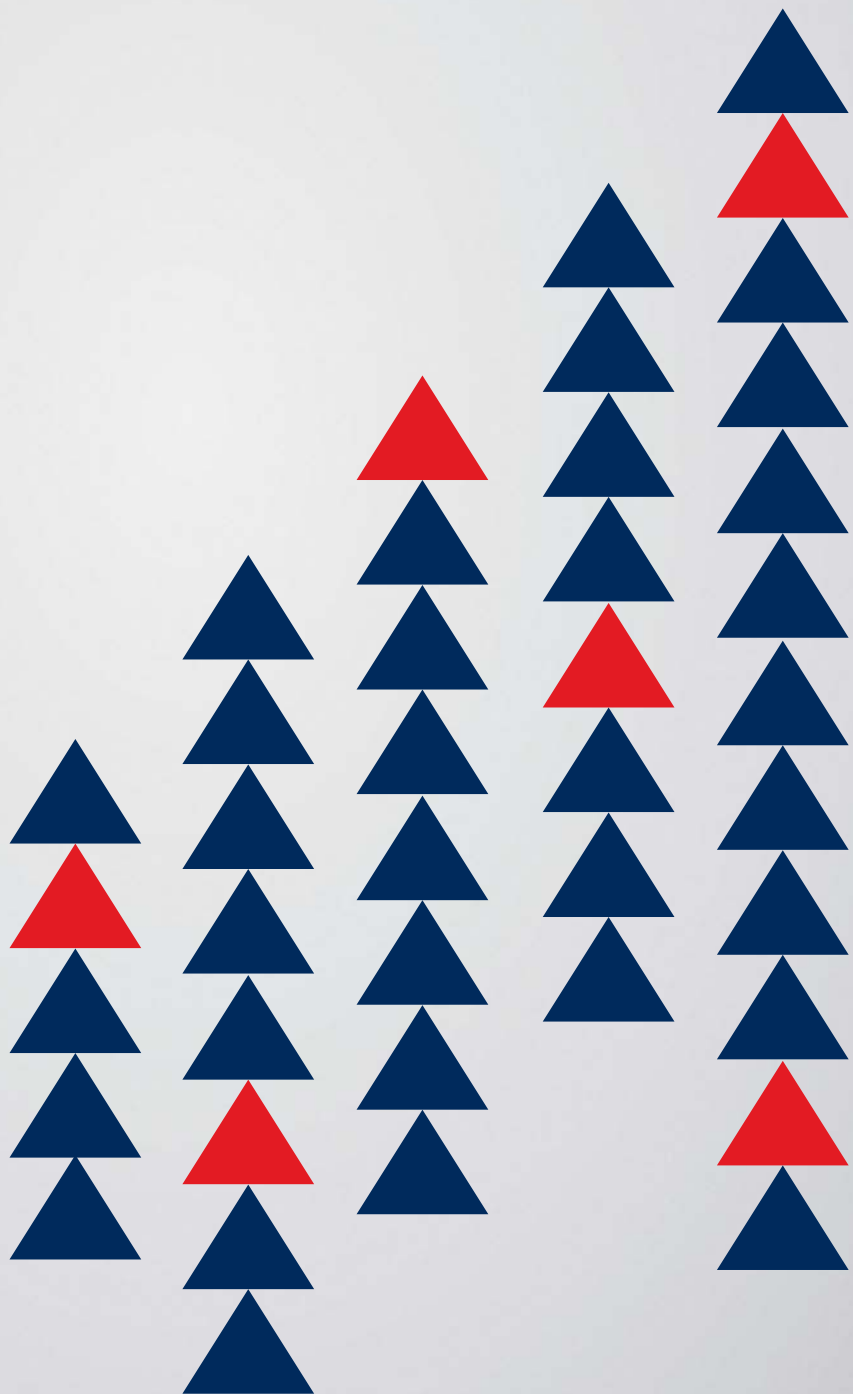


Moving ahead, **together**

Annual Report 2013/14
Softlogic Finance PLC





Our Vision

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

Our 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.

Our Values

Performance

We are committed to a result - oriented culture. We place customers at the centre of our activities and we hold ourselves responsible to deliver what we promise in keeping with customer need.

Innovation

We constantly challenge conventional wisdom and develop new solutions to meet customer requirements.

Integrity

We act fairly and honestly. We believe in ethics and transparency in all our dealings.

Human Capital

We benefit from the diversity of our business and our people by working together to achieve success. We treat all our staff with respect and dignity, provide opportunities to their career enhancement and reward them for good performance.

Success

We always strive to be the best in our business and possess a will to win.

Corporate Responsibility

We care for the community and the environment taking the responsibility to protect them. We are a good corporate citizen and support worthy causes and CSR projects.

Moving ahead, **together**

At Softlogic Finance our capacity to persevere and triumph over difficult times is something that we are all proud of. Our strong and united team has always been eager to take on a challenge and in the year under review we have proved that relentless effort and smart strategies always see us win through, however hard our task.

Our AAA rated Debenture Issue and the cross currency swap with The Currency Exchange Fund (TCX) that emphasize the key DFI relationships place your Company on a strong footing for the future, while our passion to succeed sees us standing shoulder to shoulder, working together to achieve our common goals and meet our targets in the years ahead.

Softlogic Finance. Moving ahead, together.

Contents

Context

Describes our strategic approach, the year's activities, the prospects for the year ahead.

About this Report	3
Snapshot of Performance	4
Where We Operate	6
Chairman's Review	8
Review of the Chief Executive Officer	12
Board of Directors	18
Board of Directors' Profiles	20
Senior Management Team	22
Senior Management Profiles	24
Branch Managers	26
Management Discussion and Analysis	28
Financial Review	32
Corporate Governance	34
Corporate Social Responsibility	53
Remarkable Events at Softlogic Finance	55
Integrated Risk Management	57
Annual Report of the Board of Directors on the Affairs of the Company	60
Directors' Statement on Internal Controls	64
Report of the Audit Committee	66
Statement of Directors' Responsibilities	68

Financial reports

Presents our performance in detail, including operational results, financial position, equity movement and cash flow.

Independent Auditor's Report	70
Statement of Comprehensive Income	71
Statement of Financial Position	72
Statement of Changes in Equity	73
Statement of Cash Flows	74
Significant Accounting Policies	75
Notes to the Financial Statements	87

Appendices

Includes supplementary information on the Board of Directors, Group structure and shareholder information.

Investor Information	117
Summary for Last 7 Years	119
Distribution Network	120
Notice of Meeting	121
Form of Proxy	123

About this Report



Our Operations

This Annual Report outlines our performance and efforts that have transpired over the past financial year and acts as a crucial dialogue between the Company and our stakeholders, by conveying our present standpoint in the industry. Our core business remains the provision of comprehensive financial services to our increasingly vast customer base through an extensive branch network islandwide. The Company provides an array of services in Leasing, Hire Purchase, Fixed Deposits, Savings Accounts, Business Finance, Personal Finance and Gold Loans.

'Brand loyalty' is of utmost importance to us and we take pride in being part of the country's fastest growing conglomerate 'Softlogic Holdings PLC' by continuously striving to earn a virtuous brand image and a reputation for ethical business practices. We at Softlogic Finance believe that we have successfully integrated vital attributes to our organisation which have enabled us to:

- build excellent and sustainable relationships with our clients,
- understand risks and opportunities to deliver best solutions,
- review and continually improve by constantly appraising performance and realising our goals.

Scope of Reporting

The Annual Report represents all operations carried out by Softlogic Finance PLC including its entire branch network and gold loan centres. The complete financial statements of the Company have been prepared as at 31 March 2014 in accordance with revised Sri Lanka Accounting Standards comprising of Sri Lanka Financial Reporting Standards (SLFRS) and Sri Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act, No. 07 of 2007.

Material Matters

Complementing financial performance data, the Report also outlines the analysis of our operations over the last financial year, and illustrates our business strategies, corporate governance structure, risk management framework and other relevant factors that have been implemented as a result. The preceding year's figures have been stated for easy comparison including a 7 year comparison of key indicators of operational performance on page 119.



"Financial prudence and operational improvements were the key determinants of the Company's performance during the period under review, as we constantly try to exploit new market segments by understanding and building trust with all our stakeholders."



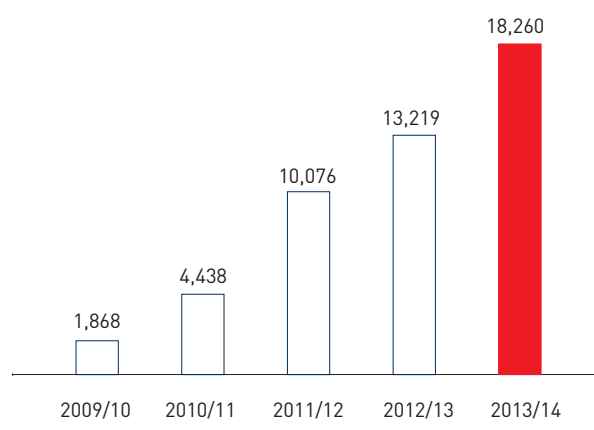
www.softlogicfinance.lk
View Annual Report online

Snapshot of Performance

	2013/14	2012/13	Inc./Dec.	% Inc./Dec.
Interest income / revenue (Rs. Mn)	3,339	2,278	1,061	47%
Profit after tax (Rs. Mn)	166	164	2	1%
Cost to income ratio (%)	61%	71%	-10%	-14%
Total assets (Rs. Mn)	18,260	13,219	5,041	38%
Shareholders' funds (Rs. Mn)	1,310	1,205	105	9%
Deposit base (Rs. Mn)	9,313	6,957	2,356	34%
Lending portfolio (Rs. Mn)	11,933	9,946	1,987	20%
EPS (Rs.)	4.42	4.38	0.04	1%
Net assets per share (Rs.)	34.96	32.16	2.80	9%
Dividend payout ratio (%)	33.94%	34.25%	-0.31%	3%

	2009/10	2010/11	2011/12	2012/13	2013/14
Interest income (Rs. Mn)	347	651	1,534	2,278	3,339
Profit after tax (Rs. Mn)	24	69	121	164	166
Cost to income Ratio (%)	76%	69%	75%	71%	61%
Total assets (Rs. Mn)	1,868	4,438	10,076	13,219	18,260
Shareholders' funds (Rs. Mn)	218	531	1,108	1,205	1,310
Deposit base (Rs. Mn)	822	1,585	4,682	6,957	9,313
Lending portfolio (Rs. Mn)	1,558	3,779	8,113	9,946	11,933
EPS (Rs.)	1.18	3.07	3.66	4.38	4.42
Net assets per share (Rs.)	10.84	19.86	29.59	32.16	34.96

Total Assets (Rs. Mn)



The total asset base increased by 38 per cent to over Rs. 18 Bn, which was led by increased depositors' confidence and also the expansion of financial investment assets.

5,041 Mn

increase from last financial year

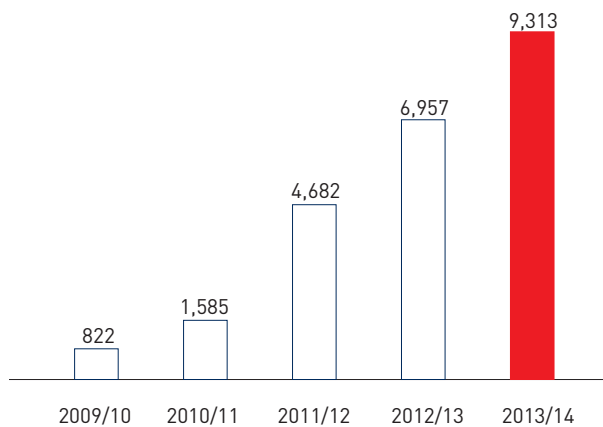
38%

stable grown rate

18,260 Mn

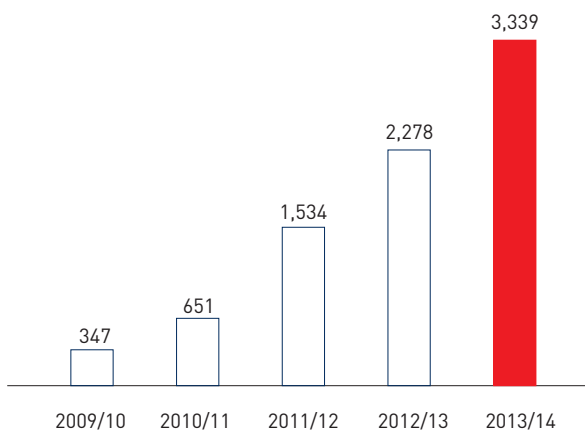
2013/14 Total Assets

Deposit Base (Rs. Mn)



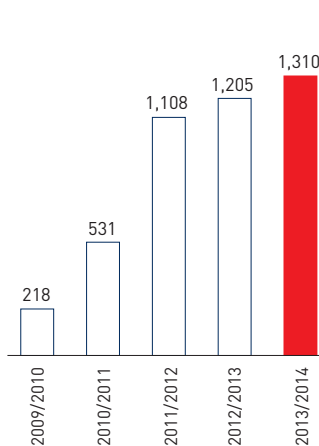
We have successfully grown our customer deposit base by over 34 per cent from Rs. 6.9 Bn to Rs. 9.3 Bn, while simultaneously achieving reductions in funding through banks.

Interest Income (Rs. Mn)



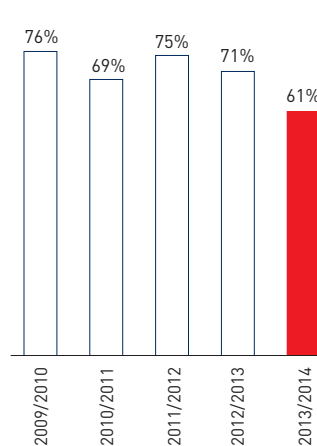
Interest Income recorded a healthy growth figure of 47 per cent, despite heavy barriers due to prevalent lending market conditions.

Shareholders' Funds (Rs. Mn)



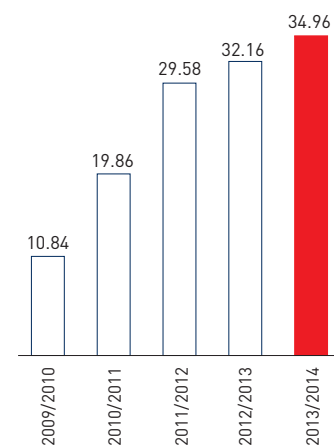
Shareholder equity increased 9 per cent by Rs. 105 Mn. due to profitability and increases in reserve accounts.

Cost to Income Ratio (%)



Factors such as greater productivity and tighter cost management assisted us to bring down operating cost for the year under review.

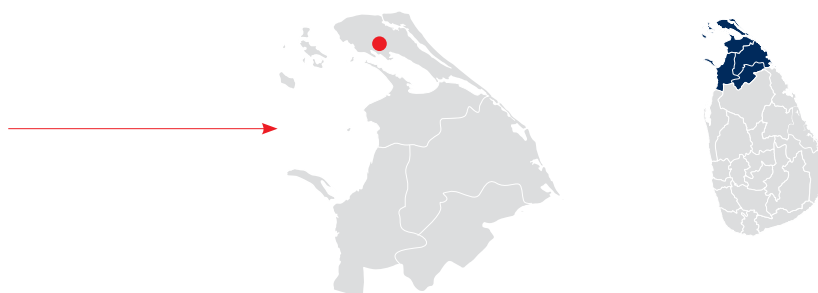
Net Assets per Share (Rs)



Net assets per share increased 9 per cent from Rs. 32.16 to Rs. 34.96.

Where We Operate

Northern		
Branches	1	●
Employees	6	



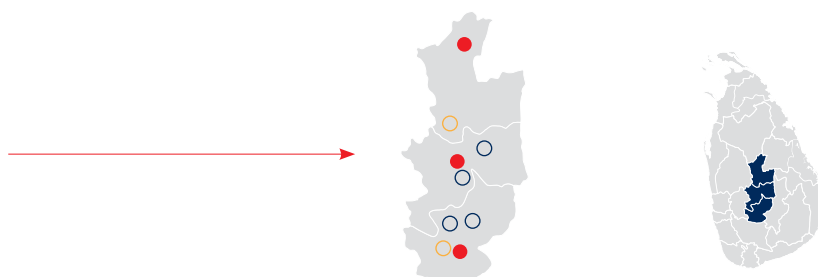
North Western		
Branches	2	●
Employees	24	



North Central		
Branches	2	●
Employees	25	

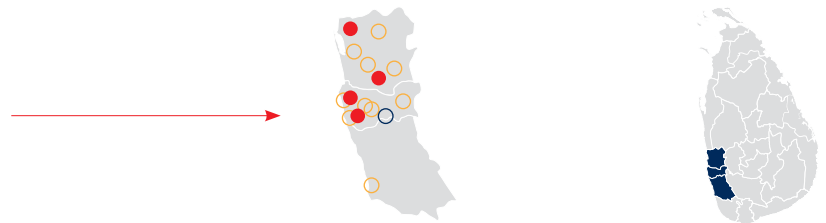


Central		
Branches	3	●
Gold Loan Centres	2	○
Business Extension Units	4	○
Employees	46	



Our network consists of branches, gold loan centres and business extension units (BEU) strategically located islandwide for the benefit of our valued customers. Together with a team of dedicated personnel within our network to facilitate the Company's operations, we strive to offer an unparalleled and timely service to our clientele.

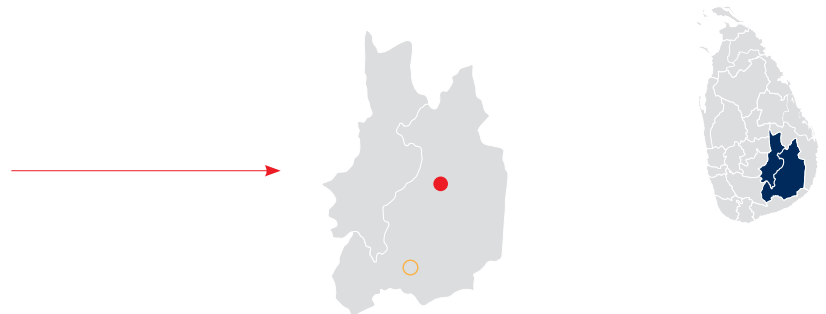
Western		
Branches	4	●
Gold Loan Centres	10	○
Business Extension Units	1	○
Employees	313	



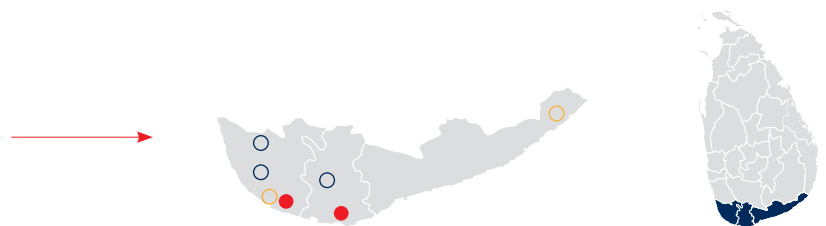
Sabaragamuwa		
Branches	2	●
Employees	30	



Uva		
Branches	1	●
Gold Loan Centres	1	○
Employees	14	



Southern		
Branches	2	●
Gold Loan Centres	2	○
Business Extension Units	3	○
Employees	44	



17
Branches
Islandwide

Employees
502

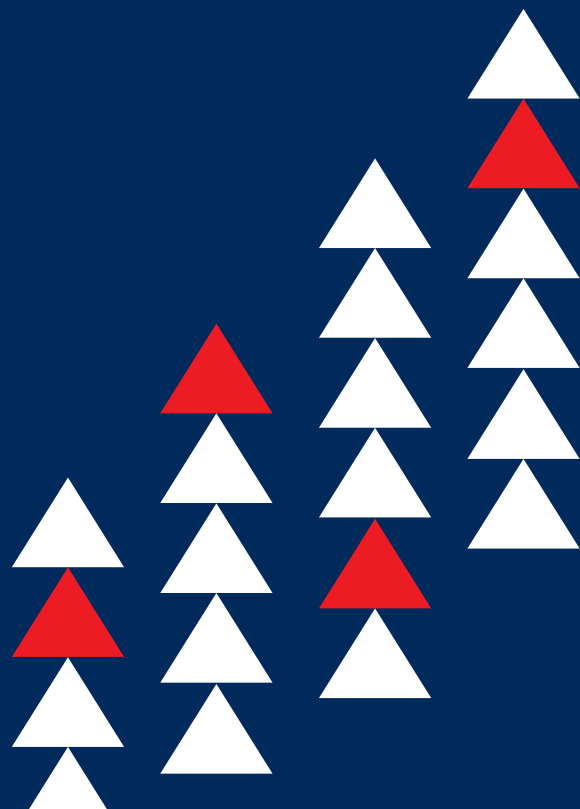
15
Stand alone
Gold loan
Centres

Chairman's Review



Your Company, during the period under review, entered into groundbreaking international business alliances with foreign top notched DFI institutions. Consequently, a guarantee agreement of Rs. 1.4 Bn was signed with GuarantCo. This would rate Softlogic Finance PLC's debenture issue to be the first 'AAA' rated, listed debenture in Sri Lanka.

Mr. Ashok Pathirage
Chairman



Chairman's Review

The financial year 2014 for your Company was no exception to the challenges faced by the industry especially in the Non-Banking Financial Institutions (NBFIs) sector.

47%

Revenue Growth

Rs.12 Bn

Lending Portfolio

Rs.9 Bn

Deposit Base

Rs.18 Bn

Total Assets

Dear Shareholder,

On behalf of the Board of Directors, I take the privilege to present the Annual Report and the Audited Financial Statements of Softlogic Finance PLC for the Financial Year ended 31 March 2014.

The financial year 2014 for your Company was no exception to the challenges faced by the industry especially in the Non-Banking Financial Institutions (NBFIs) sector. Despite the country's GDP pushing forward coupled with monetary easing measures taken concurrently, the declining gold prices along with the falling demand for loans and leasing revealed a new set of challenges that beset the NBFIs. However, I'm pleased to report that, despite these headwinds your Company remained strong with robust measures being taken to improve the overall returns and ensure further consolidation and stability of business operations.

Economic Summary

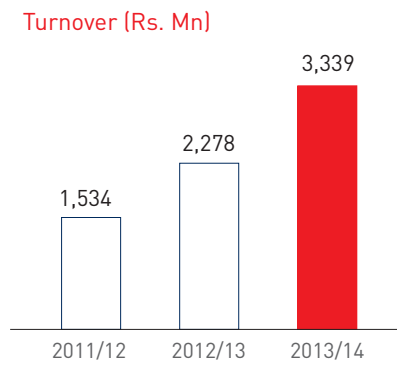
Despite signs of improving global economic activity towards the latter months of the year, the global economic growth rate was 3% in 2013. In 2014, we expect recovery of the advanced economies to improve and this will have a cascading effect on demand for goods and services in the Asian region.

Sri Lanka's economy regained its growth trajectory to register 7.3% in 2013 (6.2% in 2012) with the improvement seen in all sectors of the economy. Exchange rates stabilised with the narrowing of the trade gap as FOREX inflows particularly from workers' remittances, tourism and international bond issue by the GOSL thereby improving the Balance of Payment position. The year also witnessed the completion of a number of infrastructure projects which are expected to boost the social and the economic forte of the country. Employment rate was held low while Inflation notably was contained at single digit levels for the fifth consecutive year. Increased levels of liquidity with surpluses being recorded in some of the more important state sector enterprises, resulted in less credit demands being made on the financial system coupled with the enhanced foreign investor sentiments which also impacted the yield rates of the government securities. The stabilisation objectives of the macroeconomic policy package that was adopted in 2012 helped to contain some of the more onerous fall outs from the gold backed lending portfolios of banks and NBFIs in 2013. However, monetary expansion decelerated with the lag effect of policy measures introduced last year and a decline in gold backed advances which lowered credit disbursements to the private sector on top of the slow credit demanded by the investing community. Consequently, the fruits of higher liquidity, low inflationary pressure, and resultant low interest rate regime in place augur well for a healthy economy.

Performance Discussion

Amidst numerous challenges, your Company reported a turnover of Rs. 3.3 Bn, a strong 47% improvement during the year, which was due to the increase in hire purchase and SME





Drawing on key strengths, we are now focussed on enhancing our product portfolio, expanding existing operations and improving customer service.

lending. Operating income increased 37% YoY to Rs. 1.4 Bn which was based on topline growth coupled with strong core business operations. Your Company's leasing, hire purchase and loan portfolio increased by Rs 2 Bn to Rs 12 Bn. NPL ratio was 5.52% of total advances for the year along with regulatory risk adjusted impairment charges of Rs. 327.8 Mn stemming from the fall in value of vehicles prices, especially in the secondary market.

An Interim Dividend of Rs. 1.50 per share or Rs. 56.2 Mn was paid during the financial year.

New Measures

We have taken proactive measures to change the portfolio concentration in the upcoming periods given the resultant decline in gold prices, difficulties faced in the SME sector and the construction related activities which had neared project completion dates.

During the year, your Company successfully concluded a number of

securitisation deals which assisted in building its medium term lending business with potential gain by re-financing with lower interest rates. Your Company also raised Rs. 500 Mn with the successful issue of 5 Mn Senior, Rated, Unsecured, Redeemable, Listed Three year Debentures.

Your Company, during the period under review, entered into groundbreaking international business alliances with foreign top notched DFI institutions. Consequently, a guarantee agreement of Rs. 1.4 Bn was signed with GuarantCo. This would rate Softlogic Finance PLC's debenture issue to be the first 'AAA' rated, listed debenture in Sri Lanka. GuarantCo is managed on a commercial basis by Frontier Markets Fund Managers owned by Standard Bank Group, FMO and Emerging Markets Partnership.

During the year under review, your Company concluded the first ever medium term Cross Currency Swap with an off-shore counterpart. A four year transaction for USD 4.8 Mn was drawn with TCX which is owned by Global Development Financial Institutions such as DEG, FMO, IFC, JBIC, EBRD, Proparco.

Drawing on key strengths, we are now focussed on enhancing our product portfolio, expanding existing operations and improving customer service.

Regulatory Measures

The most important policy initiative introduced by fiscal edict and Central Bank for the industry was the merger of Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs). We believe that this would meet the economic objective of further stabilising the financial system and increasing the size and depth of these institutions thereby building the capacity to cater to the future

expansion of economic activity and thus consolidate the industry as a whole.

Responding to the Regulatory requirement, we have proposed plans to acquire a good quality institution in terms with CBSL's guidelines in due course.

Acknowledgements

In strengthening our Board mix, I welcome Mr. S. N. P. Palihena who joined the Softlogic Finance PLC's Board in March 2014 as an Independent Non-Executive member. He brings with him a wealth of experience in finance and banking. I also thank Mr Iftikar Ahamed, Managing Director of Softlogic Capital PLC as the sector head of financial services, for his diligent oversight of the financial sector.

I conclude conveying my gratitude to the Governor of the Central Bank of Sri Lanka and the Supervisory division of Non-Banking Financial Institutions for the continuous guidance and support. I also extend my appreciation to the Board of Directors for their valuable contribution and strong support, and to the senior management and employees for their dedication to ensure the move from being a financial institution of good repute to great stature.

(Sgd.)
Ashok Pathirage
Chairman

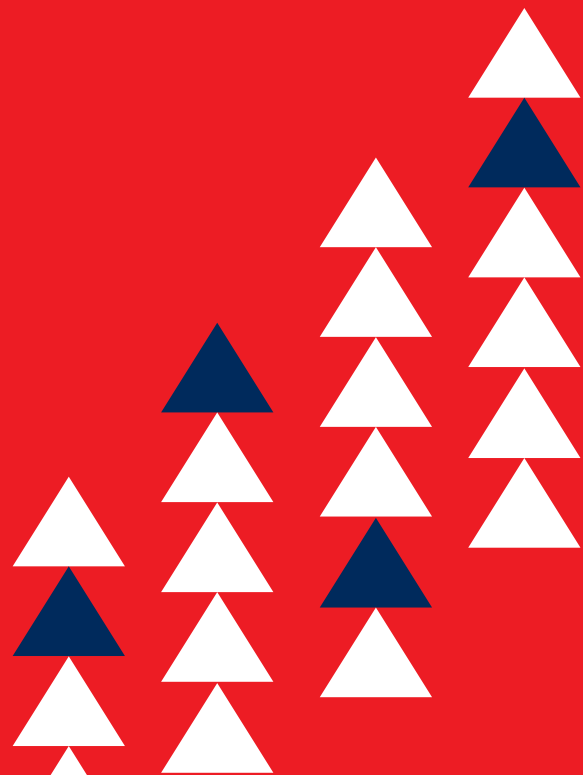
27 June 2014

Review of the Chief Executive Officer



Strategic changes in the product mix and focus on customer conveniences sustained our expansion despite severely challenging conditions. The Company made a strategic shift to offer working capital loans to the SME sector to fuel credit growth to over 20 per cent during the year, much beyond the industry growth of 12 per cent.

Mr. Nalin Wijekoon
Director / CEO



Review of the Chief Executive Officer

I am pleased to state that despite being a difficult year, Softlogic Finance PLC that is a part of fast growing Softlogic group, performed resiliently. 2013 was a year in which we faced many challenges due to lower demand for credit in Leasing and Hire Purchase segments, the narrowing of margins and rising NPL ratios. The Company concluded the year under review with a profit after tax of Rs. 166 Mn and total asset base of Rs. 18 Bn.

Strategic changes in the product mix and focus on customer convenience sustained our expansion despite severely challenging conditions. The Company made a strategic shift to offer working capital loans to the SME sector to fuel credit growth to over 20 per cent during the year, much beyond the industry growth of 12 per cent. A continuous drop in the vehicle market through the last few years triggered a downward trend in leasing hire purchase segment, our main business portfolio over the last few years.

Sri Lanka's Economy

The first half of 2013 witnessed a sluggish economic performance due to tight monetary policy measures introduced in 2012 which resulted in a tight interest rate regime, leading to low demand for private sector credit. Despite significant reduction in private sector lending, the second half of 2013 seemed more optimistic with stronger than expected growth. The Sri Lankan economy grew by 7.3 per cent in 2013 after averaging 7.5 per cent GDP growth in the previous three years. The Industrial and Service sectors contributed significantly to the growth of the economy, driven by increased domestic demand, continued infrastructure development and growth in tourism.

A more stable exchange rate placed Sri Lanka on firmer footing for further robust economic growth ahead. The lowering of policy interest rates and statutory reserve rates for banks caused market interest rates to decline in the last quarter of 2013 and the first quarter of 2014. Inflation was maintained at single digits through the year. Looking ahead, we expect interest rates to be stable in the coming year to pave the way for higher credit growth.

Robust Company Performance

Softlogic Finance continued asset growth momentum despite changes in the non-banking sector. Company assets stood at Rs. 18 Bn for the year under review, reflecting 38 per cent growth which is over and above average industry growth of 20 per cent. Our focus on customer convenience has lent us a competitive advantage with

During 2013, the Company raised Rs. 500 Mn with the issue of 5 Mn Senior, Rated, Unsecured, Redeemable, Listed 3 Year Debentures which was oversubscribed on the first day of issue.

our customer deposit base growing by 34% per cent, being one of the highest recorded growth rates in the non-banking financial sector, rising from Rs. 7 Bn in 2012/13 to Rs. 9 Bn in 2013/14, demonstrating the confidence placed in our Company.

Our customer deposit base has grown by 34% per cent, being one of the highest recorded growth rates in the non-banking sector, rising from Rs. 7 Bn in 2012/13 to Rs. 9 Bn in 2013/14, demonstrating the confidence placed in Softlogic Finance, backed by Softlogic Holdings, the fastest growing conglomerate in Sri Lanka.

20% Lending Portfolio Growth

34% Deposit Base Growth

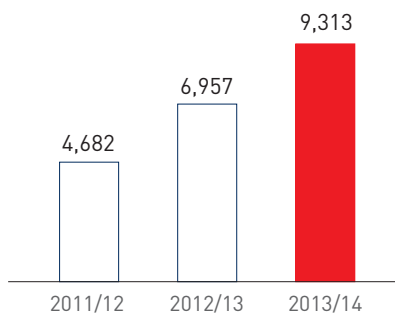
38% Total Assets Growth

The period under review was eventful for the Company. During 2013, the Company raised Rs. 500 Mn with the issue of 5 Mn Senior, Rated, Unsecured, Redeemable, Listed 3 Year Debentures which was oversubscribed on the first day of issue. Further, the Company was awarded ISO 9001-2008 and won 3rd place in the National Business

Excellence Awards organised by the National Chamber of Commerce for the non-banking financial sector. The Institute of Chartered Accountants of Sri Lanka awarded a compliance certificate to the Company for the second year running, which is a testimonial to the efficiency of our systems and processes and serves to build trust and confidence amongst our stakeholders.

The income level of the Company increased by 47 per cent to Rs. 3.3 Bn compared to Rs. 2.3 Bn in the previous year as a result of our focused growth and by changing the credit mix of the Company. Interest cost increased from Rs. 1.4 Bn in 2012/13 to Rs. 2.1 Bn in the year under review due to substantial growth in customer deposit base.

Public Deposits (Rs. Mn)



Liquidity constraints by delayed settlements by principles and completion of mega projects in the post war environment affected the Small and Medium Enterprises (SME) sector, which is our core customer segment. The Non Performing Loans (NPL) ratio increased to a level not seen in recent years, fuelled by a sharp decline in gold prices globally which affected gold backed advances. The Company continued constant monitoring and focused recovery to contain the NPL ratio at 5.5 per cent against industry average of 6.6 per cent.

The drop in vehicle sales and the second-hand vehicle market for lorries and tippers also affected the Company performance. This led to an unprecedented re-possession of this category of vehicles as a result of severe oversupply in the resale market.



In the consolidation process, the Company has been classified in the A category, where financial companies have over Rs 1 Bn in equity, Rs. 8 Bn asset bases and greater compliance with the Central Bank regulatory framework.

This brought about a drastic drop in prices, in some cases up to 50 per cent of value. We have currently limited lending facilities to this sector. On the brighter side, we improved our KPIs. The Company's cost to income ratio improved to 61 per cent from 71 per cent the previous year. The Company recorded a profit after tax of Rs. 166 Mn compared to Rs. 164 Mn in 2012/13 that was impacted by loss on sale of repossessed assets amounting to Rs. 158 Mn for the year and allowance for impairment in the gold loan

portfolio of Rs. 44 Mn affected growth in profitability this year.

Moving forward, we expect interest rates to be stable and anticipate higher credit growth since credit growth is already showing an upward momentum in commercial lending compared to leasing and hire purchase business. We have focused upon improving credit quality of our assets by the implementation of centralised credit approvals and verifications. Constant monitoring of liquidity and market risk by way of an integrated risk management framework that intensifies the risk management aspect of the Company.

Softlogic Finance PLC is pleased to announce that it has signed an agreement with GuarantCo, who will provide a guarantee that will enhance the issuance of Softlogic Finance Debentures for an amount of Rs. 1.4 Bn. The Softlogic Finance Debenture issuance that will carry the strength of GuarantCo and will probably be the first Triple A Debt Issuance in Sri Lanka. The issue will pave the way for more foreign participation in providing alternatives to developing debt capital markets in the country. In order to provide local market participants with more information regarding the



Review of the Chief Executive Officer

Going forward, we will intensify focus on personal and business loans and further improve our cost to income ratio by improving the productivity of staff and leverage more profits through new products.



transaction and other debt market initiatives, a half-day seminar titled 'Sri Lanka's Development - An Investor Forum on Debt Capital Alternatives for SME Sector' was organised by us in 2013. The keynote address on the occasion was given by the Governor of the Central Bank of Sri Lanka.

Opportunities in Consolidation

The government in its budget proposal for 2014 has called for greater consolidation in the banking and non banking sector in the country. This goal was outlined by the Central Bank in two key statutory documents - in

the Roadmap 2014 and the Proposal for Consolidation of the Financial Sector. The Central Bank wants the country's financial sector to revolve around a few large and stable finance companies. The macroeconomic goal is to shape the financial sector that will be more stable and resilient with the capital strength required for instilling confidence in financial sector customers, which helps long term growth in the industry.

In the consolidation process, the Company has been classified in the A category, where financial companies

have over Rs 1 Bn in equity, Rs. 8 Bn asset bases and greater compliance with the Central Bank regulatory framework. The proposed financial industry consolidation could allow us to move into differentiated product segments which we are not currently engaged in. We expect this to benefit our product base and we have begun exploring opportunities for investing in businesses whose products will complement our portfolio.

Strengthening IT System

The Softlogic Finance team took several steps to improve customer

convenience with last year's launch of Softlogic Premium an initiative to provide personalised financial solutions to high networth customers; extending Western Union Money transfer service to Gold Loan centres; accessibility of leasing hire purchase at Softlogic showrooms. After successful examination and evaluation, with the help of Ernst & Young, we selected the best IT solution provided by Open Arc Systems called Skybank IT solution. This implementation has commenced and will be completed within nine months.

Looking Ahead

Central Bank intends to promote consolidation in the non-banking sector as a result of which bigger institutions with greater critical mass will emerge. We are confident that Softlogic Finance is one of them as we are committed to grow more aggressively. Our future plans include implementation of best IT practices with Skybank IT Solutions. We are looking forward to relocate our Head Office and Metro Branch to our own building at No. 13, De Fonseka Road, Colombo 04, which is currently under refurbishment. Further, our city office remains open for longer hours for customer convenience from 8 a.m. to 8 p.m. Coupled with the implementation of the new IT system, we will launch a savings account leveraging on partner ATM networks for greater customer convenience with new features and facilities to service customers across the country. We plan to restructure the gold loan business and operate

Gold Loan centres islandwide. Going forward, we will intensify focus on personal and business loans and further improve our cost to income ratio by improving the productivity of staff and leverage more profits through new products.

Acknowledgements

I wish to express my gratitude to the Chairman and Board of Directors for their support and confidence through a challenging year. My appreciation also goes out to our auditors, PricewaterhouseCoopers, for their valued services. I would like to also commend the Governor of the Central Bank and his team for creating conditions for a more conducive economic climate for the non-banking finance sector.

At Softlogic Finance we possess a great team with a brilliant attitude who are set to deliver outstanding performance in the year to come. My sincere appreciation to the Softlogic team for a year of exceptional performance.

(Sgd.)

Nalin Wijekoon

Director / CEO

27 June 2014

Board of Directors



Left to Right

1. A K Pathirage | 2. N H G Wijekoon | 3. T M I Ahamed
4. S Wickremasinghe | 5. B H S Jayawardena | 6. C J E Corea
7. D T C Soza | 8. S N P Palihena



“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 the business environment or regulatory guidelines. This process is regularly reviewed by the Board and sub committees appointed by the Board.”

Board of Directors Profiles

A K Pathirage

Chairman

Having served on the Softlogic Group Board as the Managing Director from its inception and was appointed as the Chairman of the Group in 2003. The Group which commenced with just twelve employees 23 years ago and with a small turnover now manages a multibillion turnover across various economic sectors. Along with Softlogic Holdings, six other companies, which are managed by Mr. Pathirage, are listed on the Colombo Stock Exchange. His role as the MD/Chairman of Asiri Group, has led the healthcare sector to be the leading private healthcare provider in Sri Lanka. He is also the Chairman of Softlogic Capital PLC, Softlogic Finance PLC, Asian Alliance Insurance PLC besides being the Chairman of many other Group companies that operate in Leisure, Retail, Automobile and ICT industries. He also serves as the Deputy Chairman of the National Development Bank PLC Board and is the Chairman of NDB Capital Holdings PLC Board. He is also the Chairman of Asian Alliance General Insurance Limited.

N H G Wijekoon

Director/ CEO

Mr. Wijekoon was appointed as CEO of Softlogic Finance PLC in February 2013. Prior to being appointed as CEO, he served as the Deputy CEO of the Company. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka, Fellow Member of Chartered Institute of Management Accountants, UK, and a Finalist of the Institute of Bankers (Sri Lanka). In the past, he has

worked at Peoples' Bank as a Finance Officer from 1978 to 1990 before joining KPMG Ford Rhodes Thornton as Branch Manager, Kandy, in 1990 and DFCC as a Project Officer in 1992. He joined Vanik Incorporation Ltd as Asst. Vice President - Finance in 1994-2003. He has undergone numerous training programmes in Sri Lanka and overseas, including training at Harvard University, Boston, USA. He counts more than 35 years of experience in the Financial Sector. Currently he holds the position of Chairman at the Finance Houses Association of Sri Lanka.

T M I Ahamed

Director

Mr. Iftikar Ahamed heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the Financial Services holding company of the Group. He is also Managing Director of Asian Alliance Insurance PLC. He counts over 30 years of experience in a wide range of métiers within the financial services industry and has extensive Banking experience both in Sri Lanka and overseas, having held senior management positions at Nations Trust Bank PLC and Deutsche Bank AG. He holds an MBA from University of Wales, UK.

S Wickramasinghe

Director

Serving as the Chief Financial Officer, Asian Alliance Insurance PLC, he counts 12 years experience in the Insurance Industry in a career spanning over 31 years, including exposure in local blue chip companies as well as overseas. He began his career at Aitken Spence & Co. Ltd. and later joined Bechtel Australia Pvt. Ltd., a construction and engineering company. Having gained international exposure he returned to Sri Lanka and re-joined Aitken Spence, where he held the post of Director Finance until December 2001. His last assignment was Head of Commercial at Slimline (Pvt) Ltd., a subsidiary of the MAS Group, prior to joining Asian Alliance in 2002. He has participated in the top management programme conducted by FALLIA (Japan), AOTS (Japan) and LIMRA (China). He is a Fellow of the Chartered Institute of Management Accountants (FCMA) and a member of the Certified Practising Accountants (CPA), and holds a BSc degree from the University of Colombo.

B H S Jayawardena

Director

He is a Fellow Member of the Association of Chartered Certified Accountants UK. 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 Sri Lanka he has been involved in two World Bank funded projects and also holds the position of Executive Director of Vanik Incorporation PLC.

C J E Corea

Director

Mr Chris Corea holds a BSc (Hons) degree from the University of Colombo. He obtained his MBA and MSc (Computer Science) degrees from the same University. He is also a member of the Chartered Institute of Management Accountants (UK). He has extensive experience at the John Keells Group where he served as the head of the MIS Division and was responsible for Group IT Systems, Software Development and Network Infrastructure since 1984. He left the group in 2004 to launch Riscor Consultants - a software products company. He is a past president of the University of Colombo, MBA Alumni Association and also served as a visiting lecturer on their MBA Programme for a period of 5 years.

D T C Soza

Director

He 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, the Philippines and Sri Lanka and has held many senior leadership positions. He 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. He is an engineer by profession and a graduate from the University of Reading, UK.

S N P Palihena

Director

Mr S N P Palihena was appointed to the Board of Softlogic Finance PLC as an Independent Non-Executive Director on 17 March 2014. In addition he serves on the Board of E.B. Creasy & company PLC and some of its subsidiaries. He also serves on the Board of a subsidiary of The Colombo Fort Land & Building PLC. Mr. Palihena currently holds Directorships in SMB Leasing PLC and several companies of the Hirdaramani Group.

He was a former Chief Executive Officer/ General Manager of Bank of Ceylon and has a distinguished banking career spanning almost 40 years. He also worked at the National Development Bank of Sri Lanka for a period of over 3 years and is a former Director of DFCC Bank. Mr. Palihena is a Fellow of the Chartered Institute of Bankers - UK and a Fellow of the Institute of Bankers, Sri Lanka. He holds a Postgraduate Diploma in Business and Financial Administration from The Institute of Chartered Accountants of Sri Lanka.

Senior Management Team



Left to Right

1. Lasantha Perera | 2. Priyan Jayakody | 3. Nalinda Ranaraja
4. Chamilantha Fernando | 5. Sudesh Suranga | 6. Nalaka De Silva



Left to Right

7. Kumara Kongahawatte | 8. Manjula Gooneratne | 9. Mark Thirimawithana
10. Sanjaya Vithanage | 11. Gayan Jayatissa | 12. Shehan Uduwara

Senior Management Profiles

Manjula Gooneratne

Head of Leasing

Manjula joined Softlogic Finance PLC in June 2013 and presently heads the leasing division of the Company. He qualified in an MSC in Quantitative Finance (University of Westminster (London)-2005) Specialised in Financial Mathematics and BSC (Hons) Physical Science (University of Colombo-1996). He served as Deputy General Manager in LB Finance (Credit & Operation) from 2005-2013. He joined Industrial Finance from 1996-2003 and he counts more than 15 years experience in the Finance Industry.

Chamilantha Fernando

General Manager

Chamilantha joined Softlogic Finance in 2010 and currently overlooks the following business areas:

- Fund mobilisation (fixed deposits and savings)
- Branch Sales and Operations
- Gold Loans
- Personal Loans
- Consumer Loans
- Marketing

He counts over 15 years of experience in the banking and financial services sector.

He started his banking career in 1995 with HSBC, in the retail banking and credit card operational areas and later joined Nations Trust Bank in 2003 to head the credit card marketing team at the time of the launch of American Express credit cards to the Sri Lankan market. He joined Standard Chartered Bank in 2007 as Head of Consumer Sales, where he headed the sales and marketing teams in Personal and Retail Banking - handling Credit Cards/ Personal Loans/Bancassurance and Wealth Management.

Chamilantha holds an MBA from Edith Cowen University, Australia, a Bachelor's Degree from The University of Western Sydney, Australia majoring in Finance and Marketing and a Professional Postgraduate Diploma in Marketing (DipM) from the Chartered Institute of Marketing, UK. He is an Associate Member of Institute of Bankers of Sri Lanka (AIB-SL), a Member of the Sri Lanka Institute of Marketing (MSLIM) and also a Member of Chartered Institute of Marketing, UK (MCIM).

Nalinda Ranaraja

Deputy General Manager

Nalinda was promoted as Deputy General Manager in December 2012 and presently is in charge of legal Recoveries at Softlogic Finance. He has over 20 years' experience in recoveries, auditing and accounting. He is a Fellow Member of The Association of Accounting Technicians of Sri Lanka (FMAAT), Past Finalist of the International Association of Bookkeepers and has completed the Foundation stage of the Certified Management Accountants of Sri Lanka (CMA). He started his career at Thornton, Panditharathne and Co., as an Audit Assistant and then rose to Senior Audit Examiner in the same firm. He then joined E.W. Balasooriya and Co., and Marigold Hotels (Pvt) Ltd and Vanik Incorporation Ltd. thereafter. He went on to join the Capital Reach Group and was eventually appointed as Assistant General Manager in charge of Business Finance Recoveries.

Sanjaya Vithanage

Deputy General Manager

Sanjaya presently heads the Operation Division. He holds over 16 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

Assistant General Manager. He has undergone training programmes pertaining to the leasing industry including the Amembal, Vinod Kothari - Leasing Training Programmes. He holds a B.Sc (Agri.) Degree from the University of Peradeniya and a Post-Graduate Diploma in Business Statistics from The University of Ruhuna.

Lasantha Perera

Assistant General Manager

Lasantha currently heads the Personal and Consumer Durable units of Softlogic Finance. He counts over 13 years of managerial experience in the micro finance sector. Previously, he worked at SEEDS (Guarantee) Ltd and Capital Reach Credit Ltd as an Assistant Manager in the Consumer Credit Unit and was subsequently promoted to Senior Manager and then as Assistant General Manager. He holds a Degree in Business Administration from The University of Sri Jayawardenapura. He has also obtained special training in Credit and Risk entrepreneur assessment from the EDI University of Ahmedabad and intensive training in Legal; and is involved in Micro Finance and Livelihood Development at the International Law Organisation.

Sudesh Suranga

Assistant General Manager

Sudesh heads the Finance Division of the Company. He possesses a B.Sc. Accounting (Special) Degree at The University of Sri Jayawardhanapura. He is an Associate member of the Institute of Chartered Accountants of Sri Lanka and Associate member of the Institute of Certified Management Accountants of Sri Lanka. He joined Softlogic Finance in 2008 and counts over ten years of experience in the fields of Auditing, Accounting and Finance.

Nalaka De Silva

Assistant General Manager

Nalaka joined Softlogic finance with nearly eighteen years' experience in the field of Leasing & Collections with exposure to Litigation & debt recovery. He was in the managerial grade for over 10 years.

Prior to Softlogic Finance he held the position of Manager - Consumer Collections (Consumer Loans & Credit Cards) at the Nations Trust Bank with a proven track record. He has been managing a large team of collectors, supervisors and assistant managers and was also responsible for their training and development. He has attended in many professional training programmes in collections and recoveries held both locally and internationally, with special emphasis on recovery strategy formulation and work-flow designs.

Prior to Nations Trust Bank, he worked for Bartleet Finance PLC for eight years holding numerous positions. He had also held the position of Labour Welfare Officer at Diplomatic Labour Welfare in Cyprus, representing the Sri Lankan government and the Foreign Employment Bureau of Sri Lanka.

Kumara Kongahawatta

Assistant General Manager

Currently, Kumara is functioning as the Head of Credit of the Company. He has over 12 years of experience in the financial service sector, commencing his career at The Finance and Guarantee Limited in 2000. He joined Vanik Incorporation Ltd., in 2001; was seconded to Vanik Leasing Limited as an Assistant Manager and then as a Manager to Capital Reach Leasing Limited in 2005, where he continued to work till 2010, eventually seconded to Softlogic Finance. Subsequently, he was promoted as a Senior Manager and was appointed as the Head of Central Leasing Marketing Department in 2011. He holds a Bsc. Business Administration (Special) Degree from the University of Sri Jayewardenapura

and also completed the Intermediate Level of the Institute of Chartered Accountants of Sri Lanka. He is also a Diploma holder in Credit Management of the Institute of Bankers of Sri Lanka. He has undergone numerous training programmes pertaining to the leasing industry in Sri Lanka.

Mark Thrimawithana

Senior Manager

Mark is a Progressive Marketer and a well experienced banking professional, having 20 years of experience in banking mainly in operations, current account, Brand Management, Service Marketing, Product Development, Retail banking and training. Previously he worked at Seylan Bank and handled many brands such as Tikiri Accounts/ Student Savings/Merit Rewards/Seylan 2 in 1/ Seylan Assurance. Further, he worked at MBSL Savings Bank as the Marketing Manager and Interblocks Ltd. as the Marketing Consultant.

He has completed an Advanced Diploma in Marketing and Management at Sri Jayawardanapura and a MBA in Marketing at The University of Ballarat Australia.

Shehan Uduwara

Senior Manager

Shehan joined the group to strengthen the recoveries arm of the Company which became imperative to keep abreast with the envisioned and expanding business activities. He counts 10 years of experience of which 8 years tallying to experience in Managerial capacity at Nations Trust Bank and the remainder in house. His experience reckon-up strategic and effective means of result oriented expertise focused on Credit Risk Management. More importantly his abilities in meeting commitments and deadlines in operational settings have been decisive in bringing about desired results. Shehan is also backed with the knowledge of providing administrative and strategic guidance and feedback in all areas combined with consumer loans and credit inclusive of onward processing.

Gayan Jayatissa

Senior Manager

Gayan heads and oversees the IT systems and operation of the Company. 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 and information security to business continuity management. He is a Board Member of the ISC2 Sri Lanka chapter and a member of ISACA Sri Lanka chapter. He holds MBCS, CISSP, CISM, ITILV3, CEH, ISMS Internal Auditor, RHCE, CCNA and MCITP professional certifications.

Priyan Jayakody

Senior Manager

Priyan leads the Company's Internal Audit Division. He counts over 7 years of experience, beginning his career at Ernst & Young as an Audit Assistant before being promoted as Audit Supervisor and Qualified Assistant. A tenure as Accountant at Screenline Embellishers (Pvt) Ltd., followed before he joined Central Finance PLC as an Internal Auditor prior to joining Softlogic Finance. He brings to the profession an impressive academic record which includes a B.Com (Special) degree from the University of Sri Jayewardenapura and is currently reading for his MBA at The Postgraduate Institute of Management of University of Sri Jayewardenapura. He is also an Associate Member of the Institute of Chartered Accountants of Sri Lanka, Associate Member of the Institute of Certified Management Accountants of Sri Lanka and has completed a Certificate level in Banking and Finance held by Institute of Bankers of Sri Lanka.

Branch Managers



Left to Right

W L M Wijethilaka	Manager	Negombo
G M R N P Gajanayake	Manager	Anuradhapura
N I Seneviratne	Senior Manager	Colombo Metro
K M A Konara	Manager	Nawala
T K M Dias	Manager	Kandy
S Thavaseelan	Senior Manager	Jaffna
C N Panawenna	Manager	Kadawatha
A U Prematunga	Senior Manager	Galle
R M N Rathnayake	Manager	Polonnaruwa



Left to Right

U M H K Weerathunga	Manager	Dambulla
K S N Fernando	Manager	Chilaw
S S N Hettige	Manager	Kurunegala
G R Ovitigala	Manager	Badulla
T Munasinghe	Senior Manager	Ratnapura
T M K J Peris	Manager	City Office
V G P Kumara	Manager	Embilipitiya
P M K S S Kumara	Manager	Matara

Management Discussion and Analysis

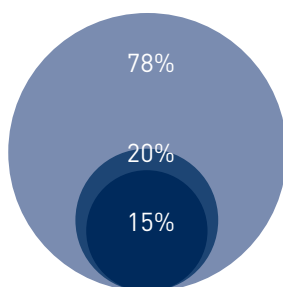
Softlogic Finance PLC provides comprehensive financial services to its increasingly vast customer base through an extensive branch network islandwide. The Company is engaged in Leasing, Hire Purchase, Fixed Deposits, Savings Accounts, Business Finance, Personal Finance and Gold Loans. Backed strongly by parent group Softlogic Holdings, the Company has earned a virtuous brand image and a reputation for ethical business practice. Small & Medium Enterprises (SMEs) are the Company's core target group and extensive gains were made during the year in providing valuable financial assistance and technical support to aspiring entrepreneurs. Financial prudence and operational improvements were the key determinants of the Company's performance during the period under review.

Operational Review

Hire Purchase, Leasing and Business Loan Portfolios

The leasing hire purchase market is traditionally an extremely challenging segment marked by frequent price changes and stiff competition, thereby putting a squeeze on profit margins while making it difficult to garner large business volumes. The government's

Leasing and Hire Purchase (% Growth)



● 2011/12 ● 2012/13 ● 2013/14

Diversifying our loan portfolio has become important for ensuring profitability. It is difficult to predict the course that the economy will take in the coming year, but as a dynamic and responsible Company we will continue to turn our focus on both short and long term SME loans, working capital and leasing instruments.

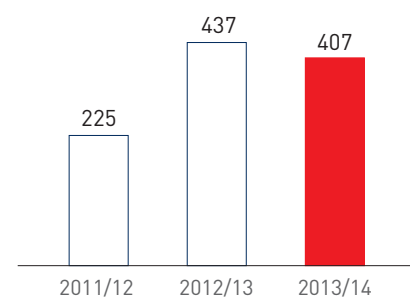
tight monetary policy coupled with a drop in vehicle registrations were key factors in making this an even more challenging year for the industry. Non-Performing Loans (NPLs) went up sharply during the period due to a drop in demand in the second-hand market for commercial vehicles such as lorries and tippers, which are idling in large numbers due to the delay in completion of major infrastructure projects for which they had been originally purchased. The Company was unable to achieve set targets in the leasing hire purchase segment this year, but we took a decision to strategically shift our focus onto working capital loans for the SME sector. However, during the year we also strived to double lending capacity as these loans are more short term in nature. Aggressive marketing promotions were carried out at all our branches to increase business volumes and these efforts met with exemplary success.

Gold Loans

During the year, we operated 11 Gold Loan centres within branches, 15 stand alone centres and one in a Softlogic showroom. In total we disbursed Rs. 1.7 Bn for the year. Globally, there was a sharp decline in gold prices which had a direct impact in Sri Lanka as well. In response, we minimised gold advances as gold loan renewals dropped as NPLs rose. The Company counts relatively modest exposure to gold loans and thus managed to mitigate its losses, although it did have an adverse impact on our business margins. In a bid to cover losses, we invested in aggressive promotions in the pawning side of the business and succeeded in increasing the number of customers and the extent of gold weight pawned. Our main objective during the year in this market segment was to consolidate profits and promote products through existing brands. Our performance was supported by our strong recovery process and systems for stringent control and monitoring of advances.

An internal staff drive was initiated during the year to promote Gold Loans among all branches and a rewards scheme was also introduced through which the winning branches were entitled to cash rewards. Gold Loan Centres/branches were required to achieve a minimum 100 per cent net average increase to be eligible for the competition. Branches were allowed to

Gold Loans (Rs. Mn)



organise various innovative marketing tactics to achieve their targets and to win this competition. Door to door campaigns, Paper insertions, Banner campaigns, Poster campaigns were used by the staff to garner a higher number of customers.

Personal Loans

During the year under review, the Company disbursed Rs. 1.2 Bn in the two loan categories we offer: Personal and Consumer. In the Personal loans category, we extend cash while in the Consumer loan category, we finance the purchase of consumer durables directly. These loans are advanced against salary undertakings from respective companies where customers are employed. This method of financing has proved to be extremely successful and underscores the Company's drive to innovate product offerings keeping customer convenience in mind. This is a pioneering product in the market by Softlogic Finance. This product has the highest interest margin rate and low NPLs. Moreover, a product of this kind is not offered by the banking industry, which gives us a clear competitive edge across the financial service providers' spectrum. We have built up the popularity of the product further by minimising required paperwork and are now in the position of granting the loan within 2-3 working days. In a bid to improve customer convenience further, the loans are granted from both the

head office and branch offices for easy accessibility.

Deposit Mobilisation

The Company recorded marked success in expanding the deposit base during the year. Investments are key to a Company's success and the year unveiled an increase of 34 per cent in deposits over the previous year. Deposits grew from Rs. 6.9 Bn at the start of the year to reach Rs. 9.3 Bn at the end of the year under review. This is commendable because we were able to attract deposits despite the uncertainty that prevailed in the minds of consumers about the stability of finance companies. One of the main reasons for our success was the fact that customers could walk into our branches and collect cash certificates conveniently over the counter, a service which is not offered by any finance Company, which gives our Company and its product a competitive edge in this segment. Furthermore, our sales and marketing team put in a concerted effort to drive deposit mobilisation by making door to door visits across the country.

Additionally, the Billionaire Club was formed to motivate all branches to achieve Rs. 10 Bn in fund mobilisation. Staff had to use their ingenuity to expand the funding base and once they achieved the Rs. 10 Bn target, they would be automatically ushered into

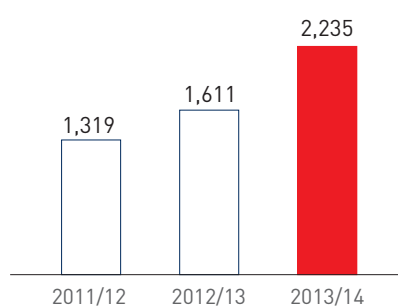
the Billionaire's Club, thereby becoming eligible for many attractive benefits.

During the year, greater integration of our IT system at the Head Office with our branch network, streamlined the systems and process for swift deposit taking. In our view, our internal processes and the strong relationship with customers that we have forged over the years has helped us to grow our deposits. Over 80 per cent of deposits were renewed at maturity, which reflects the high level of confidence placed in the Company by customers. We further targeted an increase in the customer base rather than relying on a few large deposits. By diversifying our depositors, we were further successful in attracting corporate and investor funds. The fact that the Company has been rated Grade A served to attract a formidable amount of corporate deposits during the year under review.

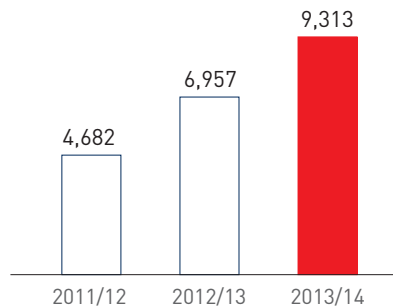
Marketing

The Marketing team plays a crucial role in driving brand awareness and reaching out to consumers and other stakeholders. During the year, we carried out two strategic media campaigns which received an overwhelming response and translated into higher sales. The corporate campaign focused on highlighting and communicating about Softlogic Finance's growth into a secure Company to invest in. This campaign set the Company apart and enhanced customer confidence which was important in the context of the fact that confidence levels in the financial sector dropped during 2012/13 due to mismanagement of several financial companies. The second media campaign targeted convenience and over the counter service that we offer. We also carried out a New Year campaign to familiarise customers with our products.

Personal Loans (Rs. Mn)



Deposit Base (Rs. Mn)



Management Discussion and Analysis

The tie-up with Guarantco which has provided a guarantee to enhance the Softlogic Finance Rs 1.4 Bn debenture issue with a tenure of five years is a great leap for the Company's image. The debt issue is rated AAA and will probably be the first triple A debt issuance in Sri Lanka, which will assist to further enhance public perception about the standing of Softlogic Finance PLC and result in improved business volumes on account of earning greater trust amongst existing and new customers.

Association Memberships

The Company is proud to announce that Mr. Nalin Wijekoon – Director/ CEO of Softlogic Finance PLC has been selected as the new President of The Finance House Association of Sri Lanka (FHASL) for the year 2013/14 at their Council Meeting held on 10th October 2013. FHASL was established in 1958 as the Professional Association of Registered Finance Companies of Sri Lanka and works together with the regulators, the Leasing Association, the Institute of Credit Management, the Ceylon Chamber Of Commerce and the Credit Information Bureau to create an atmosphere of sincerity and cooperation between its members. Mr. Wijekoon brings a wealth of experience to his new role, with over 35 years of experience in the financial sector. As incoming President, Mr Wijekoon will act as a strategic visionary. He aims to contribute to the local economy, encouraging FDIs and connecting with industry regulators in order to build stakeholder confidence.

Human Resources

Softlogic Finance recognises human resources as its most important asset, bringing continuous returns and driving the organisation towards achieving its strategic objectives. As an organisation armed with the vision to be "the preferred non-banking financial institution in Sri Lanka", all processes

and systems we implement seek to unleash the potential of all our assets, including that of our employees in order to attain optimum results.

During the year under review, the Company revisited the foundation on which its HR practices are built and paid more attention to avenues which needed improvement by taking several steps to revalidate, consolidate and build on key elements that will make the Company stand out as one of the most preferred employers in the industry.

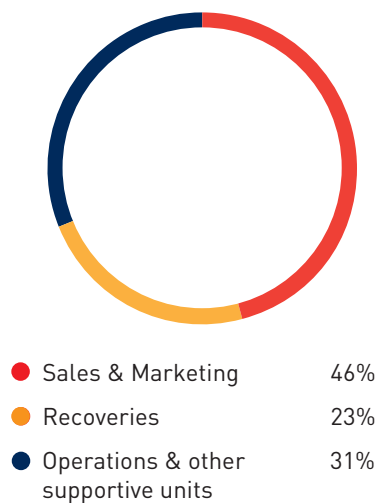
The workforce as at 31 March 2014 totals 502 employees of which 232 are engaged in Sales and Marketing while 115 are in Recoveries and 155 are placed in Operations and Other Supportive Units. Gender and age are two of the key parameters considered by the Company in terms of tracking employee diversity. The entire workforce shows that 73 per cent are males and 27 per cent are females.

New hires are also a vital aspect of HR that is continuously tracked and monitored by the Company. Of total new hires in the Company during the reporting period, almost all staff members are well experienced in their respective fields. Out of the total new recruits 62 per cent have been 30 and below while 27 per cent have been between the ages 31 - 40 and 11 per cent between the ages 41 - 50.

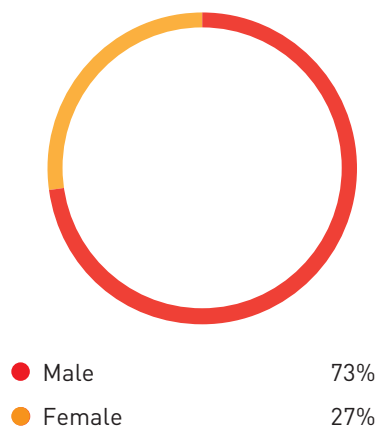
Softlogic Finance PLC continues to strengthen its Training & Development process offering numerous training programmes at all levels using various strategic tools and designing training programmes which address current learning requirements and critical business areas. In line with the Company's corporate objectives, the HR team was able to successfully organise a series of training on programs on "Service Excellence", with the main objective of the program being the enhancement of customer service. Also other internal and external training programs together with outward bound training programs are constantly being organised and being developed to enhance leadership skills among staff members whilst they are continuously being trained on internal business areas such as new system implementation and product development.

Apart from the above, we always focus on developing our people by engaging with external training institutes such as The Central Bank of Sri Lanka,

Staff Distribution by Functions



Staff Distribution by Gender



The Institute of Credit Management, The Institute of Bankers of Sri Lanka, and other reputed government and private training institutes. Annually the Management continues to offer special opportunities to follow the Credit Management Diploma conducted by The Institute of Credit Management for selected staff members who have shown exemplary performance in the previous year, which also has aided to motivate employees.

Proactive initiatives have been taken to maintain staff turnover at a minimum by motivating them and attracting them to remain with the Company. Continuous engagement with the employees caused enhanced employee contribution towards achieving corporate objectives. As another aspect of continuous employee engagement, all employees of the Company undergo a regular evaluation process to receive feedback on their performance. The Company's performance management policy requires formal feedback to be provided to the employees once a year. It also helps to create a performance-centric culture of Softlogic Finance PLC.

However the Company's performance-centric culture has not taken away the entertainment aspects and employee derives from the work environment. Employees are encouraged to find their respective balance of "life" and "work," whilst the Company, at a corporate and business level, encourages and facilitates staff to enjoy all opportunities. The Organisation creates opportunities during the year to realise employees' work-life balance through its Recreation Club comprising annual get-togethers, staff day outings, volunteer programmes for CSR activities, cultural and religious celebrations and sporting competitions.

Information Technology (IT)

During the year under review, the IT team undertook an evaluation exercise to select an applicable IT

business solution that would respond to the needs of the business while simultaneously accommodating growth in volume envisaged in the future. The SkyBank solution from Open Arc Systems was selected as a business solution that would lend the necessary efficiency and scalability and provide room for the new Savings segment that the Company plans to introduce this year. The evaluation for the selection of the software was carried out meticulously and conducted by Ernst and Young. This solution will enable modifications as required to ensure customer convenience for clients. The new Savings Product module will be integrated with other modules. The adoption of the new IT solution will further allow us to integrate with partner ATM networks for increased convenience. We expect the new IT system to be fully operational by end October 2014. The new system will enhance the network support system by speeding up processing at the branch level. We are also in the process of consolidating the Company's hardware systems along with that of other group companies. All these significant technology additions and incremental improvements are expected to suitably support Oracle financials and MIS budgeting, while providing the necessary knowledge and information for informed decision-making by the management.

Awards and Accolades

As one of the leading financial services providers in the country, Softlogic Finance PLC plays a key role in setting industry benchmarks across its services. The Company frequently receives prestigious awards and accolades. During the year under review, the Company was awarded the Merit Award for Business Excellence at National Business Excellence Awards 2013 organised by The National Chamber of Commerce Sri Lanka (NCCSL), in recognition of its business excellence in the Non-Banking and

Financial Services category. The National Business Excellence Awards is an annual award competition conducted by NCCSL with a view of recognising business enterprises, which have demonstrated excellence in business, whilst contributing to the economic progress of the country.

The Company received an award for Compliance at the 49th Annual Reports Awards ceremony for the second consecutive year along with a compliance certificate from The Institute of Chartered Accountants of Sri Lanka (ICASL) for complying with the best reporting requirements outlined by them. The Company also achieved Nominee status in the Service Category at the SLIM Brand Excellence 2013 finals. In addition, Softlogic Finance was selected as one of the best 100 brands in Sri Lanka by LMD Superbrands.

Future Outlook

The leasing hire purchase sector promises to become increasingly competitive in the months ahead with banks also joining the fray and offering low rates, coupled with industry wide consolidation being encouraged by the Central Bank. Capital mobilisation will also prove to be a formidable task as the Central Bank promotes reduction in lending rates which will have a cascading effect on low deposit rates. As a result, diversifying our loan portfolio has become important for ensuring profitability. It is difficult to predict the course that the economy will take in the coming year, but as a dynamic and responsible Company we will continue to turn our focus on both short and long term SME loans, working capital and leasing instruments. We intend to leverage on the new IT system to improve monitoring while maintaining close control over the collection process to keep NPLs down.

Financial Review

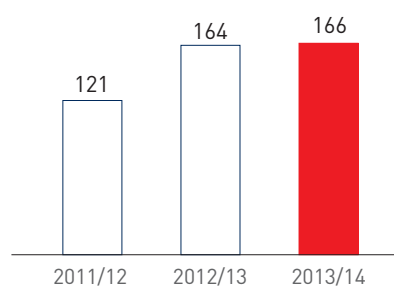
The Company continues to repeatedly analyse and revise interest rates during regular Management and Asset Liability Committee meetings, which has aided in maintaining the rapid growth cemented in the last financial year by securing strong results in interest income proven by a healthy growth figure of 47%.

The Company concluded a financially successful year despite macro challenges that beset the finance industry both locally and globally. The Company's strong financial performance despite a challenging eco system took Softlogic Finance PLC a step closer to becoming one of the best performing non banking financial sector companies. Total income increased by 47%, over Rs. 1 Bn. during the course of the year which is a dip from last year given tight monetary controls that prevailed at the start of the financial year, which was further complemented by fluctuations in gold prices. A concerning factor that hindered income was also Non Performing Loans (NPL's) which were a common factor that affected the entire Non-Banking Financial Institution (NBFI) industry. We have also managed to widen our lending portfolio which is backed by the simultaneous expansion in our customer deposit base. To facilitate future growth the Company has increased borrowings via securitisation, commercial papers and debentures by Rs. 3.3 Bn.

Profitability

Despite the significant bad debt impairment charges that burdened the non banking financial sector during the year under review, the Company succeeded in making a profit of Rs. 166 Mn against Rs. 164 Mn in the previous year. The drop in market prices of gold and deterioration in asset quality resulted in impairment charges increasing dramatically by as much as 349% from Rs. 73 Mn in the previous year to Rs. 328 Mn for the year

Profitability (Rs. Mn)



under review. However, the Company managed to maintain its profitability level despite huge impairment charges.

Interest Income

The Company continues to repeatedly analyse and revise interest rates during regular Management and Asset Liability Committee meetings, which has aided in maintaining the rapid growth cemented in the last financial year by securing strong results in interest income proven by a healthy growth figure of 47%, despite heavy barriers due to prevalent lending market conditions. The primary products offered by the Company that cultivated growth was the hire purchase segment and other loans and receivables which yielded growth rates of 52% and 67% in interest income respectively. While interest income growth from leasing activities was at a slothful 9% as a result of constant revisions in vehicle import duties, complemented by high lending rates. Investment interest

income from deposits in commercial banks and government securities rose by 65% since 2012/13 which doubled the stock of liquid assets compared to the previous financial year.

Interest Expense

Interest expenses recorded a growth of 48% to Rs. 2,058 Mn compared to Rs. 1,391 Mn in the previous financial year. Growth in the interest expense compared to the previous year deteriorated as a result of the market experiencing a decline in interest rates during the latter stages of the financial year. The Company has also followed a strategy to increase funding through customer deposits which minimised the exposure in obtaining bank loans which carry a higher interest rate than customer deposits.

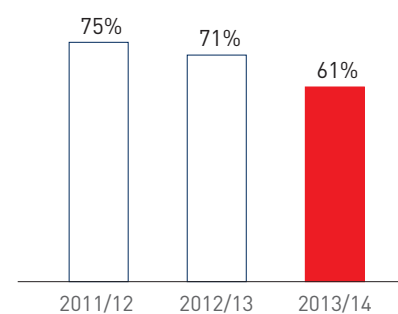
Cost to Income Ratio

In terms of efficiency in cost management, the Company fared well as its cost to income ratio improved to 61 per cent this year against 71 per cent last year. Factors such as greater productivity and tighter cost management assisted us in bringing down operating cost in the year under review.

Balance Sheet Strength

The asset base increased by 38 per cent to Rs. 18 Bn, which was fuelled mainly by a growth in excess cash held by the Company and also the expansion of financial investment assets, which recorded growth figure of 142 per cent.

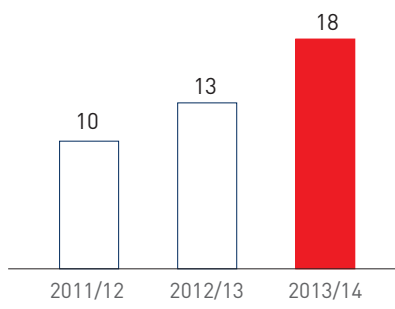
Cost to Income Ratio



Shareholder Equity

Shareholder equity increased by 9 per cent by Rs. 105 Mn due to profitability and an increase in the available for sale reserves fund. The Equity position was also further fortified with respective contributions during the year to the Statutory Reserve and the Investment Reserve Funds summing upto Rs. 152 Mn. Further, the Company's net assets

Total assets (Rs. Bn)



per share increased by 9 per cent to Rs. 34.96 from Rs. 32.16.

Capital Cost

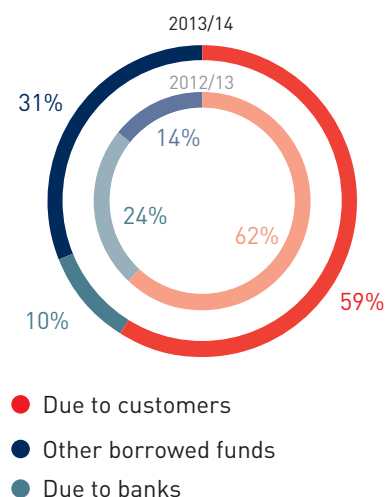
Unlike in the previous year when Property, Plant & Equipment costs remained the same due to consolidation of business in 2012/13, the Company's cost increased by as much as 76 per cent due to expenditure in purchasing the land and building in Col 4, in which to locate the head office of Softlogic Finance. Purchased for a competitive price of Rs. 122 Mn and backed by the negotiating expertise of Softlogic Holdings, we expect the premises to be operational by the end of the calendar year 2014. Capital costs were also driven upwards due to substantial investment in a state of the art IT system which will accrue benefits in the 2014/15 financial year.

Funding

We have successfully grown our customer deposit base by over 34% from Rs. 7 Bn in 2012/13 to Rs. 9.3

Bn in 2013/14, while simultaneously achieving reductions in funding through banks. Meanwhile funding through other means has increased as a result of injections via the \$10 Mn FMO loan and the successful issue of debentures. Future capital needs have been secured by the Company after receiving a Rs. 1.4 Bn. guarantee for the issuance of debentures from GuarantCo which is a Private Infrastructure Investment Group (PIDG) operated by the Dutch company FMO. This guarantee will enhance future debenture issues by

Funding Mix



Softlogic Finance PLC and is expected to carry AAA debt rating, which will be the first of its kind in Sri Lanka.

Lending

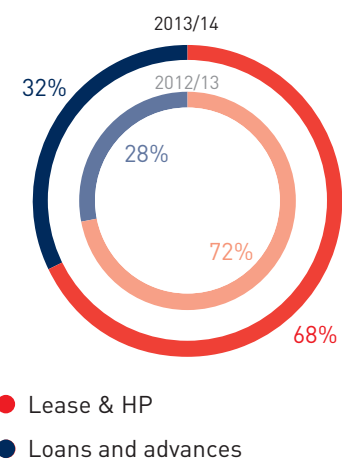
In continuation of the scenario in the previous year, the Company's loan books remained constrained as a regime of high interest and credit ceiling prevailed even in the first half of 2013/14. Our lending portfolio increased marginally by Rs. 2 Bn, in contrast to our books in 2012/13 due to hardships in the financial sector due to the monetary policy prevailing at the time. The Company successfully shifted focus from the declining leasing, hire purchase segment to focus on working capital and personal loans which

showed a growth of 42 per cent as oppose to leasing and hire purchase with 15 per cent.

Liquidity

The Company managed to sustain

Lending Mix



record levels of cash flow during the year, building excess cash reserves of Rs. 3.2 Bn as against Rs. 1.6 Bn in the previous year. The extent of liquid reserves achieved this year is well above the norms laid down by the regulator and reflects the stable financial status of the Company. Despite the tight monetary policy and ceiling on credit in the first half of the year, the latter part of 2013 witnessed reduced interest rates, a factor we leveraged upon to reduce our interest cost and thereby, our interest margins as well.

NPL ratio

Over the last financial year and prior years, the Non-Banking Financial sector suffered due to fluctuations in the market prices of gold, deterioration in asset quality and high lending rates which has led to an increase in NPL's. This in-turn will have a negative effect on revenue, simultaneously increasing operational costs and hindering profits.

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.

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	Degree of Compliance
Board of Directors				
The Board should direct, lead and control the Company	A.1	7.10.3 (c)	2 (1) (g) & 2 (2)	At present, the Board of Directors of the Company comprises of Five Non-Executive Directors and Three 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 20-21 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), (4) & (9)	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 are presented on page 52 of this Annual Report. The Company Secretary records the proceedings of the meetings and the decisions taken thereon in sufficient detail.

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	Degree of Compliance
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)	<p>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 and responsibility to the management. 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 finalising any change.</p> <p>On 27th March 2014, the Board has approved the next Three year budget.</p>
Competence of the CEO and Senior Management in implementing Business Strategies	A.1.2		2 (1) (f), (h) & (k)	<p>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 24-25 of this Annual Report.</p>

Corporate Governance

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	Degree of Compliance
Effective succession planning for the CEO and Senior Management	A.1.2		2 (1) (j)	A succession plan is in place to ensure that there are adequate options available within the Company to replace the key personnel. Continuous training programmes 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)	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.
The Board shall have a formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the Finance Company is firmly under its authority			2 (5)	A pre-set agenda for meetings ensures the direction and control of the Finance Company is firmly under the Board's control and authority. However the Board is in the process of implementing a formal schedule of matters specifically reserved to it for decision.
The Board shall adopt a scheme of self-assessment to be undertaken by each Director annually, and maintain records of such assessment			2 (8)	The Company has adopted a scheme of self-assessment to be undertaken by each Director and filed with the Company secretary.

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	Degree of Compliance
Compliance with Laws, Regulations and Ethical standards	A.1.2		2 (1) (l) 10 (2)(h) & (i)	<p>The Company has been taking steps to follow ethical standards in carrying out operations. The Company has taken relevant measures to comply with the laws and regulations applicable to ethical business practices wherever possible.</p> <p>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 60-63 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.</p>
Consideration of all Stakeholders' Interest in Corporate Decisions	A.1.2		7(10)	<p>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 minimise negative aspects towards any stakeholder in the corporate decision making process and a policy on communication with stakeholders is available for use.</p>
Recognising sustainable business development in corporate strategy, decisions and activities	A.1.2			<p>Please refer the "Management discussion and analysis" on pages 28-31 for information on the Company's activities relating to sustainable business development.</p>

Corporate Governance

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	Degree of Compliance
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 (SLFRSs & LKAS) 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 (SLFRSs & LKAS) 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. The Independent Auditor's Report is given on page 70 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 organisation 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 authorised to obtain any independent professional advice that they require regarding laws and regulations at the expense of the Company and a detailed policy for the seeking such professional advice is available for use.
Access to the advice and services of the 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.

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	Degree of Compliance
Independent Judgement	A.1.5		4 (6)	Independent judgements 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 seven 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 52 of this Annual Report.
Training for Directors	A.1.7			Every Director was given an induction on joining the Board with regards to the affairs of the Company and laws and regulations applicable to the Company. The Company facilitates the Directors to enhance their knowledge on the industry, general economic conditions, market developments and trends.
Division of responsibilities between the Chairman and CEO	A.2		7 (1) & (11)	<p>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.</p> <p>CEO functions as the apex executive in-charge of the day-to-day management of the Finance Company's operations and business.</p>

Corporate Governance

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	Degree of Compliance
Chairman's Role	A.3 & A.3.1		7 (2), (4),(5), (6), (7) (8) & (9)	<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 utilise their maximum potential in favour 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 analysing performance on a monthly basis. The Chairman presents the views of the Board to the public and the Chairman does not get involved in executive functions.</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>
The Board shall, if it considers that the finance Company is likely to be, unable to meet its obligations ,inform the Director of the Department of Supervision of Non-Bank Financial Institutions of the situation			2 (6)	No such situation has arisen during the year 2013/2014.

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	Degree of Compliance
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 20-21 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 Three Executive Directors and their views carry significant weight in the Board decisions.
Independence of the Directors	A.5.2, A.5.3 & A.5.5	7.10.2.(a) , 7.10.3.(a) & 7.10.4	4 (4) & (8)	At present, there are three 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 judgement. Appointment of those three 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 in their profiles presented in pages 60 of this Annual Report.
Submission of Annual declarations	A.5.4	7.10.2.(b)		Each Non-Executive Director submits a signed and dated declaration on an annual basis of his/her Independence/Non-Independence. At present three of the Non-Executive Directors of the Company are Independent and the other two Non-Executive Directors are Non-Independent.
Requirement to appoint a Senior Independent Director	A.5.6 & A.5.7		7 (2)	The Board has appointed an independent Director as the Senior Director.
Meetings between Senior Independent Director and other Directors	A.5.8			The Company has appointed a Senior Independent Director and when the necessity arises, other Directors can meet the Senior Director.
Meetings between Chairman and Non-Executive Directors	A.5.9			As and when the necessity arises, the Chairman meets only with the Non-Executive Directors.

Corporate Governance

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	Degree of Compliance
Unresolved matters	A.5.10			The Director's concerns pertaining to unresolved matters are discussed and recorded in the Board minutes and discussed at the subsequent Board meeting.
In the event an alternate Director is appointed to represent an independent non-executive Director, the person so appointed shall also meet the criteria that apply to the Independent non-executive Director.			4 (5)	No such situation has arisen so far.
A meeting of the Board shall not be duly constituted, although the number of Directors required to constitute the quorum at such meeting is present, unless at least one half of the number of Directors that constitute the quorum at such meeting are non-executive Directors.			4 (7)	Required quorum was met at all meetings of the Board convened for the year.
There shall be a formal, considered and transparent procedure for the appointment of new Directors to the Board. There shall also be procedures in place for the orderly succession of appointments to the Board.			4 (9) 2 (i)	Appointment of Directors takes place in terms of the Articles of Association of the Company and subject to the Central Bank approval.

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	Degree of Compliance
All Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after their appointment.			4 (10)	Not Applicable.
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 seven days prior to each Board meeting.
Appointments to the Board				
Assessment of Board Composition	A.7.2			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)		All appointments of new Directors are informed to the shareholders with required details, via immediate notification to the CSE.
Resignations or removals of Directors			4 (11)	There were no resignations or removals of Directors during the year.

Corporate Governance

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	Degree of Compliance
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/ CEO.
Appraisal of Board performance				
Board Appraisal	A.9			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.
Fitness and Propriety of Directors			5 (1) 5 (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, including associate companies and subsidiaries of the finance Company.
Disclosure of Information in respect of Directors				
Information in relation to each Director	A.10		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 for the quorum under the relevant agenda item at the Board meeting.
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.

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	Degree of Compliance
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) takes into consideration the level of remuneration paid by the other comparable companies, performance and risk factors.
Remuneration Committee	B.1.1. B.1.2 & B.1.3	7.10.5 (a)		The composition of the Remuneration Committee is disclosed on page 62 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.
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 113 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 fifteen working days in compliance with the Companies Act.
Summary of procedure governing Voting at General Meetings	C.1.5			An instruction on appointing a Proxy with regard to representing the shareholder at the General Meeting to ensure the voting right is sent to each shareholder.
Communication with Shareholders	C.2		2.(1)(d)	The Company has a Board approved stakeholder's communication policy. The Company Secretary can be contacted for any queries of shareholders.

Corporate Governance

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	Degree of Compliance
Major Transactions				
Disclosure of major transactions	C.3			Future strategies of the Company and their potential impact are disclosed on the page 31 of this Annual Report.
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 quarterly and for the period ended 31st March 2014. In preparing the quarterly 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. 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 62 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 68 and 70 respectively of this Annual Report.
Management Discussion and Analysis	D.1.4			A detailed Management Discussion and Analysis is presented on pages 28-31 of this Annual Report.

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	Degree of Compliance
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 68
Internal Control				
Maintain a sound system of Internal Control	D.2		2 (1) (e) 10 (2) (b)	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 57-59 of this Annual Report. The effectiveness of the Finance Company's internal control mechanism has been certified by the Directors in the Directors' statement on internal control.
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.
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 the Internal audit division of the Company as well as Messrs.SJMS Associates.

Corporate Governance

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	Degree of Compliance
Board Sub-Committees				
Board Sub - Committees	D.3		8 (1)	<p>The following Committees function as sub-committees of the Board.</p> <ul style="list-style-type: none"> • Audit Committee • Integrated Risk Management Committee • Remuneration Committee • Credit committee • Related party transaction Review Committee <p>Each of the above Committees directly report to the Board. The report of the Audit Committee and Integrated Risk Management Committee are given on pages 66 and 57.</p>
Sub Committees				
Audit Committee	D.3	7.10.6 (a), (b) &(c)	8 (2)	<p>The Audit Committee consists of four members of the Board, out of which, three 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 member of the Committee is also a Non-Executive Director. The composition and functions carried out by the Audit Committee are presented on page 66 of this Annual Report.</p>
Related Party Transaction Review Committee			9.2	<p>The Related Party Transaction Review Committee consists of a combination of Independent Non-Executive Directors, Non-Executive Directors and Executive Directors. The composition of the said committee is disclosed on page 63 of the 'Annual Report of the Board of Directors on the Affairs of the Company'.</p>
Integrated Risk Management Committee			8 (3)	<p>The Committee consists of two Independent Non-Executive Directors, one Non-Executive Director, two Executive Directors (including CEO), 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</p>

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	Degree of Compliance
Integrated Risk Management Committee			8 (3)	<p data-bbox="959 656 1461 808">63 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"> <li data-bbox="959 846 1461 936">(i) Assess all risks to the Company on a quarterly basis through appropriate risk indicators and management information. <li data-bbox="959 974 1461 1160">(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. <li data-bbox="959 1198 1461 1384">(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. <li data-bbox="959 1422 1461 1574">(iv) Meet at least quarterly to assess all aspects of risk management including updated business continuity plans and takes prompt corrective action to mitigate such effects. <li data-bbox="959 1612 1461 1854">(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. <li data-bbox="959 1892 1461 2009">(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.

Corporate Governance

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	Degree of Compliance
Integrated Risk Management Committee			8 (3)	(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.
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. 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 Company is in the process of developing a documented code of business conduct and ethics for Directors and key management personnel.
Practice of good Corporate Governance	D.5	7.10	1	The Company is working towards ensuring compliance with the Code of Best Practice on Corporate Governance jointly issued by the ICASL and the SEC, the Corporate Governance Rules for listed Companies issued by the CSE and the Corporate Governance Direction and rules for Registered Finance companies issued under the Finance Business Act 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.

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	Degree of Compliance
The external auditor's certification of compliance with the act and rules and direction issued by the Monetary 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.
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 117 of this Annual Report along with other shareholder information.
Regular and structured dialogue 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.
Related Party Transactions				
Identifying & recording related party transactions	D 1.7		9 (2), (3), (4) & 10 (2) (f), (g)	Related party transactions during the year under review are set out in the note 37 to the Financial Statements. Company has formed a Related party transaction review committee and the composition of the committee is disclosed on page 63 of the Annual Report.

Corporate Governance

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	Degree of Compliance
Other Investors				
Investing/ Divesting Decisions	F.1			<p>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.</p> <p>Chairman's Review 8-11 CEO's Review 12-17 Management Discussion and Analysis 28-31 Annual Financial Statements 70-116</p>
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.
Mr. A K Pathirage (Chairman)	12
Mr. N H G Wijekoon	12
Mr. T.M.I. Ahamed	12
Mr. B.H.S.Jayawardena	12
Mr. C J E Corea	11
Mr. D T C Soza	11
Mr. S Wickramasinghe	11
Mr. S N P Palihena (appointed w.e.f. 17 March 2014)	1

Corporate Social Responsibility

At the forefront of Sri Lanka's financial landscape, Softlogic Finance PLC has proven its credentials in providing the country's citizens with financial inclusiveness and security. Although the Company caters to a wide cross-section of clientele, from large corporates down to individual rural customers, the core customer segment remains the SME sector. The country's SME sector is widely considered to be the backbone of the economy and this reality has been acknowledged by the government in the year during review. Softlogic Finance PLC is deeply entrenched in uplifting small scale entrepreneurs by extending loans and technical knowhow, while providing them access to mainstream finance.

As a Company that is deeply engaged at the grassroots level, we feel it is incumbent on us to have a positive impact on the communities in which we operate. As a result of this commitment, the Company is involved in various social community endeavours that go well beyond the purview of our operational activities. More significantly, this social engagement with communities facilitates the Company to gain insights into the hopes and aspirations of the vibrant SME segment.

Our employees are our stakeholders and the Company proactively pursues forward looking talent management policies by ensuring career progression, a culture of learning and development and an optimum work-life balance. We believe this will enable the employees to enjoy a rich and fulfilling life. During the period under review, the Company organised a plethora of events and provided ample opportunities for the staff to enhance their knowledge and shine.

Furthermore, the Company is committed to environmental sustainability and takes various measures to instill values of conservation of energy and resources in order to ensure minimal wastage, thereby having a positive impact on the environment.

This report details some of the far-reaching social and environmental responsibilities undertaken by the Company during the year 2013/14.

Community Supporting Pilgrims

The staff of the Company organised a coffee dansala for the fourth consecutive year on 16th May 2014, in front of the city office at Jinarathana

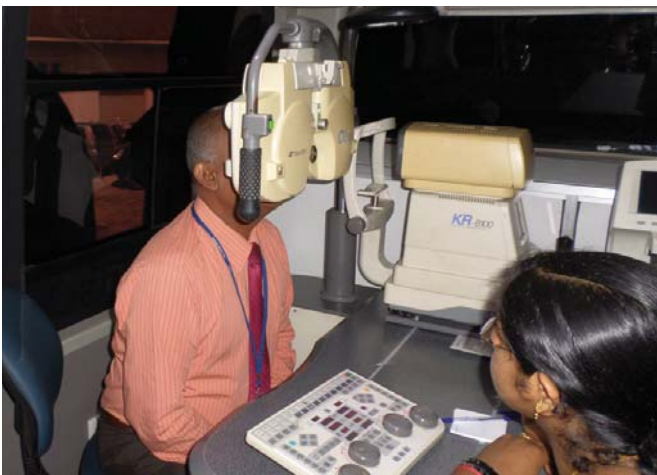
Road for the convenience of devotees who visit Gangarama temple and Wesak kalapaya. This occasion witnessed the participation of all our staff as they provided a moment's rest and recuperation for pilgrims who have travelled long distances on their religious journey.

Gifting Improved Sight

A free eye camp was organised by the Company's Marketing team in collaboration with 'Vision Care' - specialists in spectacles, contact lenses and sunglasses including world leading brands. The Eye Camp was held on 25th April 2014 at the Head Office premises.

Employees Staff Congress

Softlogic Finance PLC held its eagerly-awaited Staff Congress on 14th June 2014 at the Sri Lanka Foundation auditorium. The main objective of this event is to communicate the Company's future strategy for the year 2014/15 for the benefit and understanding of the entire staff. The occasion is also used to reward the high performers in the Company for their performance during the year under review. The theme of this year's Staff Congress was '300 up!' which reaffirms the Company's objective to raise its profits to Rs. 300 Mn in the new financial year.



Corporate Social Responsibility

Strategic presentations were delivered by the CEO Mr. Nalin Wijekoon, Executive Director Mr. Iftikar Ahamed, General Manager Mr. Chamilantha Fernando, Head of Operations Mr. Sanjaya Theshanthalal and Head of Recoveries Mr. Nalaka De Silva. They detailed the strategic goals and objectives for the year ahead and how the staff could help in achieving.

Famous marketing personality, Mr. Deepal Sooriaarachchi, delivered a motivational speech to the engrossed audience comprising of staff and management of the Company, inspiring them to reach greater heights in the coming financial year.

Staff Recreation Annual Staff Trip

The Softlogic Finance staff went on a day trip to Wijaya Resort, Kiriella, on 14th September 2013. The occasion provided an excellent forum for employee interaction and camaraderie and helped senior management and staff interact on a one on one basis in a social setting.

Dinner Dance

A dinner dance was held in Eagle's Lakeside, Attidiya, on 21st December 2013, with the participation of all staff. The theme was "70's throwback" and the entire staff participated with enthusiasm and in a sporting manner in keeping with the theme.

The Company also organises several other social events both at the branch and department levels to create a happy work environment.

- 1) The Inter Departmental Cricket Tournament offered a great opportunity for employees to display their prowess outside the workplace and engendered valuable team spirit. This is a much awaited event and was held successfully during the year under review.
- 2) "Secret Santa" was the highlight of the Company's Christmas celebrations and this year too the Secret Santa event was held amidst much amusement and was enjoyed by the staff.

Environment

'Beautiful Sri Lanka'

'Beautiful Sri Lanka' was a photography competition which was successfully held last year. The objective of the competition was to use the winning entries for the 2014 calendar and greeting cards. We selected 12 winners while the remaining images were used in the regular Monday motivational thoughts sent to staff. The overwhelming response we received to this competition has helped highlight the Company's concern for the environment while raising awareness about the need to reserve the rich flora and fauna of the country.



Remarkable Events at Softlogic Finance



Merit Award for Business Excellence at "National Business Excellence Awards 2013"

The Company won this prestigious award at the NBEA 2013 organised by 'The National Chamber of Commerce Sri Lanka' (NCCSL), in recognition of its business excellence in the Non-Banking and Financial Services category. The National Business Excellence Awards is an annual award competition conducted by NCCSL with a view to recognising business enterprises, which have demonstrated excellence in business, whilst contributing to the economic progress of the country.



Softlogic Finance in Rs. 1.4 Billion deal with GuarantCo

The Company recently signed an agreement with GuarantCo, who will provide a guarantee that will enhance the issuance of Company's Debentures for Rs. 1.4 Bn. This is the country's first guaranteed AAA rated debenture issue and to provide local market participants with more information regarding our deal with GuarantCo and about other Debt market initiatives, an investor forum themed 'Financing Sri Lanka's Development', was held after the signing. The Keynote address at the event was delivered by the Governor of the Central Bank of Sri Lanka, Mr. Ajith Nivard Cabraal and the audience comprised of Institutional Investors, Prospective NBFIs issuers, Debt Market Intermediaries and Regulators.



Softlogic Finance in USD 4.8 Mn Cross Currency Swap with TCX

Softlogic Finance concluded the first ever medium term cross currency swap with an offshore counterpart, TCX, a special purpose fund. With the objective of sharing the approach and expertise related to such transactions. The Company together with TCX organised a brief seminar on "Hedging Currency Risk in Sri Lanka" with medium term currency hedging prospects. The Chief guest of this event was Deputy Governor of the Central Bank of Sri Lanka, Mr. Ananda Silva and the keynote presentation was delivered by Jerome Pirouz, Vice president - TCX.

Remarkable Events at Softlogic Finance



Softlogic Finance Awarded with ISO 9001 Certification

Softlogic Finance was recently awarded ISO 9001 certification for their Quality Management System, ensuring that they remain in the forefront in terms of cutting-edge technology. The ISO (International Standards Organisation) 9001 certification is presented to an accredited independent body that provides a written assurance, in the form of a certificate to an organisation regarding the Quality Management System that is maintained by them.



Award for Compliance at "49th Annual Reports Awards Ceremony"

For the second consecutive year the Company was awarded a compliance certificate from 'The Institute of Chartered Accountants Sri Lanka' (ICASL), In their 49th Annual Reports Awards Ceremony for complying with the reporting requirements outlined by them.



Rs. 10 Billion in Investments

The start of the year indeed seemed auspicious as Softlogic Finance achieved Rs. 10 Bn in transactions by the end of the first working day of 2014. This milestone which indicated the trust the public has in our Company was achieved with the support of each and every staff member's contribution. This is indeed a remarkable effort considering the economic situation and the competition.

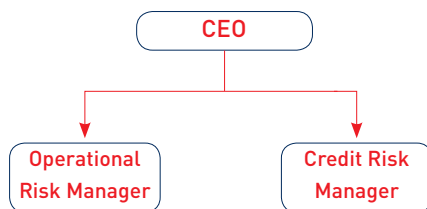
Integrated Risk Management

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 organisation is engaged in. The organisation 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 Operational Risk departments.

Integrated Risk Management Committee

The Company has formed an IRM committee which consists of a two non-executive Directors, CEO, Executive Director, Manager Operational Risk, Manager Credit Risk 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 organisation. The committee also studies 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 organisation 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	Operational
➤ Recovery	➤ Process
➤ Default	➤ People
➤ Concentration	➤ 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 dialogue 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.

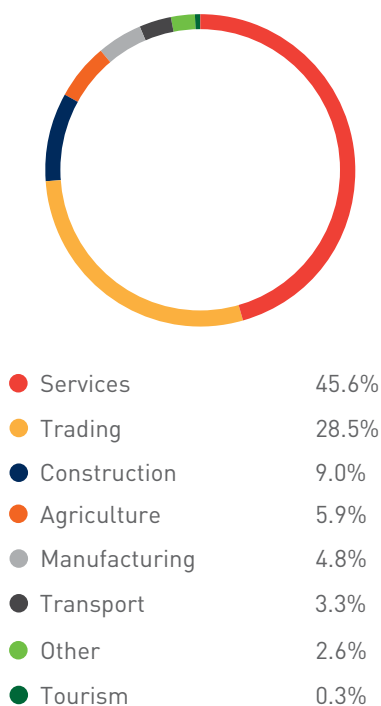
Credit Risk

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

Integrated Risk Management

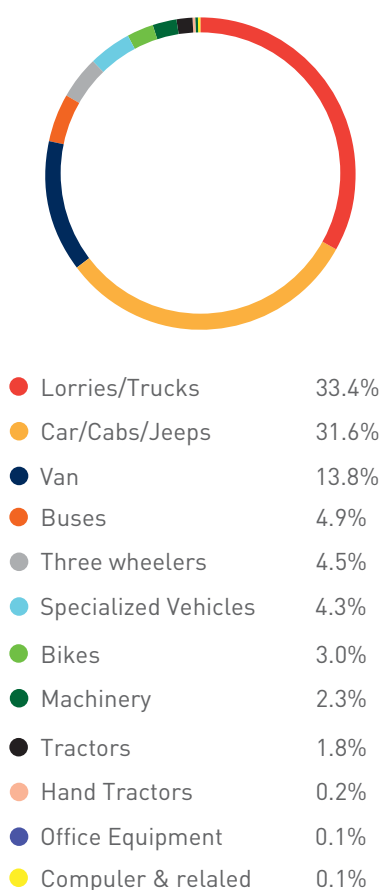
The credit risk is managed at two broad levels, Pre and Post disbursement. Pre disbursement is regulated by establishing an appropriate credit culture in the organisation and having approved delegated lending limits. Post disbursement involves monitoring and follow-up through regular MIS and economic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

Sectorial exposure



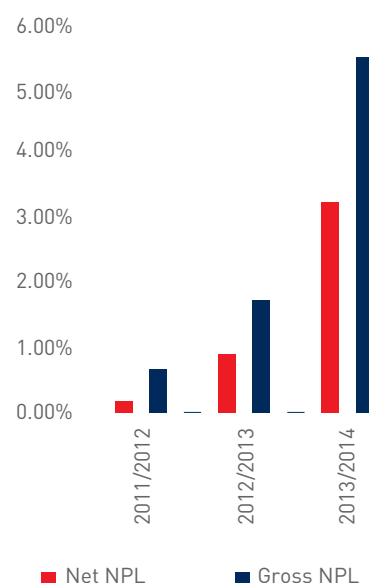
The Company's credit policy approved by the Board has defined prudential limits for each sector in the economy. These limits are regularly monitored and changed in line with the macro economic situation in the economy.

Type of equipment



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. They are then 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.

Non-performing Loans



The gross non performing loan ratio of the Company has increased from 1.71 % to 5.52% during the financial year under consideration. The net NPL ratio which reflects the potential future provisioning has also increased from 0.89% to 3.27%. These ratios are par with the industry data.

Credit Culture of the organisation

A Credit Committee was formed to authorise the lending of the Company and this has improved quality of the lending. The Committee consists of two Non-Executive Directors, Executive Director, CEO and AGM Credit. The new recruits, especially the staff related to credit facilities are trained in the credit policies and processes of the organisation in order to have an 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 have introduced a score card based lending evaluation which is being constantly updated to ensure that turnaround times are minimised 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 organisation have been documented and these are reviewed continuously to ensure that operations/activities are carried out seamlessly. The central operations team is involved in processing the bulk of the operations in an organisation.

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 area. 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 organisations. In the year under review, the Company maintained a CAR of 13.13 per cent which is above the statutory requirement of 10 per cent.

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

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 2014.

General

Softlogic Finance PLC is a public 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.

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

Softlogic Finance PLC is a licensed Finance Company in terms of 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 during the year were granting lease and hire purchase facilities, group personal loans, business loans, SME loans, gold loans, other credit facilities, vehicle hiring, and acceptance of 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 on pages 8-11.

This Report, together with the Financial Statements, reflects the state of affairs of the Company.

Financial Statements

The complete financial statements of the Company prepared in accordance with revised Sri Lanka Accounting Standards comprising Sri Lanka Financial Reporting Standards (SLFRS) and Lanka Accounting Standards (LKAS) set by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act, No. 07 of 2007 inclusive of specific disclosures, duly signed by two Directors on behalf of the Board and the Auditors are given on pages 70-116.

Summarised Financial Results

	2013/2014 Rs.000	2012/2013 Rs.000
Total Operating Income	1,433,261	1,048,238
Profit before income tax	191,425	196,267
Income tax expense	(25,771)	(32,213)
Net Profit for the Year	165,654	164,054

Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 70.

Accounting Policies

The financial statements of the Company have been prepared in accordance with the revised Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 71-116. Figures pertaining to the previous periods have been re-stated where necessary to conform to the

presentation for the year under review.

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 20-21.

Executive Directors

Mr. N H G Wijekoon	- Director/CEO
Mr. T M I Ahamed	- Director
Mr. S Wickremasinghe	- Director

Non Executive Directors

Mr. A K Pathirage	- Chairman
Mr. B H S Jayawardena	- Director
Mr. C J E Corea	- Director*/**
Mr. D T C Soza	- Director*
Mr. S N P Palihena	- Director*

* Independent Non-Executive Directors as per the Listing Rules of the Colombo Stock Exchange.

** Senior Director in terms of Finance Companies (Corporate Governance) Direction No.3 of 2008

Mr S N P Palihena was appointed as an Independent Non-Executive Director to the Board with effect from 17th March 2014. He will retire in terms of Article 97 of the Articles of Association and being eligible is recommended by the Directors for re-election.

Mr C J E Corea 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 which is deemed to form part and parcel of this annual report and available for inspection upon request.

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.

Directors' Shareholding

The relevant interests of Directors in the shares of the Company as at 31st March 2014 and 31st March 2013 are as follows;

	Shareholding as at 31/03/2014	Shareholding as at 31/03/2013
Mr. A K Pathirage	168,000	168,000
Mr. N H G Wijekoon	9,666	9,666
Mr. T M I Ahamed	58,720	58,720
Mr. B H S Jayawardena	-	-
Mr. C J E Corea	-	-
Mr. D T C Soza	-	-
Mr. S Wickremasinghe	-	-
Mr S N P Palihena	-	-

A K Pathirage and T M I Ahamed are Directors of Softlogic Capital PLC, which held 23,361,123 shares as at 31st March 2014 (23,357,690 shares as at 31st March 2013)

Remuneration of Directors

The Directors' remuneration is disclosed under transactions with key managerial personnel in Note 37 to the Financial Statements on page 113.

Related Parties' Transactions with the Company

Transactions of related parties (as defined in LKAS 24 – Related Parties Disclosure) with the Company are set out in Note 37 to the Financial Statements.

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.

Auditors

Messrs PricewaterhouseCoopers, Chartered Accountants served as the Auditors during the year under review and also provided non audit/tax compliance services. As far as the Directors are aware, the Auditors do not have any other relationship or interest in contracts with the Company.

A total amount of Rs.1,872,699/- is payable by the Company to the Auditors for the year under review comprising Rs. 1,136,394/- as audit fees and Rs. 736,305/- for non-audit/tax compliance services.

The Auditors have expressed their willingness to continue in office. A resolution to re-appoint the Auditors and to authorise the Directors to determine their remuneration will be proposed at the Annual General Meeting.

Stated Capital

The Stated Capital of the Company as at 31st March 2014 was Rs. 1,003,230,820/- represented by 37,453,951 Ordinary Shares which remains unchanged.

Major Shareholders, Distribution Schedule and other information

Information on the twenty (20) largest shareholders of the Company, the distribution of shareholding, percentage of shares held by the public, market values per share as per the requirements of the Listing Rules of the Colombo Stock Exchange are given on page 117 under Investor Information.

Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 73.

Property, Plant & Equipment

Details and movements of Property, Plant and Equipment owned by the Company are given in Note 21 to the Financial Statements on pages 94-95.

Land Holdings

The Company owns freehold land worth Rs.62,181,178/-

Investments

Details of quoted and unquoted investments made by the Company as at 31st March 2014 are given in Note 15 & 16 to the Financial Statements on pages 89-90.

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

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

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 has 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 pages 66-67.

Risk Management

An ongoing process is in place to identify and manage the risks that are associated with the business and operations of the Company. The Directors review this process through the Audit Committee and the Integrated Risk Management Committee.

The section on Risk Management on pages 57-59 sets out the processes currently practiced by the Company to identify and manage the risks.

Contingent Liabilities

Except as disclosed in Note 34 to the Financial Statements on page 113, 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 at the date of the Auditors' Report, which would require adjustment to, or disclosure in the Financial Statements.

Corporate Governance

The Board of Directors are responsible for the governance of the Company.

The Board, in the discharge of its responsibilities, has been guided by the Code of Best Practices on Corporate Governance issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, Finance Companies (Corporate Governance) Direction No.03 of 2008, Finance Companies (Corporate Governance – Amendment) Direction No 04 of 2008 and Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction 03 of 2011.

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 said Directions issued by the Monetary Board of the Central Bank of Sri Lanka save and except in respect of the matters referred to in the Annual Corporate Governance Report on pages 34-52.

An Audit Committee, Remuneration Committee, Related Party Transaction Review Committee, Credit committee and an Integrated Risk Management Committee function as Board Sub Committees with Directors who possess the requisite qualifications and experience. In addition to Directors, certain key management personnel also serve on the Integrated Risk

Management Committee and the Credit Committee. The composition of the said committees is as follows;

Audit Committee

Mr. C J E Corea
Independent Non-Executive Director
(Chairman)

Mr. D T C Soza
Independent Non-Executive Director

Mr. B H S Jayawardena
Non-Executive Director

Mr. S N P Palihena
Independent Non-Executive Director

Remuneration Committee

Mr. A K Pathirage
Non-Executive Director (Chairman)

Mr. D T C Soza
Independent Non-Executive Director

Mr. C J E Corea
Independent Non-Executive Director

Credit Committee

Mr. S N P Palihena
Independent Non-Executive Director
(Chairman)

Mr. B H S Jayawardena
Non-Executive Director

Mr. T M I Ahamed
Executive Director

Mr. N H G Wijekoon
Director/CEO

Mr. K Kongahawaththa
Assistant General Manager Credit

Integrated Risk Management Committee

Mr. S N P Palihena
Independent Non-Executive Director
(Chairman)

Mr. N H G Wijekoon
Director/CEO

Mr. T M I Ahamed
Executive Director

Mr. D T C Soza
Independent Non-Executive Director

Mr. B H S Jayawardena
Non-Executive Director

Mr. A Perera
Manager Risk

Mr. L Liyanage
Chief Manager Risk

Related Party Transaction Review Committee

Mr. C J E Corea
Independent Non-Executive Director
(Chairman)

Mr. D T C Soza
Independent Non-Executive Director

Mr. B H S Jayawardena
Non-Executive Director

Mr. T M I Ahamed
Executive Director

Mr. N H G Wijekoon
Director/CEO

(Sgd.)
N H G Wijekoon
Director

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

27 June 2014
Colombo

Annual General Meeting

The Annual General meeting will be held on 31 July 2014 at the Auditorium of the Central Hospital, No. 114, Norris Canal Road, Colombo 10 at 2.30 p.m. The Notice of the Annual General Meeting appears on page 121.

Acknowledgement of the content of the Report

As required by section 168(1)(k) of the Companies Act, this report is signed on behalf of the Board of the Company by two Directors and the Secretaries of the Company in pursuance of the authority granted by the Board by a Resolution passed on 27 June 2014 having acknowledged the contents of this Annual Report.

Signed for and on behalf of the Board of Directors by

(Sgd.)
T M I Ahamed
Director

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 centres, 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 pages 66-67.
- 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 out 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.

External Auditors' certification

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.)

N.H.G Wijekoon

CEO/ Director

27 June 2014

Report of the Audit Committee

Composition

The Board Audit Committee comprised of the following non-executive Directors of the Company

Chris Corea (Chairman)	-	Independent Non-Executive Director
Dushan Soza	-	Independent Non-Executive Director
B H S Jayawardena	-	Non-Executive Director
S N P Palihena	-	Independent Non-Executive Director

Role of the Audit Committee

The Board Audit Committee assists the Board of Directors in fulfilling effectively its responsibilities relating to financial and other related affairs of the Company. The committee is empowered to 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

- The rationale and basis for the significant estimates and judgements underlying the financial statements.

The Board Audit Committee Charter was followed to guide the workings of the audit committee to safeguard the interests of all stakeholders of the Company.

Financial Reporting

Acting with other Board members the committee reviewed the Company's Interim and Annual Financial Statements and other financial information prior to publication.

The Committee reviewed the operations with respect to risk assessment and monitored the effectiveness of risk management to provide reasonable assurance to the Board that the assets of the Company are safeguarded and that the Financial Position is maintained according to information made available.

The Committee established a mechanism for the confidential receipt, retention and treatment of complaints (if any) alleging fraud or malpractice which may be received from internal/ external sources pertaining to accounting, internal controls or other such matters.

External Audits

The Committee assists the Board of Directors in engaging External Auditors for Audit and Non Audit services in compliance with the Statutes.

The Committee discusses the audit plan, key audit issues and their resolution, management response, proposed remuneration etc pertaining to the External Auditors. The reappointment of External Auditor Messrs PricewaterhouseCoopers for the next financial year is recommended subject to the approval of the Shareholders at the AGM.

The Committee met with Messrs PriceWaterhouseCoopers, External Auditors excluding senior management to discuss the auditor's Management Letter pertaining to the previous year's Audit and the management response thereto.

The Committee monitored the adaption progress of IFRS and would continue to monitor the progress of implementation of new standards and keep the Board of Directors informed at regular intervals.

Internal Audits

During the year the Audit Committee reviewed the performance of the internal audit function, the findings of Internal Audits completed, corrective action taken by the Management and their evaluation of the Company's internal control system. The committee also reviewed and approved the adequacy and coverage of the risk based internal audit programme. It also assessed the Resource Requirement and Independence of the Department.

Meetings

The Audit Committee met fourteen times during the year 2013/14. The attendance of the members at Audit Committee meetings was as follows.

Member	Status	No. of Meetings
Chris Corea (Chairman)	Independent Non-Executive Director	14
Dushan Soza	Independent Non-Executive Director	10
B H S Jayawardena	Non-Executive Director	14

*Mr. S N P Palihena was appointed as a Board Audit Committee member on 27th March 2014

On the invitation of the Committee the Director Finance, Chief Executive Officer, AGM Finance, Other Officers and External Auditors may attend the meetings. PW Corporate Secretarial Services (Pvt) Ltd acted as Secretaries to the Audit Committee. The proceedings of the Audit Committee meetings are recorded in adequate detail and reported to the Board.

(Sgd.)

C J E Corea

Chairman

Board Audit Committee

27 June 2014

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 (SLAS's, SLFRS's), 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.

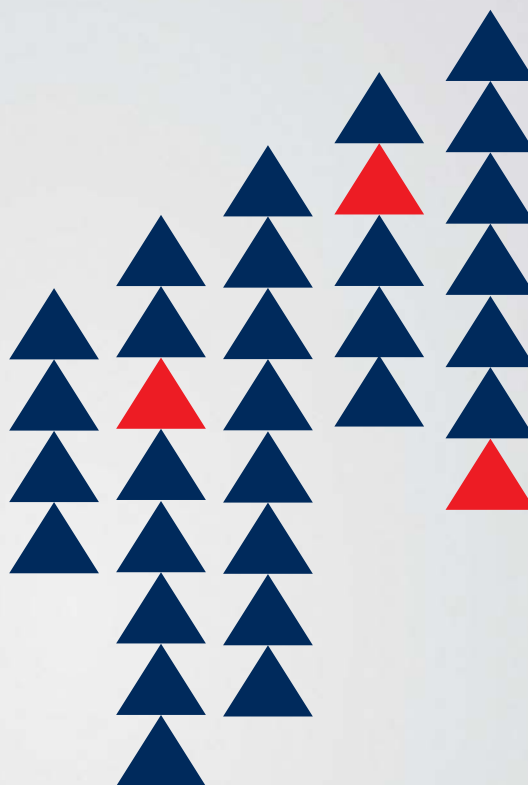
The Directors continue to adopt the going concern basis in preparing the financial statements. The Directors, after making inquiries and review of the Company's Business Plan for the financial year 2014/2015 including cash flows and borrowing facilities, consider that the Company has adequate resources to continue in operation.

By Order of the Board
Softlogic Finance PLC

(Sgd.)
P W Corporate Secretarial (Pvt) Ltd
Secretaries

27 June 2014

Financial Reports



Financial Reports

Presents our performance in detail, including operational results, financial position, equity movement and cash flow.

Independent Auditor's Report	70
Statement of Comprehensive Income	71
Statement of Financial Position	72
Statement of Changes in Equity	73
Statement of Cash Flows	74
Significant Accounting Policies	75
Notes to the Financial Statements	87

Independent Auditor's Report



Report on the financial statements

- 1 We have audited the accompanying financial statements of Softlogic Finance PLC which comprise the statement of financial position as at 31 March 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 71 to 116.

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 (SLFRS and LKAS). 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 2014 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2014 and of its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards (SLFRS and LKAS).

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 and the Finance Business Act No. 42 of 2011.

(Sgd.)
PricewaterhouseCoopers
Chartered Accountants

Colombo
24 June 2014

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 FCA, N.R. Gunasekera FCA,
S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA

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

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees)

Year ended 31 March	Notes	2014	2013
Interest income	3	3,338,542,921	2,277,546,258
Interest expenses	4	(2,057,632,739)	(1,391,049,603)
Net interest income		1,280,910,181	886,496,655
Fee and commission income	5	118,526,933	69,343,672
Net trading income	6	21,300,613	30,782,319
Other operating income	7	12,523,037	61,615,748
Total operating income		1,433,260,765	1,048,238,394
Impairment for loans and other losses	8	(327,796,234)	(72,963,616)
Net operating income		1,105,464,531	975,274,778
Operating expenses			
Personnel costs	9	(288,405,108)	(238,778,512)
Depreciation of property, plant and equipment	21.2	(50,349,812)	(43,915,894)
Amortisation of intangible assets	20	(3,020,753)	(2,045,645)
Other operating expenses	10	(535,238,649)	(457,354,961)
Profit before income tax and Value Added Tax on financial services		228,450,209	233,179,766
Value Added Tax on financial services		(37,024,957)	(36,912,779)
Profit before income tax		191,425,252	196,266,987
Income tax expense	11	(25,771,363)	(32,212,924)
Profit for the year		165,653,889	164,054,063
Basic earnings per share	12	4.42	4.38
Dividends per share	13	1.50	1.50
Profit for the year		165,653,889	164,054,063
Other comprehensive income :			
Gain / (loss) on remeasuring available for sale financial investments		30,912,900	(5,918,219)
Adjustment on disposal of available for sale financial investments		579,076	(5,340,240)
Actuarial loss on retirement benefit obligations	27	(5,472,457)	(97,809)
Net change in fair value on derivative financial instruments	23	(30,540,342)	Nil
Other comprehensive income for the year, net of tax		(4,520,824)	(11,356,268)
Total comprehensive income for the year		161,133,065	152,697,795

The Accounting policies and notes from pages 75 to 116 form an integral part of these Financial Statements.

Independent auditor's report - page 70

Statement of Financial Position

(all amounts in Sri Lanka Rupees)

As at 31 March	Notes	2014	2013
ASSETS			
Cash and cash equivalents	14	2,431,468,734	1,472,505,964
Financial investments - Available for sale	15	1,515,468,191	114,962,661
Financial investments - Held for trading	16	85,192,200	78,705,000
Lease and hire purchase receivables	17	8,324,788,232	7,221,967,081
Loans and receivables	18	3,887,396,468	3,352,909,970
Other non financial assets	19	1,693,254,204	791,538,189
Intangible assets	20	9,924,111	8,351,476
Property, plant & equipment	21	312,247,164	177,862,940
Total assets		18,259,739,304	13,218,803,281
LIABILITIES			
Due to banks	22	1,596,706,959	2,653,411,875
Derivative financial instruments	23	11,484,342	Nil
Due to customers	24	9,312,742,952	6,956,951,047
Other borrowed funds	25	4,887,560,395	1,581,421,032
Other non financial liabilities	26	1,073,130,911	743,760,027
Retirement benefit obligations	27	21,967,734	13,512,666
Deferred tax liabilities	28	46,597,380	65,150,142
		16,950,190,673	12,014,206,789
SHARE HOLDERS' FUNDS			
Stated capital	29	1,003,230,820	1,003,230,820
Statutory reserve fund	30	75,970,040	42,839,262
Investment fund reserve	30	75,933,826	47,687,252
Retained earnings		142,204,832	130,122,021
Available for sale reserve	30	12,209,113	(19,282,863)
Shareholders' funds		1,309,548,631	1,204,596,492
Total liabilities and share holders' funds		18,259,739,304	13,218,803,281
Net assets per share		34.96	32.16

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

(Sgd)

B H S Suranga

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 23 June 2014.

(Sgd)

A K Pathirage

Chairman

(Sgd)

N H G Wijekoon

CEO / Director

The Accounting policies and notes from pages 75 to 116 form an integral part of these Financial Statements.

Independent auditor's report - page 70

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees)

	Stated capital	Retained earnings	Available for sale reserve	Statutory reserve fund	Investment fund reserve	Total
Balance as at 01 April 2012	1,003,230,820	79,286,493	(8,024,404)	12,657,138	20,929,338	1,108,079,385
Net profit for the year	Nil	164,054,063	Nil	Nil	Nil	164,054,063
Other comprehensive income for the year	Nil	(97,809)	(11,258,459)	Nil	Nil	(11,356,268)
Total comprehensive income	Nil	163,956,254	(19,282,863)	12,657,138	20,929,338	152,697,795
Dividends paid	Nil	(56,180,687)	Nil	Nil	Nil	(56,180,687)
Transferred to/(from) during the year	Nil	(56,940,038)	Nil	30,182,124	26,757,914	Nil
Balance as at 31 March 2013	1,003,230,820	130,122,021	(19,282,863)	42,839,262	47,687,252	1,204,596,492
Balance as at 31 March 2013	1,003,230,820	130,122,021	(19,282,863)	42,839,262	47,687,252	1,204,596,492
Net profit for the year	Nil	165,653,889	Nil	Nil	Nil	165,653,889
Other comprehensive income for the year	Nil	(36,012,799)	31,491,976	Nil	Nil	(4,520,824)
Total comprehensive income for the year	Nil	129,641,090	31,491,976	Nil	Nil	161,133,065
Dividends paid	Nil	(56,180,927)	Nil	Nil	Nil	(56,180,927)
Transferred to/(from) during the year	Nil	(61,377,352)	Nil	33,130,778	28,246,574	Nil
Balance as at 31 March 2014	1,003,230,820	142,204,832	12,209,113	75,970,040	75,933,826	1,309,548,631

The Accounting policies and notes from pages 75 to 116 form an integral part of these Financial Statements.

Independent auditor's report - page 70

Statement of Cash Flows

(all amounts in Sri Lanka Rupees)

Year ended 31 March	Notes	2014	2013
Cash flows from operating activities			
Profit before income tax expense		191,425,252	196,266,987
Adjustments for			
Depreciation	21.2	50,349,812	43,915,894
Amortisation of intangible assets	20	3,020,753	2,045,645
Profit on disposal of property, plant and equipment	7	(189,000)	(744,970)
Profit from sale of vehicles	6	(1,880,609)	(1,726,522)
Gain from disposal of available for sale investments	7	579,076	(5,449,933)
Impairment charge bad and doubtful debts	8	327,796,234	72,963,616
Provision for defined benefit plans	27	4,267,410	4,840,806
Interest expenses	4	2,057,632,739	1,391,049,603
Operating profit before working capital changes		2,633,001,667	1,703,161,126
(Increase) in lease and hire purchase rental receivable		(1,430,617,385)	(1,290,290,166)
(Increase) in loans & receivables		(534,486,498)	(1,112,261,163)
(Increase) in financial investments - Held for trading		(6,487,200)	(78,705,000)
(Increase) in other non financial assets		(919,665,731)	(280,823,365)
(Decrease) / increase in amounts due to banks		(949,901,479)	1,313,333,804
Increase in amounts due to customers		2,355,791,905	2,275,100,921
(Decrease) / increase in other borrowed funds		3,287,083,363	(982,793,758)
Increase in other non financial liabilities		315,097,877	236,668,660
Cash generated from operations		4,749,816,520	1,783,391,060
Interest paid		(2,057,632,739)	(1,391,049,603)
Taxes paid		(30,051,117)	(22,514,185)
Defined benefit plan costs paid		(1,284,800)	(3,312,500)
Purchase of vehicles		Nil	(48,567,503)
Proceeds from sale of vehicles		19,830,325	11,935,309
Net cash generated from operating activities		2,680,678,188	329,882,578
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	20, 21.1	(189,327,424)	(48,953,113)
Proceeds from disposal of property, plant and equipment		189,000	1,184,359
(Purchase)/Proceeds from available for sale investments (net)		(1,369,592,630)	(44,383,052)
Net cash used in investing activities		(1,558,731,054)	(92,151,806)
Cash flows from financing activities			
Proceeds from rights issue of shares		Nil	Nil
Dividends paid	13	(56,180,927)	(56,180,927)
Net cash (used in) / generated from financing activities		(56,180,927)	(56,180,927)
Net Increase in cash and cash equivalents		1,065,766,207	181,549,845
Cash and cash equivalents at the beginning of the year		1,217,178,823	1,035,628,978
Cash and cash equivalents at the end of the year		2,282,945,030	1,217,178,823
Reconciliation of cash and cash equivalents			
Cash, bank balance and short term investments	14	2,431,468,734	1,472,505,964
Bank overdrafts	22	(148,523,704)	(255,327,141)
		2,282,945,030	1,217,178,823

The Accounting policies and notes from pages 75 to 116 form an integral part of these Financial Statements.

Independent auditor's report - page 70

Significant Accounting Policies

1 Corporate information

1.1 General

Softlogic Finance PLC (the "Company") 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. 33, Park Street, 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 PLC. In the opinion of the Directors, the Company's ultimate parent undertaking and controlling party is Softlogic Holdings PLC 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 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 23 June 2014.

2 Basis of preparation and summary of significant accounting policies

The financial statements of the Company which comprise the statement of financial position, statement of comprehensive income, statement of changes in equity, Statement of cash flows, accounting policies and notes, have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007. The presentation of these financial statements is also in compliance with the requirements of Finance Business Act No.42 of 2011.

Significant accounting judgements in relation to the accounting policies have been discussed in detail under section 2.2.

2.1 Basis of preparation

The financial statements have been prepared on a historical cost basis, as modified by the measurement at fair value for available-for-sale financial assets, financial assets held at fair value through profit or loss. The financial statements are presented in Sri Lankan Rupees, which is the Company's presentational currency.

2.1.1 Functional and presentation currency

The financial statements are presented in Sri Lanka Rupees, except when otherwise is indicated. No adjustments have been made for inflationary factors.

2.1.2 Changes in accounting policies and disclosures

The Accounting policies adopted by the Company are consistent with those used in the previous financial year except for the policy on retirement benefit obligations-Gratuity.

The Company applied revised Sri Lanka accounting standards LKAS 19, Employee benefits retrospectively in accordance with the transitional provisions set out in the said standard.

As per previous policy actuarial gain/loss was recognised based on the corridor method. As per the revised LKAS 19 actuarial gain/loss is recognised full in Other Comprehensive income.

Sri Lanka Accounting standards effective from 01 January 2014

- (a) SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs. (Pending the completion of full study of this standard, the financial impact is not yet known and reasonably estimable.)
- (b) SLFRS 12, 'Disclosures of Interests in Other Entities', includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

Significant Accounting Policies

- (c) SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and replaces the areas of LKAS 39 which relate to classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified in to two measurement categories at initial recognition which are financial assets measured as at fair value and financial assets measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains majority of the IAS 39 requirements. The main change being the fair value option taken as financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income in the statement of comprehensive income, unless this creates an accounting mismatch. The Company and the Group is yet to assess SLFRS 9's full impact. (SLFRS 9 was issued in 2012 and effective date of this standard has been deferred until the new effective date is notified. Pending the completion of full study of this standard, the financial impact is not yet known and reasonably estimable.

2.1.3 Statement of compliance

The financial statements of the Company have been prepared and presented in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) laid down by the Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007. The presentation of these financial statements is also in compliance with the requirements of Finance Business Act No.42 of 2011.

2.1.4 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.

2.1.5 Comparative information

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

2.2 Significant accounting judgements

The Company's financial statements and its financial result are influenced by accounting policies, assumptions, estimates and management judgement, which

necessarily have to be made in the course of preparation of the financial statements.

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with SLFRS are best estimates undertaken in accordance with the applicable standard.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Company's results and financial situation due to their materiality.

a. Impairment losses on loans and advances

The Company reviews its loan portfolios to assess impairment at each reporting date. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating an impairment trigger followed by measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Company, economic conditions that correlate with defaults on assets in the Company. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

b. Impairment of available-for-sale equity investments

The Company determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Company evaluates among other factors, the volatility in share price. In addition, objective evidence of impairment may be deterioration in the financial health of

the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Had all the declines in fair value below cost been considered significant or prolonged, the Company would have recognised an additional loss in its financial statements.

c. Fair value of financial instruments

The fair values of financial instruments where no active market exists or where quoted prices are not otherwise available are determined by using valuation techniques. In these cases, the fair values are estimated from observable data in respect of similar financial instruments or using models. Where market observable inputs are not available, they are estimated based on appropriate assumptions.

d. Held-to-maturity investments

In accordance with LKAS 39 guidance, the Company classifies some non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Company evaluates its intention and ability to hold such investments to maturity. If the Company were to fail to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – the Company is required to reclassify the entire category as available-for-sale Fair Value through Profit and Loss. Accordingly, the investments would be measured at fair value instead of amortised cost.

e. Differed 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.

f. Income tax

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgement was required to determine the total provision for current, deferred and other taxes.

g. Useful life-time of the property, plant and equipment

The Company review the residual values, useful lives and methods of depreciation of assets at each reporting date. judgement of the management estimate these values, rates, methods and hence they are subject to uncertainty.

h. Defined benefit plans

The cost of defined benefit plans are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates etc. Refer Note No 2.3.13 to understand how these rates have been determined. All assumptions are reviewed at each reporting date.

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 capitalised as part of the respective assets. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

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 reporting date.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of the relevant tax legislations.

2.3.3 Deferred taxation

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

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of

Significant Accounting Policies

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

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

2.3.4 VAT on financial services

VAT on financial services is calculated based on VAT Act No 14 of 2002 and subsequent amendments thereto.

2.3.5 Financial assets and liabilities

In accordance with LKAS 39, all financial assets and liabilities – which include derivative financial instruments – have to be recognised in the statement of financial position and measured in accordance with their assigned category.

2.3.5.1 Financial assets

The Company allocates financial assets to the following LKAS 39 categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its financial instruments at initial recognition.

- a. **Financial assets at fair value through profit or loss**
Financial assets at fair value through profit or loss comprise of financial assets held for trading. A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of

a recent actual pattern of short-term profit-taking. Financial assets held for trading consist of equity instruments. They are recognised in the statement of financial position as 'Financial assets held for trading'.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the income statement. Gains and losses arising from changes in fair value are included directly in the income statement and are reported as 'Net gains/ (losses) on financial instruments classified as held for trading'. Interest income and expense and dividend income and expenses on financial assets held for trading are included in 'Net interest income' or 'Dividend income', respectively. The instruments are derecognised when the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership and the transfer qualifies for derecognising. Financial assets for which the fair value option is applied are recognised in the statement of financial position as 'Financial assets designated at fair value'. Fair value changes relating to financial assets designated at fair value through profit or loss are recognised in 'Net gains on financial instruments designated at fair value through profit or loss'.

b. **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the Company intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Company upon initial recognition designates as available-for-sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Loans and receivables are reported in the statement of financial position as loans and advances to banks or customers or as investment

securities. Interest on loans is included in the income statement and is reported as 'Interest and similar income'. In the case of impairment, the impairment loss is reported as a deduction from the carrying value of the loan and recognised in the income statement as 'Loan impairment charges'.

c. Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity, other than:

- (a) those that the Company upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Company designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in the statement of comprehensive income statement and reported as 'Interest and similar income'. In the case of an impairment, the impairment loss is been reported as a deduction from the carrying value of the investment and recognised in the statement of comprehensive income statement as 'Net gains/(losses) on investment securities'.

d. Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are initial recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at

fair value with gains and losses being recognised as a part of equity, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in the statement of comprehensive income is recognised in the statement of comprehensive income statement. However, interest is calculated using the effective interest method, and foreign currency gains and losses on monetary assets classified as available for sale areas recognised in the statement of comprehensive income statement. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income statement in 'Dividend income' when the Company's right to receive payment is established.

2.3.5.2 Reclassification of Financial assets

The Company may reclassify financial assets within the frame work of LKAS 39 at the election of management.

- (a) Reclassify FVTP&L financial assets other than those designated at FVTP&L) upon initial recognition, only in limited circumstances as per para 50B or 50D of LKAS 39 out of the FVTP&L category and into the available for sale, loans and receivable or held to maturity.
- (b) As per para 50E of LKAS 39, a financial asset classified as available for sale may be reclassified out of the available for sale category to loans and receivable if the entity has the intention and ability to hold the financial asset for the foreseeable future.

2.3.5.3 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives either,

- (a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (Fair value hedge)
- (b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (Cash flow hedge)

Significant Accounting Policies

- (c) Hedges of a net investment in a foreign operation (Net investment hedge)

The group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.”

The Fair values of various derivative instruments used for hedging purposes are disclosed in note 23. Movements on the hedging reserve on other comprehensive income (OCI) are shown in the same note. The fair value of a hedging derivative is classified as a non current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in OCI . The gain or loss in relation to ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction ultimately recognised in the income statement. When the forecast transaction is no longer to expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.3.5 4 Financial liabilities

The Company’s holding in financial liabilities is in financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished.

- a. **Other liabilities measured at amortised cost**

Financial liabilities that are not classified as at fair value through profit or loss fall into this category and are measured at amortised cost. Financial liabilities measured at amortised cost are deposits from banks or customers, debt securities in issue for which the fair value option is not applied.

- b. **Determination of fair value**

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the reporting dates

For more complex instruments, the Company uses internally developed models, which are usually based on valuation methods and techniques generally recognised as standard within the industry.

The impact on net profit of financial instrument valuations reflecting non-market observable inputs (level 3 valuations) is disclosed in Note 32.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Company holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risks, liquidity risk and counterparty credit risk.

Based on the established fair value model governance policies, and related controls and procedures applied, management believes that these valuation adjustments are necessary and appropriate to fairly state the

values of financial instruments carried at fair value in the statement of financial position. Price data and parameters used in the measurement procedures applied are generally reviewed carefully and adjusted, if necessary – particularly in view of the current market developments.

In cases when the fair value of unlisted equity instruments cannot be determined reliably, the instruments are carried at cost less impairment. The fair value for loans and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

The fair values of contingent liabilities and irrevocable loan commitments correspond to their carrying amounts.

c. Recognition of deferred day one profit and loss

The best evidence of fair value at initial recognition is the transaction price (that is, the fair value of the consideration given or received), unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (that is, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The Company has entered into transactions, some of which will mature after significant period of time, where fair value is determined using valuation models for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at the transaction price, although the value obtained from the relevant valuation model may differ. The difference between the transaction price and the model value, commonly referred to as 'day one profit and loss', is not recognised immediately in the income statement.

The timing of recognition of deferred day one profit and loss is determined individually. It is either amortised over the life of the transaction, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement. The financial instrument is subsequently measured at fair value, adjusted for the deferred day one profit and loss. Subsequent changes in fair value are recognised immediately in the income statement without immediate reversal of deferred day one profits and losses.

2.3.5.5 Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Company under standard repurchase agreements and securities lending and borrowing transactions is not derecognised because the Company retains substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Company retains a portion of the risks.

2.3.6 Property, plant and equipment

Property, plant and equipment of the Company includes both owned assets and leased hold assets;

Initial recognition- owned assets

Property plant & equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the entity and the cost of the asset can be measured reliably in accordance with LKAS 16 on property plant and equipment. Initially property plant and equipment are measured at cost, excluding the costs of day to day servicing, less accumulated depreciation and accumulated impairment losses. Where an item of property, plant & equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant & equipment.

Leased assets

Property, plant & 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, plant & equipment, 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. The corresponding principle amount payable to the lessor together with the interest payable over the period of the lease is shown as

Significant Accounting Policies

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.

Subsequent measurement

Expenditure incurred to replace a component of an item of property, plant and equipment is accounted for separately, including major inception & overhaul expenditure and capitalised only when it increases the future economic benefits embodied in the item of property, plant & equipment. All other expenditure is recognised in the income statement as an expense incurred.

Depreciation

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

These rates used are:

Building	5%
Office equipment	20%
Furniture & fittings	15%
Office partitioning	15%
Motor vehicles	25%

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting date and adjusted prospectively, if appropriate.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

Intangible assets

The Company's intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Useful Life of intangible assets

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and they are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of the expense category Comprehensive Income in consistent with the function of the intangible asset.

Amortisation

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

Intangible assets wholly consist of computer software acquisition cost of computer software is capitalised and amortised using the straight line method over the useful life of five years at the rate of 20%

Impairment of non financial assets

The Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that 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.

2.3.7 Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence

of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

a. Financial assets carried at amortised cost- Lease and HP / Loans and advances

For financial assets carried at amortised cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

b. Individually assessment of impairment

Company has individually assessed all legal cases related lease and HP receivables and Stipulated threshold limits exceeded facilities for impairment.

The criteria used to determine whether there is objective evidence of impairment include:

- (a) Past due contractual payments of either principal or interest.
- (b) Probability of Bankruptcy of the customer
- (c) Breach of loan covenants or conditions.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). This encompasses re assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. The present value of the estimated future cash flows is discounted

at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited income statement.

c. Collective assessment of impairment

Collective impairment is based on the statistical model of net flow rate method which takes in to consideration of all historical loss experience in similar credit risk and it is based on the customer credit risk patterns. Based on the asset type total portfolio has segmented into similar credit risk groups. Under this methodology the movements in the outstanding balances of customers in to arrears buckets over the periods are used to estimate the amount of loans that will eventually be written off as a result of the events occurring before the balance sheet date which the Company is not able to identify on an individual loan basis, and that can be reliably estimated. In arriving at ultimate loss ratios Company has considered the past trend in collateral realisation and management judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical data.

Under above methodology, loans are grouped in to ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

Significant Accounting Policies

d. **Write off of loans and advances**
The Company write offs certain loans and advances when they are determined to be uncollectible.

e. **Available-for-sale financial investments**
For available-for-sale financial investments, the Company assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement is removed from other comprehensive income and recognised in arriving the net income for the period. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement the impairment loss is reversed in arriving net income for the period.

2.3.8 Lease rentals receivable and hire purchase rentals receivable

Assets leased to customers under agreements, which transfer substantially all the risks and rewards

associated with ownership other than legal title, are classified as finance leases. Lease rentals receivable in the Statement of financial position 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.

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 impaired specifically.

2.3.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks other short term highly liquid investments with original maturities of three months or less. For the purpose of cash flow statement cash and cash equivalents includes, cash in hand and investments with original maturities of three months or less net of outstanding bank overdrafts.

2.3.10 Other non financial assets

a. **Real estate stocks**
Purchase values of properties acquired and at value of related asset extinguished for properties repossessed and any subsequent expenditure incurred on such development including the borrowing costs up to the completion of developments.

- b. **Vehicle stocks**
Purchase cost on a specific identification basis
- c. **Repossessed vehicles**
Based on the valuation obtained as at the date of repossession.

2.3.11 Interest bearing loans

After initial recognition, interest bearing loans are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

2.3.12 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.

2.3.13 Defined benefit plans - gratuity

All the employees of the Company are eligible for gratuity under the Gratuity Act No. 12 of 1983. 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.

Actuarial gains and losses arising from the experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the year in which they arise.

Past service costs are recognised immediately in income, unless the change to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case the past service costs are amortised on straight line basis over the vesting period.

The key assumptions used by the actuary include the following:

Rate of interest	11.5%
Rate of salary increase	10%
Retirement age	55 years

The gratuity liability is not externally funded.

2.3.14 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.

2.3.15 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest income

For all financial assets measured at amortised cost and interest bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR. Interest income is included in 'gross income' in the income statement.

Significant Accounting Policies

Fee and commission income

Company earns fee and commission income from services it provides to its customers. Mainly documentation and processing fee for the service provided in processing of loan facilities to customers.

Net trading income

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

Accounting for income from hiring - rental income and operating leases

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

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.

Accounting for overdue charges

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

Income on dividend

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

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

2.3.16 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 expense is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments through the expected life of the financial liability or a shorter period, where appropriate, to the net carrying amount of the financial liability. The calculation takes into account all contractual terms of the financial instrument and includes any fees

or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

- (c) For the purpose of presentation, of the statement of comprehensive income, 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.

2.3.17 Statement of cash flows

The statement of cash flows is prepared using the indirect method as stipulated in LKAS 7 Statement of Cash Flows. Cash and cash equivalents for the purpose of statement of cash flows comprise cash in hand, balances at banks, short term deposits with a maturity of three months or less net of outstanding bank overdrafts, if any.

2.3.18 Statutory 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 20% of the net profit after taxation.

2.3.19 Investment fund reserve

Investment fund reserve created in compliance with the guidelines issued by Value added Tax Act No 14 of 2002, under the cover of the letter No. 02/17/800/0014/01. The amount transferred is equal to the summation of ,

- (a) An amount equal to 8% of the value addition computed for financial VAT purposes
- (b) An amount equal to 5% of profits computed for income tax

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 Financial Reporting Standards and the requirements of the Companies Act No. 7 of 2007.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

3 Interest income

	2014	2013
Interest income from lease and hire purchase		
Finance leasing	608,738,405	557,368,453
Hire purchases	1,484,100,550	973,332,855
Interest income from loans and advances		
Income on hire	2,264,262	489,260
Personal loans	584,505,734	403,367,120
Pawning	102,479,221	78,120,227
Revolving loans	124,837,966	86,584,276
SME loans	176,527,814	13,744,749
Consumer loans	30,640,845	24,624,046
Margin trading	113,937	3,783,986
Other lending & investments	224,334,188	136,131,286
	3,338,542,921	2,277,546,258

4 Interest expenses

	2014	2013
Due to customers		
Interest on time deposits	1,163,481,343	918,333,547
Interest on certificate of deposits	1,084,953	1,300,206
Interest on savings deposits	6,891,476	6,988,532
Due to banks		
Interest on bank borrowings	276,808,030	180,834,027
Interest on finance lease	625,069	850,770
Other borrowed funds		
Interest on securitisation	199,420,609	178,406,014
Interest on commercial papers	356,334,031	100,957,237
Interest on promissory notes	918,248	3,379,270
Interest on debentures	52,068,981	Nil
	2,057,632,739	1,391,049,603

5 Fee and commission income

	2014	2013
Documentation & processing fees	88,402,179	42,260,253
Sundry income	30,124,754	27,083,419
	118,526,933	69,343,672

6 Net trading income

	2014	2013
Dividend income from financial investments - Held for trading	12,932,804	4,251,797
Gain from remeasuring investments held for trading	6,487,200	24,804,000
Profit from sale of vehicles	1,880,609	1,726,522
	21,300,613	30,782,319

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

7 Other operating income

	2014	2013
Profit on disposal of property, plant and equipment	189,000	744,970
(Loss)/gain on disposal of financial investments - Available for sale financial assets	(579,076)	5,449,933
Management fees	Nil	7,500,000
Notional interest reversal on individually impaired receivables	4,776,415	2,741,945
Capital gain on treasury bonds	8,136,698	45,178,900
	12,523,037	61,615,748

8 Impairment for loans and receivables

	2014	2013
Lease and hire purchase	216,321,660	38,646,264
Loans and receivables	94,679,341	34,933,782
Other receivables	7,753,955	(616,430)
Repossessed vehicle stock	9,041,278	Nil
	327,796,234	72,963,616

9 Personnel costs

	2014	2013
Salaries and other related expenses	242,383,897	196,225,350
Defined contribution plan costs - EPF & ETF	28,823,283	24,850,596
Defined benefit plan costs	4,267,410	4,840,806
Directors' remuneration	12,930,517	12,861,760
	288,405,108	238,778,512

10 Other operating expenses

	2014	2013
Advertising, commission & promotional expenses	93,335,048	77,097,172
Premises & utility expenses	89,612,822	90,479,396
Travelling, vehicle running & recovery expenses	127,757,195	104,697,738
Auditors' remuneration	1,136,394	753,477
Secretarial fees	1,073,993	628,329
Other administrative expenses	222,323,198	183,698,848
	535,238,649	457,354,961

11 Income tax expense

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

	2014	2013
Current income tax		
Current income tax charge	44,324,124	25,923,082
Deferred income tax		
Deferred income tax (Credit)/ charge	(18,552,761)	6,289,842
Income tax expense reported in the statement of comprehensive income	25,771,363	32,212,924

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

	2014	2013
Accounting profit before income tax	191,425,252	196,266,987
At the statutory income tax rate of 28% (2013 : 28%)	53,599,071	54,954,756
Deductible expenses	(56,049,686)	(53,525,600)
Non deductible expenses	28,221,978	30,783,768
At the effective income tax rate of 13.46% (2013 : 16.41%)	25,771,363	32,212,924

12 Basic earnings per share

12.1 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.

12.2 The following reflects the income and share data used in the basic earnings per share computations.

	2014	2013
Net profit for the year	165,653,889	164,054,063
Number of ordinary shares used as the denominator		
Weighted average number of ordinary shares	37,453,951	37,453,951
Basic earnings per share	4.42	4.38

13 Dividends paid and proposed

	2014	2013
Declared and paid during the year (Rs.1.50 per share)	56,180,927	56,180,927
Dividends on ordinary shares:	56,180,927	56,180,927
Proposed for approval at Annual General Meeting	Nil	Nil
Dividends on ordinary shares:	Nil	Nil

14 Cash and cash equivalents

	2014	2013
Cash at bank and in hand	491,468,734	583,945,950
Other deposits and investments - original maturity less than 3 months	1,940,000,000	888,560,014
	2,431,468,734	1,472,505,964

15 Financial investments - available for sale

	2014	2013
Securities available for sale		
Equity securities at fair value - Listed	106,034,888	64,932,061
Equity securities at cost - Unlisted	50,030,600	50,030,600
Treasury bills and bonds investments	1,359,402,703	Nil
Allowance for impairment	Nil	Nil
	1,515,468,191	114,962,661

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

16 Financial investments- Held for trading

	2014	2013
Equity securities at fair value - Listed	85,192,200	78,705,000
	85,192,200	78,705,000

16.1 Quoted shares investments

	No of Shares 31 March 2014	Cost of investment 31 March 2014	Market value 31 March 2014 Rs.	No of shares 31 March 2013	Cost of investment 31 March 2013 Rs.	Market value 31 March 2013 Rs.
Financial investments - available for sale						
Sampath Bank PLC	Nil	Nil	Nil	61	14,189	13,719
Seylan Bank PLC (Non Voting)	205,142	10,816,110	7,590,254	200,000	10,816,110	7,100,000
John Keells Holdings PLC	Nil	Nil	Nil	26,666	6,458,310	6,586,502
Expo Lanka Holdings PLC	927,600	12,986,400	8,070,120	927,600	12,986,400	6,307,680
Access Engineering PLC	2,000,000	50,000,000	46,000,000	2,000,000	50,000,000	39,400,000
Asian Alliance Insurance PLC	547,158	52,467,760	44,374,514	69,052	5,735,180	5,524,160
Financial investments- Held for trading						
National Development Bank	477,000	53,901,000	85,192,200	477,000	53,901,000	78,705,000

17 Lease and hire purchase receivables

	2014	2013
Gross investment in leases and hire purchases	11,070,551,243	10,257,184,909
(-) Rentals received in advance	(3,912,273)	(4,518,303)
(-) Unearned income	(2,648,740,073)	(2,996,097,309)
Total gross investment in lease and hire purchases	8,417,898,897	7,256,569,297
(-) Allowance for impairment		
Allowance for specific impairment	(25,436,303)	(21,215,978)
Allowance for collective impairment	(67,674,362)	(13,386,238)
Net leases and hire purchase receivables (Note 17.1)	8,324,788,232	7,221,967,081
Lease and hire purchase rentals receivable within one year		
Lease and hire purchase rentals receivable within one year	5,973,355,498	4,229,069,753
(-) Unearned income	(1,425,566,950)	(1,432,629,058)
Total rentals receivable within one year	4,547,788,548	2,796,440,695
Lease and hire purchase rentals receivable within one to five years		
Lease and hire purchase rentals receivable within 1-5 years	5,093,283,473	6,023,596,853
(-) Unearned income	(1,223,173,123)	(1,563,468,251)
Gross rentals receivable within one to five years	3,870,110,349	4,460,128,602

17.1 Net lease and hire purchase receivables

	2014	2013
Gross investment in leases and hire purchases		
Leases	3,229,871,185	3,530,181,602
Hire purchase contracts	7,840,680,059	6,727,003,307
(-) Unearned income		
Leases	(837,884,960)	(1,022,144,216)
Hire purchase contracts	(1,810,855,113)	(1,973,953,093)
(-) Rentals received in advance		
Leases	(3,912,273)	(4,518,303)
Leases net before impairment allowance	2,388,073,952	2,503,519,083
HP net before impairment allowance	6,029,824,945	4,753,050,214
(-) Allowance for impairment		
Allowance for specific impairment		
Leases	1,797,172	2,319,330
Hire purchase contracts	23,639,131	18,896,648
Allowance for collective impairment		
Leases	14,064,491	2,183,275
Hire purchase contracts	53,609,871	11,202,963
Net investment in leases and hire purchases		
Leases	2,372,212,289	2,499,016,478
Hire purchase contracts	5,952,575,943	4,722,950,603
	8,324,788,232	7,221,967,081

17.2 Movement in Impairment allowance for leases and hire purchase receivables

	2014	2013
Balance as at the beginning of the year	41,212,308	27,109,337
Impairment charge for the year	221,585,095	38,646,263
Write offs during the year	(158,300,230)	(24,543,293)
Balance as at end of the year	104,497,172	41,212,308
Reversal of notional interest for the year	(11,386,507)	(6,610,092)
Balance as at the end of the year after notional interest adjustment	93,110,665	34,602,216
Movement in specific impairment allowance for leases and hire purchase receivables		
Balance as at the beginning of the year	27,826,070	18,230,678
Impairment charge for the year	167,296,971	34,138,684
Write offs during the year	(158,300,230)	(24,543,293)
Balance as at end of the year	36,822,810	27,826,070
Reversal of notional interest for the year	(11,386,507)	(6,610,092)
Balance as at the end of the year after notional interest adjustment	25,436,303	21,215,978
Movement in collective impairment allowance for leases and hire purchase receivables		
Balance as at the beginning of the year	13,386,238	8,878,659
Net impairment charge for the year	54,288,124	4,507,579
Balance as at end of the year	67,674,362	13,386,238

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

18 Loans and receivables

	2014	2013
Loans and receivable	4,996,420,860	4,119,455,656
(-) Unearned income	[979,411,269]	[731,611,904]
Gross loans and receivables	4,017,009,591	3,387,843,752
(-) Allowance for specific impairment	[93,769,560]	[31,736,935]
(-) Allowance for collective impairment	[35,843,564]	[3,196,847]
Net loans and receivable	3,887,396,468	3,352,909,970

18.1 Product wise analysis of loans and receivables

	2014	2013
Short term loans receivable	252,018	14,704,565
Revolving loans receivable	524,509,685	350,642,938
Consumer loans receivable	129,628,137	
(-) Unearned income	[22,097,541]	90,682,135
Personal loans receivable	3,160,239,587	
(-) Unearned income	[925,569,738]	1,611,496,331
Pawning receivable	407,488,720	436,511,829
Margin trading receivable	Nil	3,588,175
SME loans receivable	494,914,560	
(-) Unearned income	[31,743,990]	251,835,890
Investments in commercial papers more than 3 months	31,924,215	28,277,533
Placements with banks and financial institutions	247,463,938	Nil
Investments in government securities	Nil	600,104,356
Allowance for impairment (Note 18.2)	[129,613,123]	[34,933,782]
	3,887,396,468	3,352,909,970

18.2 Product wise analysis - allowance for impairment for loans and receivables

	2014	2013
Revolving loans receivable	9,522,385	2,275,120
Consumer loans receivable	9,385,078	3,453,152
Personal loans receivable	61,641,157	27,145,781
Pawning receivable	46,357,649	2,059,729
SME loans receivable	2,706,855	Nil
	129,613,123	34,933,782

18.3 Movement in impairment allowance for loans and receivables

	2014	2013
Balance as at the beginning of the year	34,933,782	Nil
Net impairment charge for the year	94,679,341	34,933,782
Balance as at end of the year	129,613,123	34,933,782

18.4 Movement in specific impairment allowance for loans and receivables

	2014	2013
Balance as at the beginning of the year	31,736,935	Nil
Net impairment charge for the year	62,032,625	31,736,935
Balance as at end of the year	93,769,560	31,736,935

18.5 Movement in collective impairment allowance for loans and receivables

	2014	2013
Balance as at the beginning of the year	3,196,847	Nil
Net impairment charge for the year	32,646,717	3,196,847
Balance as at end of the year	35,843,564	3,196,847

19 Other non financial assets

	2014	2013
Prepayments and other receivable (19.1)	1,050,142,145	648,445,420
Vehicle stock (19.3)	375,798,273	105,234,672
Real estate stock	59,722,920	37,858,097
Gold stock	207,590,866	Nil
	1,693,254,204	791,538,189

19.1 Prepayments and other receivables

	2014	2013
Advance, deposits and prepayments	106,288,236	75,735,190
Receivable from inland revenue	156,387,728	171,086,772
Other receivable (19.2)	796,551,084	402,954,407
Impairment for other receivable	(9,084,903)	(1,330,949)
	1,050,142,145	648,445,420

19.2 Other receivables

	2014	2013
Interest receivable on lease and hire purchase	205,627,339	182,075,205
Interest receivable on loans and advances	138,534,430	65,542,787
Interest receivable on derivative financial instrument	159,496,851	-
Insurance debtors	105,074,382	90,671,848
Others	187,818,082	64,664,567
	796,551,084	402,954,407

19.3 Vehicle stock

	2014	2013
Trading vehicle stock	30,617,788	48,567,503
Repossessed vehicle stock	354,221,764	56,667,169
Impairment on repossessed vehicle stock	(9,041,278)	Nil
	375,798,273	105,234,672

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

20 Intangible assets

Computer software	Balance as at 01 April 2013	Additions 1 April 2013 to 31 March 2014	Disposals 1 April 2013 to 31 March 2014	Balance as at 31 March 2014
Gross carrying amount	19,863,707	4,593,389	Nil	24,457,095
Depreciation	11,512,231	3,020,753	Nil	14,532,984
Net book values	8,351,476	1,572,635	Nil	9,924,111

Intangible assets includes fully amortised assets of Rs.7,971,450 as at 31 March 2014 which are still in use. (2013 - Rs.7,568,950)

21 Property plant and equipment

21.1 Owned assets

21.1 Gross carrying amount

	Balance as at 01 April 2013	Additions 1 April 2013 to 31 March 2014	Disposals 1 April 2013 to 31 March 2014	Balance as at 31 March 2014
Owned assets				
Land	Nil	62,181,178	Nil	62,181,178
Building	Nil	60,691,222	Nil	60,691,222
Office equipment	128,677,389	15,960,389	Nil	144,637,778
Furniture and fittings	58,893,206	5,254,026	Nil	64,147,232
Motor vehicles	7,522,154	150,000	(105,091)	7,567,063
Office partitioning	54,670,794	6,147,221	Nil	60,818,015
Motor vehicles - given out on hire agreements	2,351,070	34,350,000	Nil	36,701,070
	252,114,613	184,734,035	(105,091)	436,743,557
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	270,264,588	184,734,035	(105,091)	454,893,532

21.2 Depreciation

	Balance as at 01 April 2013	Additions 1 April 2013 to 31 March 2014	Disposals 1 April 2013 to 31 March 2014	Balance as at 31 March 2014
Owned assets				
Land	Nil	Nil	Nil	Nil
Building	Nil	252,880	Nil	252,880
Office equipment	42,741,170	26,113,617	Nil	68,854,787
Furniture & fittings	17,223,671	9,061,418	Nil	26,285,089
Motor vehicles	5,643,935	1,323,932	(105,091)	6,862,776
Office partitioning	11,495,957	8,841,260	Nil	20,337,217
Motor vehicles - given out on hire agreements	1,620,887	2,414,330	Nil	4,035,217
	78,725,620	48,007,437	(105,091)	126,627,965
Assets on finance leases				
Furniture and fittings		3,590,486	Nil	3,590,486
Motor vehicles - given out on hire agreements		3,629,040	Nil	3,629,040
Motor vehicles	5,749,502	2,342,376	Nil	8,091,878
Office equipment		707,000	Nil	707,000
	13,676,028	2,342,376	Nil	16,018,403
Total depreciation	92,401,648	50,349,812	(105,091)	142,646,369

21.3 Net book values

As at 31 March	2014	2013
Owned assets		
Cost	436,743,557	252,114,613
Accumulated depreciation	(126,627,965)	(78,725,620)
Net book value	310,115,592	173,388,993
Assets on finance leases		
Cost	18,149,975	18,149,975
Accumulated depreciation	(16,018,403)	(13,676,028)
Net book value	2,131,572	4,473,947
Total carrying amount of property, plant and equipment	312,247,164	177,862,940

Property plant and equipment includes fully depreciated assets which are still in use of Rs.15,217,590 as at 31 March 2014. (2013- Rs. 8,048,432)

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

22 Due to banks

	Payable within one year	Payable after one year	2014	2013
Bank overdrafts	148,523,704	Nil	148,523,704	255,327,141
Bank loans	973,716,173	470,205,757	1,443,921,930	2,391,747,086
Finance lease creditors	2,307,315	1,954,010	4,261,325	6,337,648
	1,124,547,192	472,159,767	1,596,706,959	2,653,411,875

22.1 Finance lease creditors

	As at 31 March 2014	Not later than 1 year	Later than 1 year and not later than 5 years
Gross liability	4,727,430	2,701,391	2,026,039
Finance charge allocated to future periods	(466,104)	(394,076)	(72,029)
Net liability	4,261,325	2,307,315	1,954,010

23 Derivative financial instruments

	2014		2013	
	Asset	Liability	Asset	Liability
Cross currency interest rate Swap- Cash flow hedges	Nil	11,484,342	Nil	Nil

Interest rate SWAP- Cash flow

The objective of the cash flow hedge is to reduce the variability of the cash flows of a foreign currency denominated borrowing. Cash flow hedge has effectively mitigated the Interest rate risk and foreign currency risk arising from the variability in the cash flow of the borrowing attributable to change in LIBOR interest rates and the USD/LKR exchange rate.

Hedging Instrument- Non deliverable interest rate cross currency SWAP.

Hedged Item- The 4 Year USD Denominated floating rate borrowing amounting to USD 4.8 Mn.

Cash flow hedge has a notional amount of USD 4.8 Mn and cash flows are expected to occur as at 15th April, 15th October of 2014, 2015, 2016, 2017 in USD 1.2 Mn capital repayment at each 15th of April in each year and interest repayments both at 15th April, 15th October of each year.

In respect of cash flow hedge instrument following balance has been recognised under other comprehensive income (OCI) as the fair value loss on hedging instrument.

	2014	2013
Net change in fair value on derivative financial instruments	(30,540,342)	Nil
	(30,540,342)	Nil

On the hedged item (USD denominated borrowing), attributable to the hedged risk following balance has been recognised in comprehensive income under interest expenses.

	2014	2013
Interest expense	22,205,775	Nil
	22,205,775	Nil

24 Due to customers

	Payable within one year	Payable after one year	2014	2013
Time deposits	7,361,808,432	1,873,508,444	9,235,316,875	6,857,625,180
Savings deposits	65,532,511	Nil	65,532,511	97,035,867
Certificate of deposits	Nil	11,893,565	11,893,565	2,290,000
	7,427,340,943	1,885,402,009	9,312,742,952	6,956,951,047

25 Other borrowed funds

	Payable within one year	Payable after one year	2014	2013
Securitisation	820,139,873	180,030,704	1,000,170,577	828,392,125
Commercial papers	3,322,389,818	Nil	3,322,389,818	753,028,907
Debentures	Nil	565,000,000	565,000,000	Nil
	4,142,529,691	745,030,704	4,887,560,395	1,581,421,032

25.1 Securitisations and other bank facilities

Bank	Type of the loan	Amortised cost	Interest rates	Securities pledged
DFCC Bank	Term Loan	10,930,159	AWPLR+3%	13,541,613
Commercial Bank of Ceylon	Term Loan	116,490,822	AWPLR+2.5%	152,002,500
People's Bank	Term Loan	15,330,473	AWPLR+3.25%	19,954,997
Bank of Ceylon	Term Loan	18,749,990	AWPLR+3%	28,124,986
FMO Loan	Term Loan	774,460,487	LIBOR+5%	999,960,000
FMO Loan	Convertible Debt	507,960,000	LIBOR+7%	Nil
Deutsche Bank - Securitisation XI	Securitisation	9,101,697	12.66%	13,680,000
Deutsche Bank - Securitisation XIII	Securitisation	29,417,469	11.80%	45,337,897
Deutsche Bank - Securitisation XIV	Securitisation	90,858,352	15.23%	138,300,000
Deutsche Bank - Securitisation XVI	Securitisation	24,584,781	12.30%	36,903,529
Deutsche Bank - Securitisation XVII	Securitisation	89,509,961	13.17%	135,000,000
Deutsche Bank - Securitisation XVIII	Securitisation	43,750,000	16.59%	56,875,000
Deutsche Bank - Securitisation XIX	Securitisation	135,145,557	17.04%	178,541,918
Deutsche Bank - Securitisation XX	Securitisation	297,894,855	16.88%	465,288,214
Deutsche Bank - Securitisation XXI	Securitisation	279,907,904	14.64%	424,083,606
DFCC Bank	Finance Lease	4,261,325	13.18%	Nil

All these facilities have been pledged on Company's lease, hire purchase and loan receivable book.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

25.2 Securitisation (at amortised cost)

	2014	2013
Trust 10	Nil	2,500,000
Trust 11	9,101,697	47,754,934
Trust 12	Nil	66,627,491
Trust 13	29,417,469	101,101,944
Trust 14	90,858,352	200,469,688
Trust 15	Nil	31,670,719
Trust 16	24,584,781	90,591,258
Trust 17	89,509,961	168,926,091
Trust 18	43,750,000	118,750,000
Trust 19	135,145,557	Nil
Trust 20	297,894,855	Nil
Trust 21	279,907,904	Nil
	1,000,170,577	828,392,125

25.3 Debentures

During the financial year 2013/14 Company issued debentures as follows,

a. Listed debentures

Debenture category	Annual interest rate	Interest payment frequency	Allotment date	Maturity Date	Amortised cost
Type A -	17%	Annually	28-Aug-13	27-Aug-16	217,840,000
Type B -	16.5%	Semi Annually	28-Aug-13	27-Aug-16	100,160,000
Type C -	16%	Monthly	28-Aug-13	27-Aug-16	182,000,000
					500,000,000

b. Unsecured, unlisted, subordinated, redeemable debentures

	Annual interest rate	Interest payment frequency	Issued date	Maturity Date	Amortised cost
Debentures	15.5%	Quarterly	29-Nov-13	28-Nov-18	65,000,000
					65,000,000

26 Other non financial liabilities

	2014	2013
Trade payables	313,125,690	211,874,100
Income tax liabilities	34,196,089	19,923,082
Interest payable on derivative financial instruments	181,702,625	Nil
Other payables	544,106,507	511,962,845
	1,073,130,911	743,760,027

27 Retirement benefit obligation

	2,014	2013
At beginning of year	13,512,666	11,886,551
Transitional liability	667,334	Nil
Current service cost	2,636,710	2,825,576
Interest cost	1,630,700	2,015,230
Actuarial losses	4,805,124	97,809
Contributions paid	(1,284,800)	(3,312,500)
At end of the year	21,967,734	13,512,666
The amounts recognised in the statement of comprehensive income are as follows		
Current service cost	2,636,710	2,825,576
Interest cost	1,630,700	2,015,230
	4,267,410	4,840,806
Amounts recognised in the other comprehensive income are as follows		
Liability (gain) /losses due to changes in assumptions	Nil	97,809
Liability experience (gain)/losses during the year	4,805,123	Nil
*Transitional liability / (asset) recognised during the year	667,334	Nil
	5,472,457	97,809

* With effect from 01 April 2013 Company adopted the revised LKAS 19, Employee benefits. Accordingly the accounting policy has been changed to reflect the new requirement under the revised standard. The effect of recognising the entire actuarial gain or losses as a result was not material to the financial statements. Hence the transitional effect has been accounted full in the current year.

This obligation which is not externally funded is based on an actuarial valuation of the defined benefit plan based on the projected unit credit method, which is the benchmark method specified in Sri Lanka Accounting Standards (LKAS) No.19 "Employee Benefits", carried out by a professional actuaries as of 31 March 2014. The principal assumptions used for this purpose are as follows:

	2014	2013
Discount rate per annum	12%	12%
Annual salary increments rate	10%	12%
Retirement age	55	55

28 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:

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

Deferred tax assets and liabilities are attributable to the following originations of temporary differences;

Taxable / (Deductible) Temporary Differences

	2014	2013
Property, Plant & Equipment	103,440,393	67,069,202
Lease Capital Balance	181,426,289	242,570,202
Taxable Temporary Differences	284,866,682	309,639,404
Retirement Benefit Obligation	(21,967,734)	(13,512,667)
Unclaimed Impairment Provisions	(88,783,500)	-
Unclaimed Tax Losses	(7,696,233)	(63,447,658)
Total Taxable Temporary Differences (net)	166,419,214	232,679,079
Applicable Tax Rate	28%	28%
Net Deferred Tax Liabilities / (Assets)	46,597,380	65,150,142

Deferred Tax Liabilities	Temporary Difference	2014 Tax Effect	Temporary Difference	2013 Tax Effect
At beginning of the year	309,639,404	86,699,033	315,131,760	88,236,893
Originating/(reversing) during the year	(24,772,721)	(6,936,362)	(5,492,356)	(1,537,860)
At the end of the year	284,866,683	79,762,671	309,639,404	86,699,033

Deferred Tax Asset				
At beginning of the year	76,960,325	21,548,891	45,937,178	12,862,410
Originating during the year	41,487,142	11,616,400	31,023,147	8,686,481
At the end of the year	118,447,468	33,165,291	76,960,325	21,548,891

Net deferred tax liability	2014	2013
At beginning of the year	65,150,142	75,374,483
Income statement release	(18,552,761)	6,289,842
Impact on reclassification	Nil	(16,514,183)
At the end of the year	46,597,380	65,150,142

29 Stated capital

	2014		2013	
	Number	Rs.	Number	Rs.
Issued and fully paid ordinary shares	37,453,951	1,003,230,820	37,453,951	1,003,230,820
No. of shares at the beginning of the year	37,453,951		37,453,951	
Shares issued during the year (Right issue)	Nil		Nil	
No of shares at the ending of the year	37,453,951		37,453,951	

30 Reserves

	Statutory reserve fund	Investment fund reserve	Available for sale reserve	Total
As at 01 April 2012	12,657,138	20,929,338	(8,024,404)	25,562,072
Transfers during the year	30,182,124	26,757,914	Nil	56,940,038
Net loss on available for sale assets	Nil	Nil	(11,258,459)	(11,258,459)
As at 01 April 2013	42,839,262	47,687,252	(19,282,863)	71,243,651
Transfers during the year	33,130,778	28,246,574	Nil	61,377,352
Net loss on available for sale assets	Nil	Nil	31,491,976	31,491,976
As at 31 March 2014	75,970,040	75,933,826	12,209,113	164,112,978

Statutory 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 20% of the net profit after taxation.

Investment fund reserve

Investment fund reserve created in compliance with the guidelines issued by Value Added Tax Act No 14 of 2002, under the cover of the letter No. 02/17/800/0014/01. The amount transferred is equal to the summation of

- a. An amount equal to 8% of the value addition computed for financial VAT purposes
- b. An amount equal to 5% of profits computed for income tax

31 Financial risk management

Introduction and overview

The Company has exposed to the following risks from financial instruments.

- 01) Market Risk
- 02) Credit Risk
- 03) Liquidity Risk
- 04) Operational Risk

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board discharges its governance responsibility through the Board Integrated Risk Management Committee and the Audit Committee. Board Integrated Risk Management Committee consists of non-executive and executive members who report regularly to the Board of Directors on their activities. There are several executive management sub committees such as Credit Committee, Asset and Liability Committee (ALCO), IT Steering Committee, which focus on specialised risk areas that support the Board Integrated Risk Management Committee.

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

The Audit Committee is responsible for monitoring compliance with the Company's risk management policies and procedures. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Objectives and policies

Integrated Risk Management Committee (IRM) with the ultimate objective of to deliver superior shareholder value between risk and return. This Committee consists of two Independent Non-Executive Directors, Non-Executive Director, Executive Director, CEO, Manager Risk Operations, Chief Manager Credit Risk. Integrated risk management committee oversees market risk, operational risk and credit risk. ALCO committee monitors the market risk in broader aspects including the liquidity risk. Company is exposed to liquidity risk mainly due to interest rate fluctuations in the market. Credit committee involves in monitoring of credit risk by analysing the credit risk using several measurement criteria like 20 largest exposures, 10 largest 3-6 months arrears, 10 largest non performing advances and sectorial exposure. For some of these measures Company has stipulated risk tolerance level and continually monitor the credit exposure in order to ensure superior credit quality.

The Company's principal financial liabilities comprise borrowings, public deposits, trade & other payables, and bank overdrafts. The main purpose of these financial liabilities is to raise finances for the Company's operations. The Company has various financial assets such as lease & hire purchase rental receivables, other investments, loans, investments in government securities and bank & cash balances, which arise directly from its operations.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity price will affect the Company's profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimising return.

Financial assets subject to market risk	2014		
	Carrying amount	Trading portfolios	Non trading portfolios
Financial investments - Available for sale	1,515,468,191	Nil	1,515,468,191
Financial investments - Held for trading	85,192,200	85,192,200	Nil
Lease and hire purchase receivables	8,324,788,232	Nil	8,324,788,232
Loans and receivables	3,887,396,468	Nil	3,887,396,468
	13,812,845,091	85,192,200	13,727,652,891

Financial assets subject to market risk	2013		
	Carrying amount	Trading portfolios	Non trading portfolios
Financial investments - Available for sale	114,962,661	Nil	114,962,661
Financial investments - Held for trading	78,705,000	78,705,000	Nil
Lease and hire purchase receivables	7,221,967,081	Nil	7,221,967,081
Loans and receivables	3,352,909,970	Nil	3,352,909,970
	10,768,544,712	78,705,000	10,689,839,712

Financial liabilities subject to market risk	Carrying amount	2014	
		Trading portfolios	Non trading portfolios
Due to banks	1,596,706,959	Nil	1,596,706,959
Derivative financial instruments	11,484,342	Nil	11,484,342
Due to customers	9,312,742,952	Nil	9,312,742,952
Other borrowed funds	4,887,560,395	Nil	4,887,560,395
	15,808,494,648	Nil	15,808,494,648

Financial liabilities subject to market risk	Carrying amount	2013	
		Trading portfolios	Non trading portfolios
Due to banks	2,653,411,875	Nil	2,653,411,875
Derivative financial instruments	Nil	Nil	Nil
Due to customers	6,956,951,047	Nil	6,956,951,047
Other borrowed funds	1,581,421,032	Nil	1,581,421,032
	11,191,783,954	Nil	11,191,783,954

Market risk - Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

	31 March 2014	31 March 2013
Fixed interest rate instruments:		
Financial assets	15,511,587,403	10,574,877,051
Financial liabilities	14,223,532,747	9,342,829,566
Floating interest rate instruments:		
Financial assets	Nil	Nil
Financial liabilities	1,436,438,197	1,593,627,247

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's financial assets and liabilities with floating interest rates.

The following table demonstrates the sensitivity of the income statement to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the income statement is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 March. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

	Changes in basis points	Effect on profit Rs.
2014		
Floating interest rate instruments	+25 b.p	3,681,374
2013		
Floating interest rate instruments	+25 b.p	1,867,181

Market risk - Equity price risk

The Company's listed and unlisted equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Company manages the equity price risk through diversification and placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Company's senior management on a regular basis. The Company's Board of Directors reviews and approves all equity investment decisions.

The following table demonstrates the sensitivity of the cumulative changes in fair value to reasonably possible changes in equity prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increase shown.

	Change in equity price	Effect on profit Rs.	Effect on equity Rs.
31 March 2014.			
Quoted shares – (Colombo Stock Exchange)	10% +/-	8,519,220	10,603,489
31 March 2013			
Quoted shares – (Colombo Stock Exchange)	10% +/-	7,870,500	6,493,206

The Company also has unquoted investments carried at cost where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the income statement will be impacted.

Management of market risks

The Company separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios are mainly held by the Company's Treasury Department. Overall authority for market risk is vested in ALCO. Company employees a range of tools for monitor and limit market risk exposures.

Credit risk mainly comprises of default risk and concentration risk and this is one of the major risk element in the industry due to the nature of the business. Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's loans and receivables to customers and investment debt securities. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure such as individual obligor default risk and sector risk. For risk management purposes, credit risk arising on trading assets is managed independently and information thereon is disclosed below. The market risk in respect of changes in value in trading assets arising from changes in market credit spreads applied to debt securities and derivatives included in trading assets is managed as a component of market risk, further details are provided in market risk section.

Credit risk - Default risk

Default risks the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. It arises from lending, trade finance, treasury and other activities undertaken by the Company. The Company has in place standards, policies and procedures for the control and monitoring of all such risks.

Credit risk - Concentration risk

The Company seeks to manage its credit risks exposure through diversification of its lending, investing and financing activities to avoid undue concentrations of risks with individuals or groups of customers in specific businesses. It also obtains security when appropriate. The types of collateral obtained include cash, mortgages over properties and pledge over equity instruments.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee and Credit Risk Committee. Company Credit Risk monitoring Unit reporting to Risk Committee through the Chief Risk Officer who is responsible for management of the Company's credit risk, including:

Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting.

Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Heads of Credit, Board Credit Committee or the Board of Directors as appropriate.

Reviewing and assessing credit risk. Heads of Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process.

Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer. Refer Concentration of risk.

Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Heads of Credit who may require appropriate corrective action to be taken.

Providing advice, guidance and specialist skills to business units to promote best practice throughout the Company in the management of credit risk.

Regular audits of business units and Company Credit processes are undertaken by Internal Audit.

The table below shows the maximum exposure to credit risk for the components of statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	Gross maximum exposure 31 March 2014 Rs.	31 March 2013 Rs.
Bank balances	231,151,642	258,565,898
Lease and hire purchase rental receivables	8,324,788,232	7,221,967,081
Loans and advances	3,887,396,468	3,352,909,970

Concentration of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from loans and advances as the reporting date is shown below.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

Concentration by sector (Gross)	2014	2013
Agriculture	935,691,241	959,862,793
Manufacturing	756,965,489	833,420,386
Tourism	52,876,139	48,103,090
Transport	516,841,436	766,900,685
Construction	1,418,176,314	1,380,421,233
Trading	4,503,274,688	4,458,469,214
Services	7,192,357,650	4,860,050,643
Other	407,488,720	436,511,829
	15,783,671,678	13,743,739,872

Concentration by location (Gross)	2014	2013
Western	8,415,796,185	6,912,247,975
Uva	408,796,722	475,387,725
North Western	1,255,121,941	1,089,159,859
Southern	1,767,684,988	1,709,473,145
Central	1,955,635,508	1,761,315,404
North Central	967,905,753	903,049,200
Sabaragamuwa	851,892,242	798,456,675
North	160,838,339	94,649,889
	15,783,671,678	13,743,739,872

(a) Credit quality by class of financial assets

	2014	2013
Assets at amortised cost		
Individually impaired		
Net amount	1,302,759,644	1,197,458,668
Allowance for impairment	(119,205,863)	(29,003,979)
Carrying amount	1,183,553,781	1,168,454,689
for the rest of portfolio where collective impairment is applicable		
Net amount	14,480,912,034	12,546,281,204
Allowance for impairment	(103,517,926)	(40,532,019)
Carrying amount	14,377,394,108	12,505,749,185
Total carrying amount	15,560,947,889	13,674,203,874

Age analysis of facilities considered for collective impairment

	2014	2013
Category		
Not due/ current	13,532,080,439	12,296,436,095
Overdue:		
Less than 30 days	306,488,506	130,495,336
31 - 60 days	200,983,257	48,432,811
61 - 90 days	125,017,940	21,074,321
91 - 120 days	56,473,090	7,819,093
121 - 150 days	55,364,892	10,063,670
151 - 180 days	44,361,443	8,066,221
181 - 365 days	115,546,822	13,562,281
above 365 days	44,595,645	10,331,376
	14,480,912,034	12,546,281,204

(b) Credit quality by class of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
31 March 2014				
Cash and cash equivalents	2,431,468,734	Nil	Nil	2,431,468,734
Financial investments - Available for sale	1,515,468,191	Nil	Nil	1,515,468,191
Financial investments - Held for trading	85,192,200	Nil	Nil	85,192,200
Lease and hire purchase (net)	2,913,755,022	5,380,320,677	30,712,533	8,324,788,232
Loans and receivables (net)	2,674,299,704	480,608,415	732,488,349	3,887,396,468
Total financial assets	9,620,183,851	5,860,929,092	763,200,882	16,244,313,825
31 March 2013				
Cash and cash equivalents	1,472,505,964	Nil	Nil	1,472,505,964
Financial investments - Available for sale	114,962,661	Nil	Nil	114,962,661
Financial investments - Held for trading	78,705,000	Nil	Nil	78,705,000
Lease and hire purchase (net)	2,858,896,066	4,337,465,999	25,605,016	7,221,967,081
Loans and receivables (net)	3,109,288,829	787,879,319	101,500,808	3,352,909,970
Total financial assets	7,634,358,520	5,125,345,319	127,105,824	12,241,050,676

Fair value of financial instruments carried at amortised cost

The table below shows a comparison of the carrying amounts, as reported on the statement of financial position, and fair values of the financial assets and liabilities carried at amortised cost.

Fair values is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The estimated fair values are based on relevant information. There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all of the Company's financial instruments can be exchanged in an active trading market. The Company obtains the fair values of investment securities from quoted market prices where available, the Company obtains the fair values by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

Given below is the methodologies and assumptions used in fair value estimates.

Cash and cash equivalents.

The carrying amount of cash and cash equivalents, approximate their fair value as those are short term in nature and are receivable on demand.

Loans and receivables (Including Lease and HP)

Approximately 51% of the total lending portfolio has a remaining maturity of less than one year. The fair value of loans and receivables with a maturity of more than one year is the present value of future cash flows expected to be received from such loans and receivables calculated based on interest rates at the reporting date for similar types of loans and receivables. All loans are granted with a fixed interest rate term.

Liabilities

Due to banks

Approximately 73% of the amounts due to banks (Inclusive of overdraft facilities) as at the reporting date have a remaining contractual maturity of less than one year. Majority of the balance amounts comprised of floating rate instruments. Therefore fair value of amounts due to banks approximates to the carrying value as at the reporting date.

Due to customers

Approximately 80% of the customer deposits are either repayable on demand or have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre mature upliftment. Amounts paid to customers in the event of premature upliftment would not be materially different to its carrying value as at date. Therefore fair value of customer deposits approximates to their carrying value as at the reporting date.

Other borrowed funds

68% of other borrowed funds mainly includes commercial papers with a contractual maturity of less than one year which approximately equals to its fair value. Further 82% of securitisation payable with a contractual maturity of less than one year also approximately equals to its fair value.

Financial assets and liabilities	2014	
	Carrying Value	Fair Value
Cash and cash equivalents	2,431,468,734	2,431,468,734
Loans and receivables (Including and lease and HP)	12,212,184,700	12,524,411,118
Due to banks	1,596,706,959	1,596,706,959
Due to customers	9,312,742,952	9,312,742,952
Other borrowed funds	4,887,560,395	4,887,560,395

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation and is to maintain a balance between continuity of funding and flexibility through the use of borrowings, public deposits and bank overdrafts.

The table below summarises the maturity profiles of the Company's financial liabilities based on contractual undiscounted payments.

Analysis of financial assets and liabilities by remaining contractual maturities

At 31 March 2014	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	> 3 years Rs.	Total Rs.
Financial assets					
Cash and cash equivalents	491,468,734	1,940,000,000	Nil	Nil	2,431,468,734
Financial investments -					
Available for sale	1,515,468,191	Nil	Nil	Nil	1,515,468,191
Financial investments - Held for trading	85,192,200	Nil	Nil	Nil	85,192,200
Lease and hire purchase	1,460,036,771	2,271,695,688	3,401,809,373	1,191,246,401	8,324,788,232
Loans and receivables	891,958,183	1,601,136,028	1,250,342,915	143,959,342	3,887,396,468
Total financial assets	4,444,124,078	5,812,831,715	4,652,152,288	1,335,205,743	16,244,313,825

At 31 March 2014	Less than 3 months Rs.	More than 3 and less than 12 months Rs.	More than 1 year and less than 3 years Rs.	> 3 years Rs.	Total Rs.
Financial liabilities					
Bank overdrafts	148,523,704	Nil	Nil	Nil	148,523,704
Due to customers	3,416,852,000	3,961,314,148	1,706,722,812	227,752,347	9,312,742,952
Due to banks	444,468,817	573,257,448	232,289,560	198,167,431	1,448,183,255
Other borrowed funds	1,755,255,342	2,266,050,973	662,567,177	203,686,903	4,887,560,395
Derivative financial instruments	Nil	Nil	Nil	11,484,342	11,484,342
Total financial liabilities	5,765,099,863	6,800,622,569	2,601,579,549	641,091,023	15,808,494,648
	(1,320,975,785)	(987,790,853)	2,050,572,739	694,114,720	435,819,177

The key measure used by the Company for managing liquidity risk is the ratio of liquid assets to deposits from customers and other liabilities. For this purpose liquid assets are considered as including cash and cash equivalents and investment for which there is an active and liquid market. Details of the reported ratio of net liquid assets to the liabilities from customers at the reporting date and during the year were as follows:

	2014	2013
As at 31 March		
Average for the year	18.83%	14.86%
Maximum for the year	25.07%	21.62%
Minimum for the year	15.73%	10.13%

Components of the Company's liquid assets used for the purpose of calculating the Statutory Liquid Asset Ratio as at 31st March is given below.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

	2014	2013
Cash in Hand & Bank Balances	491,468,734	583,945,950
Deposits in Commercial Banks free from lien	247,463,938	369,560,014
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	2,420,615,236	624,212,156
Total Liquid Assets as at end of March	3,159,547,907	1,577,718,120

“The table below sets out the availability of financial assets held by the Company on the basis of being encumbered or unencumbered.”

	2014		2013	
	Encumbered	Unencumbered	Encumbered	Unencumbered
Cash and cash equivalents	Nil	2,431,468,734	Nil	1,472,505,964
Financial investments - Available for sale	Nil	1,515,468,191	Nil	114,962,661
Financial investments - Held for trading	Nil	85,192,200	Nil	78,705,000
Lease and hire purchase receivables	2,707,594,260	5,617,193,973	1,906,712,193	5,315,254,889
Loans and receivables	Nil	3,887,396,468	Nil	3,352,909,970
Other non financial assets	Nil	1,693,254,204	Nil	791,538,189
Intangible assets	Nil	9,924,111	Nil	8,351,476
Property, plant & equipment	Nil	312,247,164	Nil	177,862,940

* Encumbered- Pledged as collateral in borrowings

Analysis of commitment and contingencies by remaining contractual maturities

	Less than 3 months	More than 3 and less than 12 months	More than 1 year and less than 3 years	> 3 years	Total
At 31 March 2014	Rs.	Rs.	Rs.	Rs.	Rs.
Guarantees issued to banks and other institutions	4,550,000	10,100,000	Nil	Nil	14,650,000
	4,550,000	10,100,000	Nil	Nil	14,650,000

Capital management

Capital comprises of equity attributable to the equity holders of the parent. The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ending 31 March 2013 and 31 March 2014.

The Company monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Company includes within net debt, interest bearing loans and borrowings, loan from venture partner, trade and other payables, less cash and cash equivalents.

	31 March 2014 Rs.	31 March 2013 Rs.
Due to banks	1,596,706,959	2,653,411,875
Due to customers	9,312,742,952	6,956,951,047
Other borrowed funds	4,887,560,395	1,581,421,032
Less cash and cash equivalents	(2,431,468,734)	(1,472,505,964)
Net debt	13,365,541,572	9,719,277,990
Total capital	1,309,548,631	1,204,596,492
Capital and net debt	14,675,090,202	10,923,874,482
Gearing ratio	91%	89%

32 Fair value estimation

The table below analyses financial instruments carried at fair value by valuation methods. The different levels have been defined as follows;

The following table presents the Company's assets and liabilities that are measured at fair value.

As at 31 March 2014

	Level 1	Level 2	Level 3	Total balance
Assets				
Financial investments - Held for trading	85,192,200	Nil	Nil	85,192,200
Financial investments - Available for sale	1,465,437,591	Nil	50,030,600	1,515,468,191
	1,550,629,791	Nil	50,030,600	1,600,660,391
Liabilities				
Financial liabilities at fair value through profit or loss-Derivative financial instrument	Nil	11,484,342	Nil	11,484,342
	Nil	11,484,342	Nil	11,484,342

As at 31 March 2013

Assets				
Financial investments - Held for trading	78,705,000	Nil	Nil	78,705,000
Financial investments - Available for sale	64,932,061	Nil	50,030,600	114,962,661
	143,637,061	Nil	50,030,600	193,667,661
Liabilities				
Financial liabilities at fair value through profit or loss	Nil	Nil	Nil	Nil
	Nil	Nil	Nil	Nil

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments classified as trading securities or available for sale.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

33 Financial instruments by category

(a) Financial instruments

	Loans and receivables	Fair value through profit or loss	Available for sale	Held to maturity Investments	Total
31 March 2014					
Assets as per the statement of financial position					
Financial investments - Available for sale	Nil	Nil	1,515,468,191	Nil	1,515,468,191
Financial investments - Held for trading	Nil	85,192,200	Nil	Nil	85,192,200
Lease and hire purchase	8,324,788,232	Nil	Nil	Nil	8,324,788,232
Loans and receivables	3,887,396,468	Nil	Nil	Nil	3,887,396,468
Cash and bank balances	2,431,468,734	Nil	Nil	Nil	2,431,468,734
	14,643,653,434	85,192,200	1,515,468,191	Nil	16,244,313,825

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 March 2014			
Liabilities as per the statement of financial position			
Due to banks	Nil	1,596,706,959	1,596,706,959
Derivative financial instruments	11,484,342	Nil	11,484,342
Due to customers	Nil	9,312,742,952	9,312,742,952
Other borrowed funds	Nil	4,887,560,395	4,887,560,395
	11,484,342	15,797,010,306	15,808,494,648

	Loans and receivables	Fair value through profit or loss	Available for sale	Held to maturity Investments	Total
31 March 2013					
Assets as per the statement of financial position					
Financial investments - Available for sale	Nil	Nil	114,962,661	Nil	114,962,661
Financial investments - Held for trading	Nil	78,705,000	Nil	Nil	78,705,000
Lease and hire purchase	7,221,967,081	Nil	Nil	Nil	7,221,967,081
Loans and receivables	3,352,909,970	Nil	Nil	Nil	3,352,909,970
Cash and bank balances	1,472,505,964	Nil	Nil	Nil	1,472,505,964
	12,047,383,015	78,705,000	114,962,661	Nil	12,241,050,676

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
31 March 2013			
Liabilities as per the statement of financial position			
Due to banks	Nil	2,653,411,875	2,653,411,875
Derivative financial instruments	Nil	Nil	Nil
Due to customers	Nil	6,956,951,047	6,956,951,047
Other borrowed funds	Nil	1,581,421,032	1,581,421,032
	Nil	11,191,783,954	11,191,783,954

34 Commitments and contingencies

	2014	2013
Guarantees issued and in force	14,650,000	7,413,629
	14,650,000	7,413,629

Commitments include guarantees issued to banks and other financial institutions on behalf of customers.

35 Events after the balance sheet date

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

36 Transfer of financial assets (Lease and HP receivable)

Under the securitisation arrangement, the Company retains the contractual right to receive the cash from lease receivable, but assume a contractual obligation to pay the cash flows to investors of the trust certificates. Said securitisation will lead to a transfer of lease receivables to investors However will not qualified for a derecognition. Risks of defaults of the lease receivable and the right to receive the cash flows from the lease receivables are vested with the Company.

Carrying Value of assets and associated liabilities

	2014	2013
Lease, hire purchase and loans rental receivable	2,707,594,260	1,906,712,193
Securitisation payable	1,000,170,577	828,392,125

36.1 The following assets have been pledged as security for liabilities respectively for securitisation and bank term loan facilities.

Nature of assets

	2014	2013
Lease, hire purchase and loans rental receivable	2,707,594,260	1,906,712,193
Government securities	Nil	638,700,000
	2,707,594,260	2,545,412,193

37 Related party transactions

Details of significant related party disclosures are as follows:

37.1 Transactions with key managerial personnel (KMPs)

37.1.1 Key managerial personnel includes members of the Board of Directors of the Company and of it's Holding Company.

37.1.2 The following table provides the total amount of transactions which have been entered in to with key managerial personnel and their close family members

	2014	2013
Deposits	6,139,846	3,217,558

37.1.3 Remuneration to key managerial personnel amounted to Rs. Rs. 12,930,517/- for the year ended 31 March 2014. (2013 - Rs. 12,861,760)

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

37.2 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 advance	Borrowings/ deposits	Income earned	Amounts owed by group companies
Softlogic Credit Ltd	Group Company	2014 Mar	Nil	Nil	Nil	Nil
		2013 Mar	Nil	Nil	10,003,021	Nil
Softlogic Capital PLC	Parent Company	2014 Mar	Nil	Nil	Nil	Nil
		2013 Mar	Nil	Nil	Nil	Nil
Softlogic Corporate Services (Pvt) Ltd	Group Company	2014 Mar	Nil	Nil	256,366	Nil
		2013 Mar	2,559,362	Nil	675,091	Nil
Softlogic Retail (Pvt) Ltd	Affiliated Company	2014 Mar	28,025,792	9,456,786	28,638,295	Nil
		2013 Mar	34,898,596	9,001,454	23,850,194	Nil
Softlogic Communications (Pvt) Ltd	Affiliated Company	2014 Mar	30,596,378	Nil	6,493,583	Nil
		2013 Mar	30,684,809	Nil	5,137,824	Nil
Softlogic Computers (Pvt) Ltd	Affiliated Company	2014 Mar	Nil	Nil	Nil	Nil
		2013 Mar	Nil	Nil	Nil	Nil
Softlogic Information Technologies	Affiliated Company	2014 Mar	34,820,004	Nil	7,580,236	Nil
		2013 Mar	34,877,316	Nil	4,575,494	Nil
Asian Alliance Insurance PLC	Group Company	2014 Mar	1,936,968	145,000,000	788,238	Nil
		2013 Mar	3,015,646	169,820,598	684,422	Nil

Expenses incurred	Plant & equip. purchased	Guarantees obtained	Net accommodations as a % of capital finds	Nature & terms of the transaction	The rationale for entering into the transaction
Nil	Nil	Nil	0.0%	N/A	N/A
923,345	Nil	Nil	0.0%	N/A	To manage working capital requirement of Softlogic Credit Ltd
35,098,668	Nil	25,000,000	0.0%	N/A	
27,428,573	Nil	25,000,000	0.0%	N/A	To manage the working capital requirement of the Company
2,825,884	Nil	Nil	0.0%	Loans granted & outstanding - interest rate @ 18% p.a / period :24 months	
2,815,728	Nil	Nil	0.2%	Loans granted & outstanding - interest rate @ 18% p.a / period :24 months	
4,450,978	918,160	Nil	2.3%	"Loans granted & outstanding - Interest rate @ 20% p. a. / Period : 60 months / Security : promissory notes, Fixed deposit accepted - Interest rate @ 12.70% p.a / Period : 12 months ,Savings deposit accepted - Interest rate @ 7.5% p.a	Working capital requirement of the Company
6,758,347	3,822,885	Nil	3.0%	Loans granted & outstanding - Interest rate @ 15.50% p. a. / Period : 6 months / Security : promissory notes	Working capital requirement of the Company
Nil	Nil	Nil	2.6%	Loans granted & outstanding - interest rate @ 20% p.a / period :60 months	Normal business activity of the Company
17,318	58,644	Nil	2.7%	Loans granted & outstanding - interest rate @ 18% & 20 p.a / period :60 months	
817,806	345,000	Nil	0.0%	N/A	
699,675	1,036,530	Nil	0.0%	N/A	
7,644,018	15,673,489	Nil	2.9%	Loans granted & outstanding - interest rate @ 20% p.a / period :60 months	Working capital requirement of the Company
4,663,504	14,567,026	Nil	3.0%	Loans granted & outstanding - interest rate @ 20% p.a / period :60 months	
18,440,996	Nil	Nil	0.2%	Leases granted & outstanding - interest rate @ 30% & 32% p.a / period :36 months, debentures @ the rate of 15.5%, 16%, 17% for 36 months	Normal business activity of the Company
27,660,779	Nil	Nil	0.3%	Leases granted & outstanding - interest rate @ 30% & 32% p.a / period :36 months, Investment in commercial papers,@ the rate of 17% for 12 months	

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees)

38 Business segment information

The Company's segmental reporting is based on the following operating segments: Leasing, hire purchase other loans and receivables.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss, and in certain respects, are measured differently from operating profits or losses in the financial statements. However, income taxes are managed on a group basis and are not allocated to operating segments.

	Leasing		Hire Purchases		Other Loans and Receivables		Unallocated		Total	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue										
Interest	608,738,405	557,368,453	1,484,100,550	973,332,855	1,021,369,779	610,713,664	Nil	Nil	3,114,208,733	2,141,414,972
Investment Income	Nil	Nil	Nil	Nil	Nil	Nil	224,334,188	136,131,286	224,334,188	136,131,286
Fee based income and others	5,701,539	8,021,348	32,087,058	17,361,307	53,174,401	16,877,598	55,479,461	89,227,553	146,442,459	131,487,806
Profit/(Loss) from Dealing Securities	Nil	Nil	Nil	Nil	Nil	Nil	5,908,124	30,253,933	5,908,124	30,253,933
Total Revenue	614,439,944	565,389,801	1,516,187,608	990,694,162	1,074,544,180	627,591,262	285,721,773	255,612,772	3,490,893,504	2,439,287,997
Depreciation of property, plant and equipment	(8,862,183)	(10,179,035)	(21,868,259)	(17,836,032)	(15,498,352)	(11,298,884)	(4,121,019)	(4,601,943)	(50,349,812)	(43,915,894)
Amortisation of intangible assets	(531,689)	(474,149)	(1,311,993)	(830,820)	(929,829)	(526,313)	(247,242)	(214,363)	(3,020,753)	(2,045,645)
Profit/(Loss) before tax	33,693,185	45,491,698	83,141,062	79,712,014	58,923,279	50,496,475	15,667,726	20,566,800	191,425,252	196,266,987
Taxation									(25,771,363)	(32,212,924)
Profit after tax									165,653,889	164,054,063
Segment Assets	2,319,556,430	2,499,016,478	6,002,103,075	4,722,950,603	3,887,396,468	3,998,668,956	6,050,683,331	1,998,167,244	18,259,739,304	13,218,803,281
Segment Liabilities	2,153,202,908	2,231,708,075	5,571,645,349	4,332,139,204	3,608,600,881	3,634,280,252	5,616,741,535	1,816,079,258	16,950,190,673	12,014,206,789

Investor Information

1 Share information

1.1 Shareholding information

Name		No. of Shares	(%)
Softlogic Capital PLC	14,507,788	23,361,123	62.373
Pan Asia Banking Corporation/Softlogic Capital PLC	8,853,335		
Vanik Incorporation PLC		5,376,068	14.354
LB Finance PLC		1,540,000	4.112
Royal Ceramic Lanka PLC		1,042,200	2.783
Waldock Mackenzie Ltd/Mr. L. P. Hapangama		642,620	1.716
Softlogic Holdings PLC		574,714	1.534
Associated Electrical Corporation Ltd		509,500	1.360
Waldock Mackenzie Ltd/HI-Line Trading (Pvt) Ltd		356,008	0.951
Seylan Bank PLC/W D N H Perera		311,021	0.830
Mr. A.K. Pathirage		168,000	0.449
Mr. M. M. Fuad		153,217	0.409
Mr. A.H Udeshi		103,320	0.276
Bank of Ceylon No. 1 Account		102,201	0.273
Pan Asia Banking Corporation/Invest Copia Capital (Pvt) Ltd		99,899	0.267
Commercial Bank of Ceylon PLC/D S L Investments (Pvt) Ltd		97,000	0.259
Mr. D. S. Hewapathirana		85,549	0.228
Mr. S. Abishek		72,332	0.193
Mr. P. P. Hewapathirana		70,000	0.187
Waldock Mackenzie Ltd/Mrs. G. Soysa		66,000	0.176
Mr. M. M. C. J. Fernandopulle		61,000	0.163
		34,791,772	92.893
Others		2,662,179	7.107
		37,453,951	100.00

1.2 Distribution of Shareholdings as at 31st March 2014

From	To	No. of Holders	No. of Shares	%
1	- 1,000	720	264,585	0.71
1,001	- 10,000	235	874,118	2.33
10,001	- 100,000	71	2,075,256	5.54
100,001	- 1,000,000	9	2,920,601	7.80
Over 1,000,000		5	31,319,391	83.62
		1,040	37,453,951	100.00

1.3 Analysis of Shareholders as at 31st March 2014

Category	No. of Shareholders	No. of Shares	%
Local Individuals	972	2,868,034	7.66
Local Institutions	61	34,503,622	92.12
Foreign Individuals	7	82,295	0.22
Foreign Institutions	0	0	0.00
Total	1,040	37,453,951	100.00

1.4 Public Holding

The percentage of shares held by the public as at March 31, 2014 is 36.95%

Investor Information

1.5 Directors' Shareholding as at March 31, 2014

Names of Directors	No. of Shares	(%)
Asoka Kariyawasam Pathirage (Chairman)	168,000	0.45
Nalin Hemantha Gamini Wijekoon (CEO)	9,666	0.03
Tuan Mihilar Ifthikar Ahamed	58,720	0.16
Baddegama Hevege Sirinimal Jayawardene	Nil	Nil
Chrysanthus John Emmanuel Corea	Nil	Nil
Dushan Travice Columban Soza	Nil	Nil
Saliya Wickremasinghe	Nil	Nil
Shanthikumar Nimal Placidus Palihena	Nil	Nil

1.6 Share prices for the year

Market price per share	31.03.2014	
Highest during the Year	Rs.36.80	(03.06.2013)
Lowest during the Year	Rs.23.00	(29.04.2013)
As at end of the Year	Rs.30.70	

2. Debenture Information

During the year Company issued 5,000,000 senior, rated, unsecured, redeemable debentures at an issue price of Rs. 100/- each with maturity of three years. The debentures are listed on the main Board of the Colombo Stock Exchange.

2.1 Market prices of listed debentures during the year

Debenture Type	Interest Rate	Highest	Lowest	Last Traded
A - CRL BC-2708/16A17	17%	Rs.100.00 (26.03.2014)	Rs.100.00 (26.03.2014)	Rs.100.00 (26.03.2014)
B - CRL BC-2708/16B16.5	16.5%	Rs.109.63 (03.03.2014)	Rs.100.00 (11.10.2013)	Rs.109.63 (03.03.2014)
C - CRL-BC-27/08/16C16	16%	Rs.108.74 (19.03.2014)	Rs.100.00 (24.10.2013)	Rs.106.12 (25.03.2014)

2.2 Yield of debentures during the year

Security	Interest Rate	Interest Yield	Last Traded Date
A - CRL BC-2708/16A17	17%	16.98%	26.03.2014
B - CRL BC-2708/16B16.5	16.5%	11.90%	03.03.2014
C - CRL-BC-27/08/16C16	16%	13.03%	25.03.2014

2.3 Ratios

	2014
Debt to Equity Ratio (Times)	12.94
Interest Cover (Times)	1.09
Liquid Assets Ratio (%) – Statutory Minimum 10%	13.13%

2.4 Interest rate comparable government securities

Debentures (Rate are excluding 10% withholding tax)	8.30%
---	-------

Summary for Last 7 Years

	2013/14*	2012/13*	2011/12*	2010/11	2009/10	2008/09	2007/08
(Rs.'000)							
Operating results							
Gross Income	3,338,543	2,277,546	1,534,039	650,610	346,881	309,382	206,663
Profit Before Tax	228,450	233,180	194,928	84,787	26,162	17,761	21,853
Taxation	62,796	69,126	74,101	16,251	2,558	3,862	7,666
Profit After Tax	165,654	164,053	120,827	68,536	23,605	13,899	14,187
As at 31 March							
Assets							
Investments	1,600,660	193,668	70,486	299,225	105,031	13,232	42,077
Loans & Receivables	3,887,397	3,352,910	2,240,649	408,278	30,793	28,294	46,035
Lease & Hire Purchase Rentals Receivables	8,324,788	7,221,967	6,004,641	3,371,328	1,526,854	1,002,663	833,206
Vehicle Stocks	375,798	105,235	10,209	4,855	10,288	10,259	-
Real Estate Stocks	59,723	37,858	39,258	16,647	15,848	15,365	-
Property, Plant & Equipment	312,247	177,863	176,248	39,587	17,413	23,332	28,260
Other Assets	3,699,126	2,129,302	1,534,250	298,478	161,481	74,129	75,417
	18,259,739	13,218,803	10,075,741	4,438,398	1,867,708	1,167,274	1,024,995
Liability							
Public Deposits	9,312,743	6,956,951	4,681,850	1,584,807	821,816	406,768	225,480
Borrowings	6,484,267	4,234,833	3,717,284	2,008,094	633,222	453,121	497,749
Other Liability	1,153,180	822,422	568,527	314,311	195,149	93,404	101,684
	16,950,190	12,014,206	8,967,661	3,907,212	1,650,187	953,293	824,913
Shareholders' funds							
Share Capital/Stated Capital	1,003,231	1,003,231	1,003,231	468,174	200,646	200,646	200,646
Reserves	306,318	201,366	104,849	63,012	16,875	13,335	-564
	1,309,549	1,204,597	1,108,080	531,186	217,521	213,981	200,082
Share information							
Earnings Per Share (Rs.)	4.42	4.38	3.66	3.07	1.18	0.69	0.71
Net Assets Per Share (Rs.)	34.96	32.16	29.59	19.86	10.84	10.66	9.97
Debt Equity Ratio (times)	12.94	9.97	8.09	7.36	7.59	4.46	4.12
Other information							
No. of Employees	502	467	550	291	103	48	33
Supporting Network	17	17	16	9	8	8	8

*Financial Years 2013/14, 2012/13 and 2011/12 have been prepared based on SLFRSs.

Distribution Network

Branches

Nawala

No.305B, Nawala Road
Tel: 011-2807080

Negombo

No. 406/1 Udayarathoppuwa Mawatha
Negombo
Tel: 031-2224714

Kadawatha

No. 139/7/D, Kandy Road
Tel: 011-2923011

Metro Branch

No. 315, R.A.De Mel Mawatha ,
Colombo 03
Tel: 011-2577455

Chilaw

No. 28 B, Kurunegala Road
Tel: 032-2221415

Kurunegala

No. 13, Rajapihilla Road
Tel: 037-2232875

Polonnaruwa

No. 125, Batticaloe Road
Tel: 027-2226727

Anuradhapura

No. 561/11, Maithreepala Senanayaka
Mawatha, New Town
Tel: 025-2226279

Jaffna

No.55,57 & 59, Kasthuriar Road
Tel: 021-2219444

Nuwara Eliya

No. 36, 1st Floor, Unit 6, Park Road
Tel: 052-2223382

Kandy

No. 165, Kotugodella Veediya
Tel: 081- 2224913

Badulla

No 30, Anagarika Dharmapala
Mawatha
Tel: 055-5635072

Dambulla

No.719, Anuradhapura Road
Tel: 066-2284737

Galle

No. 64, Colombo Road, Kaluwella
Tel: 091-2226501

Matara

No. 8C, F. N. Building, 2nd Floor,
Station Road
Tel: 041-2220195

Embilipitiya

No.176, Rathnapura Road, Pallegama
Tel: 047-2230590

Ratnapura

No.1/200, Ground Floor, Main Street
Tel: 045-2230677

Standalone gold loan centres

Pamankada

No.491, Havelock Road, Colombo 06.
Tel- 011 2367901

Ja-Ela

No.38, Old Negambo Road,
Mainstreet, Ja-Ela.
Tel- 011 2232155

Grandpass

No.408, Grandpass Road, Colombo14.
Tel- 011 2337040

Dematagoda

No.93, Kolonnawa Road, Dematagoda,
Colombo 09.
Tel- 011 2679089

Borella

No.1167, Maradana Road,Borella,
Colombo 08.
Tel- 011 2698016

Kaluthara

No.242, Galle Road, Kaluthara South
Tel- 034 2224714

Kochchikade

No.71/A, Chilaw Road, Kochchikade.
Tel- 031 2274233

Kelaniya

No.720, Waragoda Road, Kelaniya
Tel- 011 2916626

Minuwangoda

No.39/A, Negombo Road,
Minuwangoda.
Tel- 011 2281285

Matale

No.253, Main Street, Matale.

Kottawa

No.128/A, Highlevel Road, Kottawa.
Tel- 011 2178464 / 54

Weligama

No.325/A, Old Matara Road, Weligama

Hatton

No.101, New Building, Main Street,
Hatton.
Tel- 0512222289

Bandarawela

No.173, Main Street, Bandarawela

Thissamaharama

No.28, Main Street, Thissamaharama

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 31st day of July 2014 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 31 March 2014 together with the Report of the Auditors thereon.
2. To re-elect Mr. C J E Corea, 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-elect Mr. S N P Palihena, who retires in terms of Article 97 of the Articles of Association, as a Director of the Company.
4. To re-appoint Messrs PricewaterhouseCoopers, Chartered Accountants, the retiring Auditors and to authorize the Directors to determine their remuneration.
5. To authorise the Directors to determine donations for the year ending 31 March 2015 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
Director/Secretaries

27 June 2014
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 Level 2, No.33, Park Street, Colombo 2 by 2.30 p.m. on 29 July 2014.

Form of Proxy

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

Mr. Asoka Kariyawasam Pathirage	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 or failing him*
Mr. Saliya Wickremasinghe	of Colombo or failing him*
Mr. Shanthikumar Nimal Placidus Palihena	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 31 July 2014, 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 2014 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2	To re-elect Mr. C J E Corea, 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-elect Mr. S N P Palihena, who retires in terms of Article 97 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4	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"/>
5	To authorise the Directors to determine donations for the year ending 31st March 2015 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 Fourteen.

.....
Signature of Shareholder/s

Note:

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

Form of Proxy

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, Level 2, No.33, Park Street, Colombo 2, by 2.30 p.m. on 29 July 2014.

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

Level 2, No. 33, Park Street
Colombo 2

Principal Place of Business

Level 2, No. 33, Park Street, 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. Nalin Wijekoon (CEO)

Mr. B.H.S.Jayawardene

Mr. Tuan Iftikar Ahamed

Mr. Chris Corea

Mr. Dushan Soza

Mr. Saliya Wickremasinghe

Mr. S N P Palihena

Management Committee

Mr. Nalin Wijekoon - Director/CEO

Mr. Tuan Iftikar Ahamed - Director

Mr. Sanjaya Vithanage - DGM

Mr. Chamilantha Fernando - DGM

Mr. Nalinda Ranaraja - DGM

Mr. Manjula Gooneratne - Head of Leasing

Mr. Nalaka De Silva - AGM

Mr. Lasantha Perera - AGM

Mr. Kumara Kongahawatta - AGM

Mr. Sudesh Suranaga - AGM

Mr. Gayan Jayatissa - SM

Mr. Shehan Uduwara - SM

Mr. Priyan Jayakodi - SM

Mr. Mark Thirimawithana - SM

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

Designed & produced by

emagewise

Digital Plates & Printing by Printel (Pvt) Ltd

Photography by Taprobane Street

