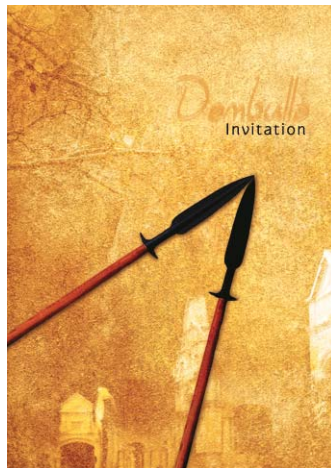
Negombo Branch - 12th May 2011



Chilaw Relocation - 23rd May 2011



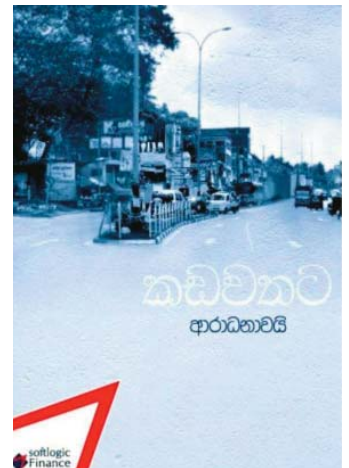
N'eliya Relocation - 21st July 2011



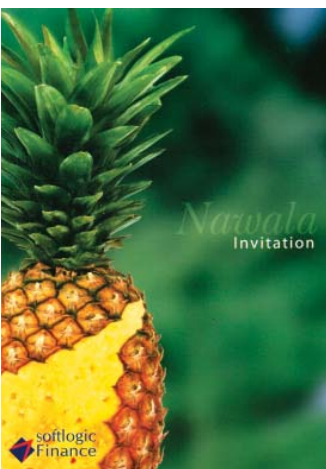
Dambulla - 08th September 2011



Embilipitiya - 22nd September 2011



Kadawatha - 29th September 2011




Nawala - 8th of December 2011



Jaffna - 10th February 2012



Kurunegala - 8th March 2012



During recent times, our distinctive culture has emerged as a key differentiator between us and other financial solution providers. Our brand promise, powerfully captures who we are and what makes us different.

**phenomenal
difference**

The Directors of Softlogic Finance PLC have pleasure in presenting their Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March 2012.

General

Softlogic Finance PLC is a limited liability Company which was incorporated on 24th August 1999 under the Companies Act, No. 17 of 1982 as “Vanik Leasing Limited”.

On 14th July 2005 the name of the Company was changed to “Capital Reach Leasing Limited”. The Company was re-registered under the Companies Act, No.7 of 2007 on 29th September 2008 under Registration No. PB 641.

The Ordinary Shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on 22nd January 2009 and was assigned with PB641PQ as its new number.

The name of the Company was changed to Softlogic Finance PLC on 12th November 2010.

Softlogic Finance PLC is a Registered Finance Company under the Finance Business Act, No.42 of 2011 and a Registered Finance Leasing Establishment in terms of the Finance Leasing Act No.56 of 2000.

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

The principal activities of the Company are granting lease facilities, hire purchase facilities, group personal loans, business loans, other credit facilities, vehicle hiring, pawning, 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.

Financial Statements

The Financial statements of the Company are given on pages 56 to 77.

Summarised Financial Results

	2011/2012 Rs.000	2010/2011 Rs.000
Net Operating Income	799,557	343,628
Profit before Tax	149,671	84,786
Taxation	44,038	16,250
Net Profit for the Year	105,633	68,536

Auditors’ Report

The Report of the Auditors on the Financial Statements of the Company is given on page 55.

Accounting Policies

The accounting policies adopted by the Company in the preparation of Financial Statements which are given on pages 60 to 65 are consistent with those of the previous period.

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 pages 8 to 11.

Executive Directors

P M B Fernando	-	Director/CEO
N H G Wijekoon	-	Director/Deputy CEO

Non Executive Directors

A K Pathirage	-	Chairman
T M I Ahamed	-	Director
B H S Jayawardene	-	Director
C J E Corea	-	Director*
D T C Soza	-	Director*

*Non Executive Independent Directors

- Mr R P Pathirana resigned as a Director with effect from 31st December 2011
- Mr S A B Rajapaksa resigned as a Director with effect from 15th April 2012.

Mr. T M I Ahamed retires by rotation at the conclusion of the Annual General Meeting in terms of Articles 91 and 92 of the Articles of Association and being eligible is recommended by the Directors for re-election.

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.

Remuneration of Directors

The Directors' remuneration is disclosed in Note 21.1.3 to the Financial Statements on page 75.

Directors' responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs. A further Statement in this regard is included on page 54.

Auditors

Messrs PricewaterhouseCoopers, Chartered Accountants served as the Auditors during the year under review. The Auditors do not have any interest in the Company other than as Auditors.

The fee payable to Auditors for the year under review is Rs. 420,000/-

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.

Stated Capital

The Stated Capital of the Company is Rs. 1,003,230,820 represented by 37,453,951 Ordinary Shares.

Rights Issue

The Company had a Rights Issue of Shares in August 2011 in the proportion of Two (02) new Ordinary Shares for every Five (05) Ordinary Shares held as at the relevant date at an issue price of Rs.50/- per share. Resulting from the said Rights Issue, the Stated Capital increased by Rs.535,056,450/- and the number of shares by 10,701,129 Ordinary Shares.

The purpose of the issue was to expand the capital base of the Company in line with the statutory requirements in order to enhance and sustain the pattern of growth achieved by the Company, with the proceeds of the issue being utilized for working capital requirements.

Funds raised from the issue amounting to Rs. 535,056,450/- have accordingly been utilized for working capital requirements of the Company.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2012 are as follows;

	Shareholding as at 31/03/2012	Shareholding as at 31/03/2011
A K Pathirage	168,000	120,000
P M B Fernando	8,040	3,600
N H G Wijekoon	9,666	3,333
T M I Ahamed	28,900	21,300
B H S Jayawardena	-	-
C J E Corea	-	-
D T C Soza	-	-

Directors' transactions with the Company/ Related Party Disclosures

Fixed Deposits accepted by the Company from Directors and their relatives (as defined in the Finance Business Act No.42 of 2011) during the year under review were Rs. 2,230,000

These deposits were accepted in compliance with the Finance Companies (Deposits) direction No. 01 of 2005 and Finance Companies (Interest) direction No. 02 of 2005 and on terms and conditions that were for the time being applicable to the other depositors of the Company, and to payment of interest to similar deposit.

Transactions with entities that are controlled, jointly controlled or significantly influenced by key managerial personnel or their close members of family or shareholders who have either control, significant influence or joint control over entity are set out in Note 21 to the Financial Statements.

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 pages 78 to 79 under Investor Information.

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 58.

Property, Plant & Equipment

Details and movements of Property, Plant and Equipment owned by the Company are given in Note 12 to the Financial Statements on page 71.

Land Holdings

The Company does not own any freehold land.

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2012 are given in Note 8 to the Financial Statements on page 68.

Dividend

An interim dividend of Rs.1/50 per share was paid during the year under review.

The Directors do not recommend a final dividend for the year under review.

Donations

The Company did not make any donations during the year under review.

Compliance

The Company has established a permanent and effective compliance function. A Compliance Officer appointed by the Board independently monitors adherence with all applicable laws, regulations and statutory requirements and reports to the Board and the Integrated Risk Management Committee. Monthly and quarterly compliance reports are submitted confirming compliance with laws and regulations as applicable to the Company.

The Compliance Officer also ensures that compliance reports are submitted to the Central Bank of Sri Lanka confirming Company's compliance with the directions, rules, determinations, notices and guidelines issued under the Finance Business Act No. 42 of 2011.

Internal Controls

The Board of Directors have taken steps to ensure the implementation of an effective and comprehensive system of internal controls covering financial, operational and compliance controls. The Internal Auditors are responsible to review and report on the efficacy of the internal control system and other regulations and the Company's accounting and operational policies, which are subject to further review by the Audit Committee as elaborated in the report of the Audit Committee on page 51.

Risk Management

The section on Risk Management on pages 40 to 42 sets out the processes currently practiced by the Company to identify and manage the risks.

Contingent Liabilities

Except as disclosed in Note 18 to the Financial Statements on page 74, there were no material Contingent Liabilities as at the Balance Sheet date.

Statutory Payments

The Directors confirm that, to the best of their knowledge, all taxes, duties and levies payable by the Company and contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and all other known statutory dues as were due and payable by the Company as at the Balance Sheet date, have been paid or, where relevant, provided for.

Events occurring after the Balance Sheet date

No material circumstances have arisen as other than those stated in note 19 to the financial statements at the date of the Auditors' Report, which would require adjustment to, or disclosure in the Financial Statements.

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 of Directors confirms that the Company is compliant with Section 7.10 of the Listing Rules of the CSE on Corporate Governance and the Finance Companies (Corporate Governance) Direction No.3 of 2008.

The Corporate Governance Statement on page 25 explains the practices within the Company in this respect.

An Audit Committee, a Remuneration Committee and an Integrated Risk Management Committee function as Board Sub Committees with Directors who possess the requisite qualifications

and experience. The composition of the said committees is as follows;

Audit Committee

C Corea (Chairman)
S A B Rajapaksa (Resigned w.e.f. 15th April 2012)
D T C Soza
B H S Jayawardena (Appointed w.e.f. 27th April 2012)

Remuneration Committee

A K Pathirage (Chairman)
D T C Soza
C Corea

Integrated Risk Management Committee

T M I Ahamed (Chairman)
P M B Fernando
N H G Wijekoon
S H Jayawardhana - General Manager
S Nanayakkara - Deputy General Manager

Annual General Meeting

The Annual General meeting will be held on 26th July 2012 at the Auditorium, Central Hospital (Pvt) Ltd, No. 114, Norris Canal Road, Colombo 10 at 2.30 p.m.

The Notice of the Annual General Meeting appears on page 82.

This Annual Report is signed for and on behalf of the Board of Directors by,

(Sgd.)
A K Pathirage
Chairman

(Sgd.)
P M B Fernando
CEO/Director

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries
22nd June 2012
Colombo

Composition and Meetings

The Audit Committee comprised the following non executive directors of the Company.

Chris Corea (Chairman)	- Independent Non-Executive Director (7)
Samantha Rajapakse	- Non-Executive Director (7) (Resigned w.e.f. 15th April 2012)
Dushan Soza	- Independent Non-Executive Director (5)
B H S Jayawardena	- Non-Executive Director (2) (Appointed w.e.f. 27th April 2012)

Figures in brackets denote attendance at the meetings of the committee. The Audit Committee held 7 meetings during the period. Officers of the company were invited to the meetings as necessary in order to clarify any matters needing attention.

Purpose

The Purpose of the Audit Committee is to assist board oversight of:

- Preparation, presentation and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards
- Company's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements
- Processes to ensure that the Company's internal controls and risk management procedures are adequate to meet the requirements of the Sri Lanka Accounting Standards
- Assessing the Company's ability to continue as a going concern in the foreseeable future
- Independence and performance of the Company's external auditors

Internal Audit

In the year under review an Internal Audit Unit was set up to coordinate and supplement the work of M/s SJMS Associates to whom the internal audit function was outsourced in previous years

as well. The new unit was headed by a Chartered Accountant with experience in the Financial Services industry.

M/s SJMS Associates were commissioned inter alia to submit reports on compliance with central bank regulations and also a risk analysis report.

External Audit

Our auditors for the year were M/s PricewaterhouseCoopers (PWC). PWC took over from Nihal Hettirachchi & Co who were originally engaged for a three year period ending 31st March 2011.

The Audit Committee has recommended to the Board of Directors that M/s PricewaterhouseCoopers be re-appointed as auditors for the financial year ending 31st March 2013, subject to approval by shareholders at the forthcoming Annual General Meeting.

Meetings were held with representatives of our auditors. It was noted that all matters in their Management Letter had been adequately addressed in a written response from the Management. This adequacy was confirmed by the representative from the Auditors.

IFRS and SLAS Convergence

M/s PWC was commissioned to do an IFRS Gap analysis to assess the requirement for measures to be taken to ensure compliance with the new Sri Lanka Accounting Standards which are now converged with the International Financial Reporting Standards.

(Sgd.)

Chris Corea

Chairman

Audit Committee

29th May 2012

Directors' Statement on Internal Controls

Responsibility

According to the Section 10(2) (b) of the Finance Companies (Corporate Governance) Direction No. 3 of 2008, the Board of Directors presents this statement on Internal Control over financial reporting.

The Board of Directors (the "Board") is responsible for the adequacy and effectiveness of the Softlogic Finance PLC (the "Company") system of internal controls over financial Reporting. However, such a system is designed to manage the Company's key areas of risk within an acceptable risk profile, rather than eliminate the risk of failure to achieve the policies and business objectives of the Company. Accordingly, the system of internal controls can only provide reasonable but not absolute assurance against material misstatement of management and financial information and records or against financial losses or fraud.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to business environment or regulatory guidelines. The process is regularly reviewed by the Board and sub committees appointed by the Board.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of Financial Statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

Summary of the Process Adopted in Reviewing the Design and Operating Effectiveness of the Internal Control System

The Board has adopted key process in reviewing the design and operating effectiveness of the system of internal controls with regards to financial reporting including the following;

- Various appointed Committees are established by the Board to assist the Board in ensuring the effectiveness of Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.
- The Internal Audit Unit of the Company checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on branches and other centers, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the Company review internal control issues identified by the Internal Audit Unit, regulatory authorities and management, and evaluates the adequacy and effectiveness of the internal control system over financial reporting. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. Further details of the activities undertaken by the Audit Committee of the Company are set out in the Audit Committee Report on page 51.
- In assessing the internal control system, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn were observed and checked by the Internal Audit Unit for suitability of design and effectiveness on an ongoing basis.

- Comments made by the External Auditors in connection with further improvements to the internal control system had been adequately addressed in a written response from the Management. The improvements pointed by the External Auditors will be implemented during the ensuing year.

Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

Review of the Statement by External Auditors

The external auditors are in the process of reviewing the Directors' statement on Internal Controls over the financial reporting process to provide an assurance on the same.

By order of the Board,

(Sgd.)

A K Pathirage

Chairman

(Sgd.)

P M B Fernando

CEO/Director

29th May 2012

Statement of Directors' Responsibilities

The Directors are required by the Companies Act, No. 7 of 2007 to prepare financial statements for each financial year, which give a true and fair view of the statement of affairs of the Company as at the end of the financial year and the income and expenditure of the Company for the financial year.

The Directors are also responsible to ensure that the financial statements comply with any regulations made under the Companies Act which specifies the form and content of financial statements and any other requirements which apply to the Company's financial statements under any other law.

The Directors consider that the financial statements presented in this Annual Report have been prepared using appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and in compliance with the Sri Lanka Accounting Standards, Companies Act, No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and Finance Business Act No. 42 of 2011 and the Directions issued thereunder.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records, which disclose the financial position of the Company with reasonable accuracy and enable them to ensure that the financial statements have been prepared and presented as aforesaid. They are also responsible for taking measures to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to prevention and detection of fraud and other irregularities.

The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2012/2013, including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board

(Sgd.)

P W Corporate Secretarial (Pvt) Ltd

Secretaries

29th May 2012



To the members of Softlogic Finance PLC

Report on the financial statements

- 1 We have audited the accompanying financial statements of Softlogic Finance PLC which comprise the balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 60 to 77.

Management's Responsibility for the Financial Statements

- 2 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.

Scope of Audit and Basis of Opinion

- 3 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

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

Report on Other Legal and Regulatory Requirements

- 5 These financial statements also comply with the requirements of Section 151 (2) of the Companies Act, No. 07 of 2007 & Finance Business Act No. 42 of 2011.

(Sgd.)

PricewaterhouseCoopers

Chartered Accountants

Colombo

29th May 2012

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

**Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan ACA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA**

PricewaterhouseCoopers is a member firm of PricewaterhouseCoopers International Limited, each member firm of which is a separate legal entity.

Income Statement

(all amounts in Sri Lanka Rupees)

Year ended 31 March	Notes	2012	2011
Interest income	1	1,530,913,842	650,609,912
Interest expenses	2	(789,931,673)	(336,587,217)
Income net of interest		740,982,169	314,022,695
Other income	3	58,575,280	29,605,823
Net operating income		799,557,449	343,628,518
Operating expenses	4		
Personnel costs		(210,538,546)	(69,776,951)
Staff retirement benefits		(3,561,686)	(1,089,742)
Provision for Bad & doubtful debts		(8,893,475)	(2,169,229)
Administrative and general expenses	5	(396,829,735)	(166,069,896)
Profit before tax and VAT on financial services		179,734,007	104,522,700
VAT on financial services		(30,062,219)	(19,736,157)
Profit before income tax		149,671,788	84,786,544
Income tax expense	6	(44,038,618)	(16,250,538)
Net profit for the year		105,633,170	68,536,006
Earnings Per Share	7	3.20	3.07

The Accounting policies and notes from pages 60 to 77 form an integral part of these Financial Statements.

Independence auditor's report - page 55.

(all amounts in Sri Lanka Rupees)

As at 31 March	Notes	2012	2011
ASSETS			
Bank and cash balances		278,658,957	64,874,455
Investment In government securities		727,208,119	211,856,852
Placements with banks and financial institutions		204,500,000	50,000,000
Investment in dealing securities	8	70,485,704	37,368,600
Investment in commercial papers		25,787,500	Nil
Prepayments and other receivable	9	445,620,745	233,602,684
Loans and advances	10	1,771,804,079	283,956,085
Lease and hire purchase rentals receivables	11	6,006,771,372	3,371,328,433
Pawning advances		255,139,268	124,322,109
Margin trading		81,161,047	Nil
Vehicle stock		Nil	4,855,172
Vehicle stock - Trading		10,208,786	Nil
Real estate stock		39,258,097	16,647,132
Property, plant and equipment	12	183,662,230	39,587,010
TOTAL ASSETS		10,100,265,904	4,438,398,532
LIABILITIES			
Bank overdrafts		68,318,529	55,307,922
Time deposits		4,613,210,866	1,567,900,684
Certificate of deposits		9,204,613	Nil
Savings deposits		59,434,647	16,906,309
Borrowings	13	3,665,875,282	1,952,786,077
Trade and other payables	14	481,266,094	266,807,706
Deferred liabilities	15	87,261,034	47,503,689
TOTAL LIABILITIES		8,984,571,065	3,907,212,387
SHARE HOLDERS' FUNDS			
Stated capital	16	1,003,230,820	468,174,370
Statutory reserve fund		12,657,137	7,375,479
Investment fund reserve		20,929,338	Nil
Retained earnings		78,877,544	55,636,296
SHAREHOLDERS' FUNDS		1,115,694,839	531,186,145
TOTAL LIABILITIES AND SHARE HOLDERS' FUNDS		10,100,265,904	4,438,398,532
Net assets per share		29.79	19.86

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

(Sgd.)

D. S. Hewapathirana

Assistant General Manager - Finance

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved by the Board of Directors on 29 May 2012.

(Sgd.)

A. K. Pathirage

Chairman

(Sgd.)

P. M. B. Fernando

CEO/Director

The Accounting policies and notes from pages 60 to 77 form an integral part of these Financial Statements.
Independence auditor's report - page 55.

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)

	Stated Capital	Retained Earnings	Statutory Reserve Fund	Investment Fund Reserve	Total
Balance as at 1 April 2009	200,646,170	10,566,156	2,768,446	Nil	213,980,772
Net profit for the year	Nil	23,604,647	Nil	Nil	23,604,647
Dividends	Nil	(20,064,617)	Nil	Nil	(20,064,617)
Transferred to/(from) during the Year	Nil	(1,180,232)	1,180,232	Nil	Nil
Balance as at 31 March 2010	200,646,170	12,925,954	3,948,678	Nil	217,520,802
Rights issue of shares	267,528,200	Nil	Nil	Nil	267,528,200
Effect of deferred tax adjustment	Nil	4,353,959	Nil	Nil	4,353,959
Net profit for the year	Nil	68,536,006	Nil	Nil	68,536,006
Dividends	Nil	(26,752,822)	Nil	Nil	(26,752,822)
Transferred to/(from) during the year	Nil	(3,426,800)	3,426,800	Nil	Nil
Balance as at 31 March 2011	468,174,370	55,636,296	7,375,479	Nil	531,186,145
Rights issue of shares	535,056,450	Nil	Nil	Nil	535,056,450
Net profit for the year	Nil	105,633,170	Nil	Nil	105,633,170
Dividends	Nil	(56,180,927)	Nil	Nil	(56,180,927)
Transferred to/(from) during the year	Nil	(26,210,996)	5,281,659	20,929,338	Nil
Balance as at 31 March 2012	1,003,230,820	78,877,544	12,657,137	20,929,338	1,115,694,839

The Accounting policies and notes from pages 60 to 77 form an integral part of these Financial Statements.

Independence auditor's report - page 55.

Cash Flow Statement

(all amounts in Sri Lanka Rupees)

Year ended 31 March	Notes	2012	2011
Cash flow from operating activities			
Net profit before taxation		149,671,788	84,786,544
Adjustments for			
Depreciation	12.2	27,629,123	8,592,965
(Profit) on disposal of property, plant and equipment	3	(183,024)	(1,680,803)
(Profit)/Loss from dealing securities		7,101,799	(6,374,235)
(Profit)/Loss from sale of vehicles		(4,589,409)	Nil
Provision for bad and doubtful debts	11.1	8,893,475	2,169,229
Provision for defined benefit plans		3,561,686	1,089,742
Interest expenses	2	789,931,673	336,587,217
Operating profit before working capital changes		982,017,111	425,170,660
(Increase) in lease and hire purchase rental receivable	11.1	(2,644,336,415)	(1,846,643,737)
(Increase) in loans & advances	10	(1,487,847,994)	(260,876,019)
(Increase) in pawning debtors		(130,817,159)	(124,322,109)
(Increase) in margin trading		(81,161,047)	Nil
Decrease in vehicle stocks		4,855,172	5,433,446
(Increase) in prepayments and other receivable	9	(212,018,060)	(152,217,817)
Decrease in amounts due from related companies		Nil	7,712,720
(Increase) in real estate stocks		(22,610,965)	(799,132)
Increase in public deposits		3,097,043,132	762,990,742
Increase in borrowings	13	1,713,089,205	1,309,343,230
Increase in in trade and other payables	14	214,458,388	103,518,184
Cash generated from operations		1,432,671,370	229,310,169
Interest paid		(789,931,673)	(336,587,217)
Taxes paid		(7,772,960)	Nil
Defined benefit plan costs paid		(70,000)	(117,000)
Purchase of vehicles		(36,690,805)	Nil
Proceeds from sale of vehicles		31,071,428	Nil
Net cash from/(used in) operating activities		629,277,360	(107,394,048)
Cash flows (used in) investing activities			
Purchase of property, plant and equipment		(171,965,422)	(21,067,126)
Proceeds from disposal of property, plant and equipment		444,103	2,202,000
Purchase of investments		(808,774,950)	(706,605,400)
Sale of investments		72,917,281	518,784,782
Net cash (used in) investing activities		(907,378,988)	(206,685,743)
Cash flows from financing activities			
Proceeds from rights issue of shares		535,056,450	267,528,200
Dividend paid		(56,180,927)	(26,752,822)
Net cash from financing activities		478,875,523	240,775,378
Net Increase/(decrease) in cash and cash equivalents		200,773,895	(73,304,414)
Cash and cash equivalents at the beginning of the year		9,566,533	82,870,946
Cash and cash equivalents at the end of the Year		210,340,428	9,566,533
Reconciliation of cash and cash equivalents			
Cash and bank balance		278,658,957	64,874,455
Bank overdrafts		(68,318,529)	(55,307,922)
		210,340,428	9,566,533

The Accounting policies and notes from pages 60 to 77 form an integral part of these Financial Statements.
Independence auditor's report - page 55.

1 CORPORATE INFORMATION

1.1 General

Softlogic Finance PLC (formerly known as Capital Reach Leasing PLC) is a Quoted Public Limited Liability Company incorporated and domiciled in Sri Lanka and governed by Finance Business Act No: 42 of 2011. 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.

1.2 Principal Activities and Nature of Operations

During the year, the principal activities of the Company were granting lease facilities, hire purchases, vehicle hiring, group personal loans, business loans, other credit facilities, pawning, margin trading, accepting fixed deposits, real estate sales and operation of savings accounts.

1.3 Parent Enterprise and Ultimate Parent Enterprise

The Company's parent undertaking is Softlogic Capital Ltd (formerly known as Capital Reach Holdings Ltd). In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Softlogic Holdings Ltd which is incorporated in Sri Lanka.

1.4 Date of Authorisation for Issue

The Financial Statements of Softlogic Finance PLC for the year ended 31 March 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 29 May 2012.

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 which is the both functional and presentation currency of the company. The preparation and presentation of these Financial Statements is in compliance with the Companies Act. No. 7 of 2007.

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 31 March 2012 and for the year then ended; comply with the Sri Lanka Accounting Standards.

2.1.2 Going Concern

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

2.1.3 Comparative Information

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

2.2 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.

2.2.1 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.

2.3 Summary of significant accounting policies

2.3.1 Borrowing Costs

Borrowing costs are recognised as an expense in the year 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.

2.3.2 Taxation

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

The marketable equity securities or quoted ordinary shares acquired with the intention of resale over a short period of time were classified under the dealing securities in accordance with Sri Lanka Accounting Standards SLAS 22, Accounting for Investments. The carrying value of the dealing securities were recorded at market value, with any resulting gain being credited or loss being charged to the Income Statement of the current year. The cost of acquisition of dealing securities was inclusive of brokerages, fees, duties and bank charges.

2.3.5 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.

2.3.6 Other Investment

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

2.3.7 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.

2.3.8 Property, Plant and Equipment

2.3.8.1 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.

2.3.8.2 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 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.

2.3.8.3 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.

2.3.8.4 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%

2.3.8.5 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.

2.3.9 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.

2.3.9.1 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;
- b) 100 percent of all accommodations in arrears for a period over 12 months; and
- c) 100 percent with regard to the portion of the unrecovered 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.

2.3.10 Real Estate Stocks

Real Estate Stocks 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.

2.3.11 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.

2.3.12 Preliminary and Pre-Operational Expenses

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

2.3.13 Other Assets

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

2.3.14 Commitments and Contingencies

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

2.3.15 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.

2.3.15.1 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.

2.3.15.2 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.

2.3.16 Defined Benefit Plans - Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary using the Projected Unit Credit Method. The actuarial valuation involves making assumptions about discount rate, expected rates of return on assets, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date. Accordingly, the employee benefit liability is based on the actuarial valuation carried out by Messrs Piyal S. Goonetilleke & Associates, actuaries. The key assumptions used by the actuary include the following:

Rate of Interest	12%
Rate of Salary Increase	12%
Retirement Age	55 years

The gratuity liability is not externally funded. This item is grouped under 'Deferred Liabilities' in the Balance Sheet.

2.3.17 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.

2.3.18 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/Loss 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.

2.3.19 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.

2.3.20 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.

2.3.21 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

(all amounts in Sri Lanka Rupees)

1 INTEREST INCOME

	2012	2011
Finance leasing	409,874,776	158,847,165
Hire purchases	698,121,790	433,270,016
Income on hire	824,781	1,096,540
Personal loans	255,694,618	10,645,096
Pawning	70,589,284	5,144,718
Revolving loans	35,191,975	1,781,435
Consumer loans	4,620,518	Nil
Margin trading	8,593,225	Nil
Other lending & investments	47,402,875	39,824,942
	1,530,913,842	650,609,912

2 INTEREST EXPENSES

	2012	2011
Interest on time deposits	370,805,467	146,579,428
Interest on certificate of deposits	184,614	674,277
Interest on savings deposits	3,407,734	833,258
Interest on borrowings	198,184,577	72,211,069
Interest on securitisation	216,297,345	115,935,527
Interest on finance lease	1,051,936	353,659
	789,931,673	336,587,217

3 OTHER INCOME

	2012	2011
Dividend income	364,881	108,000
Profit on disposal of property, plant and equipment	183,024	1,680,803
Profit from sale of vehicles	4,589,409	Nil
Income/(loss) from dealing securities	(7,101,799)	6,374,235
Management fees	12,857,251	Nil
Documentation & Processing fees	34,224,176	13,886,902
Sundry income	13,458,338	7,555,884
	58,575,280	29,605,823

4 OPERATING EXPENSES

Operating expenses include the following

	2012	2011
Auditors' remuneration	445,000	542,000
Secretarial fees	1,452,673	362,226
Personnel costs includes		
- Defined contribution plan costs - EPF & ETF	20,783,105	7,344,545
- Defined benefit plan costs	3,561,686	1,089,742

5 ADMINISTRATIVE AND GENERAL EXPENSES

	2012	2011
Depreciation	27,629,122	8,592,965
Loss on disposal of repossessed vehicles	21,234,365	17,924,117
Other overhead expenses	347,966,248	139,552,815
	396,829,735	166,069,896

6 INCOME TAX EXPENSES

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

	2012	2011
Current income tax		
Current income tax charge	7,772,960	Nil
Deferred income tax		
Deferred taxation charge/(reversal)	36,265,658	16,250,538
Income tax expense reported in the income statement	44,038,618	16,250,538

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

	2012	2011
Accounting profit before income tax	149,671,788	84,786,544
At the statutory income tax rate of 28% (2011 : 33 1/3%)	41,908,101	28,262,181
Deductible expenses	(23,705,046)	(25,594,303)
Non deductible expenses	25,835,564	13,582,660
At the effective income tax rate of 29.42% (2011 : 19.17%)	44,038,618	16,250,538

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.

	2012	2011
Net profit for the year	105,633,170	68,536,006
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares	32,995,147	22,294,019
Earnings per share	3.20	3.07

8 INVESTMENT IN DEALING SECURITIES

	As at	
	2012	2011
Quoted public companies shares: (note 8:1)	70,455,104	37,338,000
Investment In unquoted shares: (Note 8:2)	30,600	30,600
	70,485,704	37,368,600

8.1 Quoted Public Companies Shares

	No of Shares	Cost of Investment 2012	Market Value	No of Shares	Cost of Investment 2011	Market Value
Sampath Bank PLC	60	14,189	10,788	20,000	4,838,326	5,766,000
Seylan Bank PLC (Non Voting)	200,000	10,816,110	5,800,000	200,000	10,816,110	7,860,000
Distilleries Company of Sri Lanka PLC	Nil	Nil	Nil	100,000	17,880,541	18,000,000
John Keells Holdings PLC	26,666	6,458,310	5,493,196	20,000	6,458,310	5,712,000
Expo Lanka Holdings PLC	927,600	12,986,400	5,751,120	Nil	Nil	Nil
Access Engineering PLC	2,000,000	50,000,000	53,400,000	Nil	Nil	Nil
	3,154,326	80,275,009	70,455,104	340,000	39,993,287	37,338,000
Provision for Increase/(Decrease) in Market Value		(9,819,905)			(2,655,287)	
		70,455,104			37,338,000	

8.2 Investment In Unquoted Shares

	No of Shares	As at	
		2012	2011
Investment in CRIB	306	30,600	30,600
		30,600	30,600

9 PREPAYMENTS AND OTHER RECEIVABLE

	2012	2011
Advance, deposits and prepayments	100,287,035	54,468,641
Receivable from inland revenue	176,883,181	98,143,263
Other receivable (Note 9.1)	170,397,908	80,990,780
Provision for other receivable	(1,947,379)	Nil
	445,620,745	233,602,684

9.1 Other Receivable

Interest receivable on lending portfolio	95,584,237	47,235,739
Interest receivable on pawning	16,743,581	2,434,427
Insurance debtors	22,696,451	Nil
Others	35,373,639	31,320,613
	170,397,908	80,990,780

10 LOANS AND ADVANCES

	As at		As at	
	2012	2012	2011	2011
Short term loans		49,961,369		2,679,566
Revolving loans		344,013,230		35,635,191
Consumer loans				
Receivable	74,961,599			
Unearned income	(16,077,169)	58,884,430		Nil
Personal loans				
Receivable	1,871,547,010			
Unearned Income	(552,264,615)	1,319,282,395		245,641,328
Interest in suspense		(85,278)		Nil
Provision for doubtful recoveries		(252,067)		Nil
		1,771,804,079		283,956,085

11 LEASE AND HIRE PURCHASE RENTAL RECEIVABLE

	As at	
	2012	2011
Lease rental receivable (Note 11.1)	2,390,517,946	1,047,896,838
Hire purchase rental receivable (Note 11.2)	3,616,253,426	2,323,431,595
	6,006,771,372	3,371,328,433

11.1 Lease Rental Receivable

	Current Receivable within one year	Non-Current Receivable 1-5 Years	As at 2012 Total	As at 2011 Total
Gross investment in leases	1,068,028,381	2,291,432,035	3,359,460,416	1,507,821,985
Rentals received in advance	(349,522)	(5,262,583)	(5,612,105)	(2,481,305)
	1,067,678,859	2,286,169,452	3,353,848,311	1,505,340,680
Unearned income	(427,491,184)	(530,018,104)	(957,509,288)	(452,274,629)
Net receivable	640,187,675	1,756,151,348	2,396,339,023	1,053,066,051
Interest in suspense	(1,140,240)	Nil	(1,140,240)	(1,073,788)
Provision for doubtful recoveries	(4,680,838)	Nil	(4,680,838)	(4,095,426)
	634,366,598	1,756,151,348	2,390,517,946	1,047,896,838

11.2 Hire Purchase Rental Receivable

	Current Receivable within one year	Non-Current Receivable 1-5 Years	As at 2012 Total	As at 2011 Total
Gross investment in contracts	1,974,770,497	2,940,692,779	4,915,463,276	3,291,480,437
Unearned income	(615,172,947)	(668,747,632)	(1,283,920,579)	(962,170,447)
Net receivable	1,359,597,550	2,271,945,147	3,631,542,697	2,329,309,989
Interest in suspense	(5,325,621)	Nil	(5,325,621)	(1,929,090)
Provision for doubtful recoveries	(9,963,650)	Nil	(9,963,650)	(3,949,304)
	1,344,308,279	2,271,945,147	3,616,253,426	2,323,431,595

12 PROPERTY, PLANT AND EQUIPMENT

12.1 Gross Carrying Amount

	Balance as at 01-04-2011	Additions 01-04-2011 to 31-03-2012	Disposal 01-04-2011 to 31-03-2012	Balance as at 31-03-2012
Owned assets				
Office equipment	21,378,676	74,499,060	Nil	95,877,737
Furniture and fittings	10,384,926	45,434,488	Nil	55,819,414
Motor vehicles	7,825,257	1,617,284	(528,003)	8,914,538
Office partitioning	1,073,436	43,549,174	Nil	44,622,609
Computer software	11,085,193	5,795,596	Nil	16,880,789
Motor vehicles - given out on hire agreements	3,156,250	1,069,820	(1,875,000)	2,351,070
	54,903,738	171,965,422	(2,403,003)	224,466,157
Assets on finance leases				
Furniture and fittings	3,590,487	Nil	Nil	3,590,487
Motor vehicles - given out on hire agreements	3,631,213	Nil	Nil	3,631,213
Motor vehicles	10,221,275	Nil	Nil	10,221,275
Office equipment	707,000	Nil	Nil	707,000
	18,149,975	Nil	Nil	18,149,975
Total value of depreciable assets	73,053,713	171,965,422	(2,403,003)	242,616,132

12.2 Depreciation

	Balance as at 01-04-2011	Charge for the Year	Disposal for the Year	Balance as at 31-03-2012
Owned assets				
Office equipment	8,938,490	11,372,019	Nil	20,310,509
Furniture & fittings	2,885,552	5,776,479	Nil	8,662,031
Motor vehicles	3,289,419	2,033,222	(366,924)	4,955,717
Office partitioning	191,575	3,346,693	Nil	3,538,268
Computer software	8,023,133	1,443,454	Nil	9,466,587
Motor vehicles - given out on hire agreements	2,706,467	421,964	(1,775,000)	1,353,431
	26,034,636	24,393,831	(2,141,924)	48,286,543
Assets on finance leases				
Furniture and fittings	2,692,864	538,573	Nil	3,231,437
Motor vehicles - given out on hire agreements	3,629,040	Nil	Nil	3,629,040
Motor vehicles	638,830	2,555,319	Nil	3,194,149
Office equipment	471,333	141,400	Nil	612,733
	7,432,067	3,235,292	Nil	10,667,359
Total depreciation	33,466,703	27,629,123	(2,141,924)	58,953,902

12.3 Net Book Values

	2012	As at 2011
Owned assets	176,179,614	28,869,102
Assets on finance leases	7,482,616	10,717,908
Total carrying amount of property, plant and equipment	183,662,230	39,587,010

13 BORROWINGS

	Payable within one year	Payable after one year	2012	As at 2011
Central Bank - Susahana loans	714,286	714,284	1,428,570	2,442,856
Borrowings	1,724,658,873	361,659,208	2,086,318,081	646,615,070
Finance lease creditors (Note 13.1)	1,850,621	6,337,649	8,188,270	9,837,726
Lease securitisation	855,301,415	714,638,946	1,569,940,361	1,293,890,424
	2,582,525,195	1,083,350,087	3,665,875,282	1,952,786,077

13.1 Finance Lease Creditors

	As at 31-03-2012	Not later than 1 year	Later than 1 Year and not later than 5 years
Gross liability	10,130,214	2,701,391	7,428,823
Finance charge allocated to future periods	(1,941,944)	(850,770)	(1,091,174)
Net liability	8,188,270	1,850,621	6,337,649

14 TRADE AND OTHER PAYABLES

	2012	2011
Trade payables	107,445,302	95,295,890
Other payables (Note 14.1)	373,820,792	171,511,816
	481,266,094	266,807,706

14.1 Other Payables

	2012	2011
Interest payable on leased assets securitisation	174,081,097	82,513,364
Interest payable on fixed deposits	119,973,778	43,532,378
Others	79,765,917	45,466,074
	373,820,792	171,511,816

15 DEFERRED LIABILITIES

	2012	2011
Provision for retirement gratuity	11,886,551	8,394,865
Deferred taxation (Note 15.1)	75,374,483	39,108,824
	87,261,034	47,503,689

15.1 Deferred Taxation

Deferred income taxes are calculated in full on all temporary differences under the liability method using a principal tax rate of 28% . The movement on the deferred income tax account is as follows:

(a) Deferred tax liability

	2012	2011
At beginning of the year	39,108,824	27,212,246
Income statement release	36,265,659	16,250,538
Changes in equity	Nil	(4,353,960)
At the end of the year	75,374,483	39,108,824

16 STATED CAPITAL

	2012		2011	
	Number	Rs.	Number	Rs.
Issued and fully paid ordinary shares	37,453,951	1,003,230,820	26,752,822	468,174,370

16.1 Rights issue

	2012	2011
No of shares at beginning of the year	26,752,822	20,064,617
No of shares in right issue	10,701,129	6,688,205
No of shares at the end of the year	37,453,951	26,752,822

The Company issued 10,701,129 shares on 25 August 2011 as a way of a rights issue.

17 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,

	Less than 3 months	3 months to less than 12 months	1 year to less than 3 years	Over 3 years	Total
Assets					
Bank and cash balances	278,658,957	Nil	Nil	Nil	278,658,957
Investment in government securities	649,889,719	77,318,400	Nil	Nil	727,208,119
Placements with banks and financial Institutions	150,000,000	54,500,000	Nil	Nil	204,500,000
Investment in commercial papers	25,787,500	Nil	Nil	Nil	25,787,500
Investment in dealing securities	70,455,104	Nil	Nil	30,600	70,485,704
Prepayments and other receivables	268,737,564	176,883,181	Nil	Nil	445,620,745
Pawning debtors	255,139,268	Nil	Nil	Nil	255,139,268
Margin trading	81,161,047	Nil	Nil	Nil	81,161,047
Loans and advances	213,312,774	639,938,319	918,552,986	Nil	1,771,804,079
Lease and hire purchase rentals Receivable (Gross)	754,687,442	2,264,062,326	3,468,775,096	1,758,087,135	8,245,611,999
Total non-interest earning assets					254,455,752
Total	2,747,829,374	3,212,702,226	4,387,328,082	1,758,117,735	12,360,433,169
Liabilities					
Bank overdrafts	68,318,529	Nil	Nil	Nil	68,318,529
Time deposits	1,946,857,788	2,250,594,917	374,993,941	40,764,220	4,613,210,866
Certificate of deposits	3,000,000	6,204,613	Nil	Nil	9,204,613
Savings deposits	3,714,665	11,143,996	29,717,324	14,858,662	59,434,647
Borrowings	1,534,624,570	1,047,900,625	1,006,343,306	77,006,781	3,665,875,282
Creditors & accruals	37,143,925	440,645,446	2,830,596	646,127	481,266,094
Total non-interest bearing liabilities	Nil	Nil	Nil	Nil	87,261,034
Total	3,593,659,477	3,756,489,597	1,413,885,167	133,275,790	8,984,571,065

18 COMMITMENTS AND CONTINGENCIES

	2012	2011
Guarantees issued and in force	7,177,626	10,800,000
	7,177,626	10,800,000

19 EVENTS AFTER THE BALANCE SHEET DATE

The Directors have recommended the payment of an interim dividend of Rs. 1.50 per share for the financial year 2012/2013. 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.1.50 per share.

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

20 ASSETS PLEDGED

The following assets have been pledged as security for liabilities.

Nature of assets	2012	2011
Lease, hire purchase and loans rental receivable	3,157,731,999	2,159,971,577
Government securities	354,394,568	Nil
	3,512,126,567	2,159,971,577

Nature of liability

The above Lease Rental Receivables have been pledged in order to obtain term loans and securitisation facilities.

21 RELATED PARTY TRANSACTIONS

Details of significant related party disclosures are as follows:

21.1 Transactions with Key Managerial Personnel (KMPs)

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

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

	2012	2011
Deposits	2,230,000	7,617,571

21.1.3 Remuneration to Key Managerial Personnel amounted to Rs. 14,147,566/- for the year ended 31 March 2012 (2011 - Rs. 6,621,084).

21 RELATED PARTY TRANSACTIONS (CONTD)

21.2 Transactions with Group Companies

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

	Relationship		Loans and advances	Borrowings/ deposits	Income Earned	Amounts owed by Group Companies	Expenses Incurred	Plant & Equip. Purchased	Guarantees Obtained
Softlogjc Credit Ltd	Group Company	2012 Mar	47,599,830	Nil	17,088,292	Nil	4,388,080	9,144,439	Nil
		2011 Mar	Nil	Nil	9,544,915	Nil	Nil	Nil	Nil
Softlogjc Capital PLC	Parent Company	2012 Mar	Nil	80,000,000	Nil	Nil	13,840,474	Nil	25,000,000
		2011 Mar	Nil	Nil	Nil	Nil	3,500,000	Nil	25,000,000
Softlogjc Corporate Services (Pvt) Ltd (Formerly Known as Capital Reach Business Development (Pvt) Ltd	Group Company	2012 Mar	4,700,000	Nil	2,153,144	Nil	4,010,660	250,750	Nil
		2011 Mar	12,297,913	Nil	2,772,469	Nil	9,796,158	Nil	Nil
Uniwalkers (Pvt) Ltd	Affiliated Company	2012 Mar	153,155,194	16,897,755	12,719,175	Nil	618,256	12,714,012	Nil
		2011 Mar	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Softlogjc Commu- nications (Pvt) Ltd	Affiliated Company	2012 Mar	156,974	Nil	1,807,193	Nil	Nil	Nil	Nil
		2011 Mar	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Softlogjc Trading (Pvt) Ltd	Affiliated Company	2012 Mar	Nil	Nil	Nil	Nil	Nil	7,147,200	Nil
		2011 Mar	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Softlogjc Computers (Pvt) Ltd	Affiliated Company	2012 Mar	Nil	Nil	Nil	Nil	Nil	2,765,000	Nil
		2011 Mar	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Softlogjc Informa- tion Technologies (Pvt) Ltd	Affiliated Company	2012 Mar	Nil	Nil	Nil	Nil	Nil	16,194,950	Nil
		2011 Mar	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Asian Alliance Insurance PLC	Group Company	2012 Mar	Nil	200,000,000	Nil	Nil	3,652,640	Nil	Nil
		2011 Mar	Nil	Nil	Nil	Nil	Nil	Nil	Nil

22 BUSINESS SEGMENT INFORMATION

	Leasing		Hire Purchases		Other Loans and Advances		Unallocated		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Revenue										
Interest	409,874,776	158,847,165	698,121,790	433,270,016	375,514,400	18,667,788	Nil	Nil	1,483,510,966	610,784,970
Investment Income	Nil	Nil	Nil	Nil	Nil	Nil	47,402,874	39,824,942	47,402,874	39,824,942
Fee based income and others	8,576,818	4,329,482	8,612,092	6,953,036	17,035,265	2,604,383	31,452,905	9,344,687	65,677,080	23,231,588
Profit/(Loss) from Dealing Securities							(7,101,798)	6,374,235	(7,101,798)	6,374,235
Total Revenue	418,451,594	163,176,647	706,733,882	440,223,052	392,549,665	21,272,171	71,753,981	55,543,864	1,589,489,122	680,215,735
Profit/(Loss) before tax	39,402,848	20,339,406	66,548,505	54,872,284	36,963,833	2,651,503	6,756,603	6,923,351	149,671,788	84,786,544
Taxation									(44,088,618)	(16,250,538)
Profit after tax									105,633,170	68,536,006
Segment Assets	2,300,517,947	1,047,896,838	3,616,253,425	2,323,431,595	2,108,104,394	408,278,194	1,985,390,138	658,791,906	10,100,265,904	4,438,398,532
Segment Liabilities	2,126,456,727	922,484,872	3,216,795,102	2,045,364,030	1,875,239,119	359,415,588	1,766,080,116	579,947,897	8,984,571,065	3,907,212,387



LOOKING AT THINGS FROM
A WINNING ANGLE

Investor Information

1. Shareholding Information

1.1 List of Major Shareholders of the Company as at 31st March 2012

Name	No. of Shares	%
National Development Bank PLC/Softlogic Capital PLC	9,582,446	25.585
Pan Asia Banking Corporation PLC/Softlogic Capital Ltd	8,853,335	23.638
Vanik Incorporation Ltd	5,376,068	14.354
Softlogic Capital Ltd	4,849,040	12.947
LB Finance PLC	1,540,000	4.112
Royal Ceramics Lanka PLC	1,042,200	2.783
Waldock Mackenzie Ltd/Mr. L. P. Hapangama	618,620	1.652
Associated Electrical Corporation Ltd	427,500	1.141
Seylan Bank PLC/W.D.N.H Perera	340,000	0.908
Waldock Mackenzie Ltd/HI-Line Trading (Pvt) Ltd	315,620	0.843
Waldock Mackenzie Ltd/Mr. S.N.P. Palihena and Mrs A.S. Palihena	300,000	0.801
Mr. A.K. Pathirage	168,000	0.449
Bank of Ceylon No. 1 Account	153,600	0.410
Commercial Bank of Ceylon PLC/D S L Investments (Pvt) Ltd	104,800	0.280
Mr. A.H. Vdeshi	103,320	0.276
Pan Asia Banking Corporation PLC/Invest Copia Capital (Pvt) Ltd	99,900	0.267
Mr. D. S. Hewapathirana	89,440	0.239
Mr. S. Abishek	72,332	0.193
Waldock Mackenzie Limited/Mrs. G. Soysa	66,000	0.176
D.S.L. Investments (Pvt) Ltd	65,300	0.174
	34,167,521	91.225
Others	3,286,430	8.775
TOTAL	37,453,951	100.00

1.2 Distribution of Shareholdings as at 31st March 2012

From	To	No. of Holders	No. of Shares	%
1	- 1,000	766	322,013	0.86
1,001	- 10,000	302	1,058,328	2.83
10,001	- 100,000	87	2,299,061	6.14
100,001	- 1,000,000	9	2,531,460	6.76
Over 1,000,000		7	31,243,089	83.42
		1,171	37,453,951	100.00

1.3 Analysis of Shareholders as at 31st March 2012

Category	No. of Shareholders	No. of Shares	%
Local Individuals	1,072	2,916,684	7.79
Local Institutions	89	34,477,934	92.05
Foreign Individuals	10	59,333	0.16
Foreign Institutions	-	-	-
Total	1,171	37,453,951	100.00

1.4 Public Holding

The percentage of shares held by the public as at 31st March 2012 is 22.90%

1.5 Directors' Shareholding as at 31st March 2012

Names of Directors	No. of Shares	%
Asoka Kariyawasam Pathirage (Chairman)	168,000	0.45
Pattage Mayurasiri Bandula Fernando (CEO)	8,040	0.02
Nalin Hemantha Gamini Wijekoon	9,666	0.03
Tuan Mihilar Iftikar Ahamed	28,900	0.08
Baddegama Hevege Sirinimal Jayawardene	Nil	Nil
Ranil Prasad Pathirana (Resigned w.e.f. December 30, 2011)	Nil	Nil
Samantha Aruna Bandara Rajapakse (Resigned w.e.f. April 15, 2012)	Nil	Nil
Chrysanthus John Emmanuel Corea	Nil	Nil
Dushan Travice Columban Soza	Nil	Nil

2. Share Prices for the year

Market price per share	31.03.2012
Highest during the Year	Rs.79.00
Lowest during the Year	Rs.25.00
As at end of the Year	Rs.27.70



LOOKING AT THINGS FROM
A WINNING ANGLE

Summary for Last 7 Years

(Rs.'000)	2011/12	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06 Restated
Operating Results							
Gross Income	1,530,914	650,610	346,881	309,382	206,663	112,487	60,379
Profit Before Tax	149,672	84,787	26,162	17,761	21,853	17,225	10,058
Taxation	44,039	16,251	2,558	3,862	7,666	6,960	5,275
Profit After Tax	105,633	68,536	23,605	13,899	14,187	10,265	4,783
As at 31 March							
Assets							
Investments	1,027,982	299,225	105,031	13,232	42,077	33,102	46,124
Loans & Advances	1,771,804	283,956	30,793	28,294	46,035	30,510	11,694
Lease & Hire Purchase							
Rentals Receivables	6,006,771	3,371,328	1,526,854	1,002,663	833,206	502,048	301,773
Pawning Advances	255,139	124,322	-	-	-	-	-
Vehicle Stocks	-	4,855	10,288	10,259	-	-	-
Vehicle Stocks- Trading	10,209	-	-	-	-	-	-
Real Estate Stocks	39,258	16,647	15,848	15,365	-	-	-
Property & Equipment	183,662	39,587	17,413	23,332	28,260	28,951	18,268
Other Assets	805,441	298,478	161,481	74,129	75,417	32,453	17,733
	10,100,266	4,438,398	1,867,708	1,167,274	1,024,995	627,064	395,592
Liability							
Public Deposits	4,681,851	1,584,807	821,816	406,768	225,480	31,573	-
Borrowings	3,734,195	2,008,094	633,222	453,121	497,749	345,637	148,453
Other Liability	568,525	314,311	195,149	93,404	101,684	63,959	48,377
	8,984,571	3,907,212	1,650,187	953,293	824,913	441,169	196,830
Shareholders' Funds							
Share Capital/Stated Capital	1,003,231	468,174	200,646	200,646	200,646	200,646	165,238
Share Premium	-	-	-	-	-	-	32,500
Reserves	112,464	63,012	16,875	13,335	(564)	(14,751)	1,024
	1,115,695	531,186	217,521	213,981	200,082	185,895	198,762
Share Information							
Earnings Per Share (Rs.)	3.20	3.07	1.18	0.69	0.71	0.51	0.89
Net Assets Per Share (Rs.)	29.79	19.86	10.84	10.66	9.97	9.26	12.00
Debt Equity Ratio (times)	8.05	7.36	7.59	4.46	4.12	2.37	0.99
Other Information							
No. of Employees	550	291	103	48	33	19	18
Supporting Branch Network	16	9	8	8	8	8	8



LOOKING AT THINGS FROM
A WINNING ANGLE

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Softlogic Finance PLC will be held at the Auditorium of the Central Hospital, No. 114, Norris Canal Road, Colombo 10 on Thursday, the 26th day of July 2012 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 2012 together with the Report of the Auditors thereon.
2. To re-elect Mr T M I Ahamed, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.
3. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.
4. To authorize the Directors to determine donations for the year ending 31st March 2013 and up to the date of the next Annual General Meeting.

By Order of the Board

SOFTLOGIC FINANCE PLC

P W Corporate Secretarial (Pvt) Ltd

Secretaries

22nd June 2012

Colombo

Notes:

1. A shareholder is entitled to appoint a Proxy to attend and vote at the meeting on his/her behalf.
2. A Proxy need not be a shareholder 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 2 by 2.30 p.m. on 24th July 2012

Form of Proxy

I/We* NIC No. of
being a shareholder/s* of SOFTLOGIC FINANCE PLC hereby appoint
(holder of NIC No.) of
 or failing him*

Mr Asoka Kariyawasam Pathirage	of Colombo or failing him*
Mr Pattage Mayurasiri Bandula Fernando	of Colombo or failing him*
Mr Nalin Hemantha Gamini Wijekoon	of Colombo or failing him*
Mr Tuan Mihlar Iftikar Ahamed	of Colombo or failing him*
Mr Baddegama Hevege Sirinimal Jayawardena	of Colombo or failing him*
Mr Chrysanthus John Emmanuel Corea	of Colombo or failing him*
Mr Dushan Travice Columban Soza	of Colombo*

as my/our* proxy to represent me/us*, to vote as indicated hereunder for me/us* and to speak for me/us* and on my/our* behalf at the Annual General Meeting of the Company to be held on 26th July 2012, at 2.30 p.m. and at every poll which may be taken in consequence of the aforesaid Meeting and at any adjournment thereof:

	For	Against
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 2012 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To re-elect Mr T M I Ahamed, who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
4. To authorize the Directors to determine donations for the year ending 31st March 2013 and up to the date of the next Annual General Meeting.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my/our* hands this day of Two Thousand and Twelve.

.....
 Signature of Shareholder/s

Note:

1. *Please delete the inappropriate words.
2. Instructions as to completion appear on the reverse.

Instructions as to Completion

1. The instrument appointing a Proxy shall be in writing under the hand of the appointer or of his/her Attorney duly authorised in writing or if such appointer is a company/corporation, either under its Common Seal, or under the hand of an Officer/s or Attorney duly authorised in terms of the Articles of Association /Statute.
2. In the case of a proxy signed by an Attorney, the original Power of Attorney must be deposited at the Secretaries' Office (i.e. P W Corporate Secretarial (Pvt) Ltd, No. 3/17, Kynsey Road, Colombo 08 – Telephone :011-4640360/3) for registration.
3. In perfecting the Form of Proxy please ensure that all details are legible.
4. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors) as your Proxy please insert the relevant details in the space provided.
5. Please indicate with an 'X' in the space provided how your proxy is to vote on the resolution. If no indication is given, the proxy in his discretion will vote as he thinks fit.
6. To be valid, this Form of Proxy must be deposited at the Registered Office, No. 1, Lake Crescent, Colombo 2, by 2.30 p.m. on 24th July 2012.

Corporate Information

Name of the Company

Softlogic Finance PLC

Holding Company

Softlogic Capital PLC

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.

Registered under the Securities & Exchange Commission of Sri Lanka Act No. 36 of 1987 as Margin Provider

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@softlogicfinance.lk

Website : www.softlogicfinance.lk

Board of Directors

Mr. Ashok Pathirage (Chairman)

Mr. Mayura Fernando (CEO)

Mr. Nalin Wijekoon

Mr. B.H.S.Jayawardene

Mr. Tuan Ifthikar Ahamed

Mr. Chris Corea

Mr. Dushan Soza

Management Committee

Mr. Mayura Fernando - Director/CEO

Mr. Nalin Wijekoon - Director

Mr. Tuan Ifthikar Ahamed - Director

Mr. Sudath Jayawardena - GM

Mr. Sanjaya Vithanage - DGM

Mr. Shihan Nanayakkara - DGM

Mr. Chamilantha Fernando - DGM

Mr. Rohana Dahanayake - AGM

Mr. Sampath Hewapathirana - AGM

Mr. Dilhan Manoj Kumar - AGM

Mr. Nalinda Ranaraja - AGM

Mr. Colin Samarathunga - AGM

Mr. Ananda Wickramasinghe - SM

Mr. Lasantha Perera - SM

Mr. Gayan Jayatissa - SM

Mr. Shehan Uduwara - SM

Ms. Shalika Hewawickrama - M

Mr. Surendra Rodrigo - M

Secretaries

P W Corporate Secretarial (Pvt) Ltd

Auditors

Messrs. PricewaterhouseCoopers

Chartered Accountants

Legal Advisors to the Company

Nithya Partners

Bankers

HSBC

DFCC Vardhana Bank

Sampath Bank

Bank of Ceylon

Commercial Bank

Seylan Bank

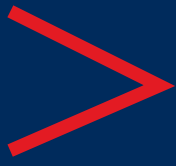
Hatton National Bank

Pan Asia Banking Corporation

People's Bank

Nations Trust Bank

Deutsche Bank



Phenomenal.

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