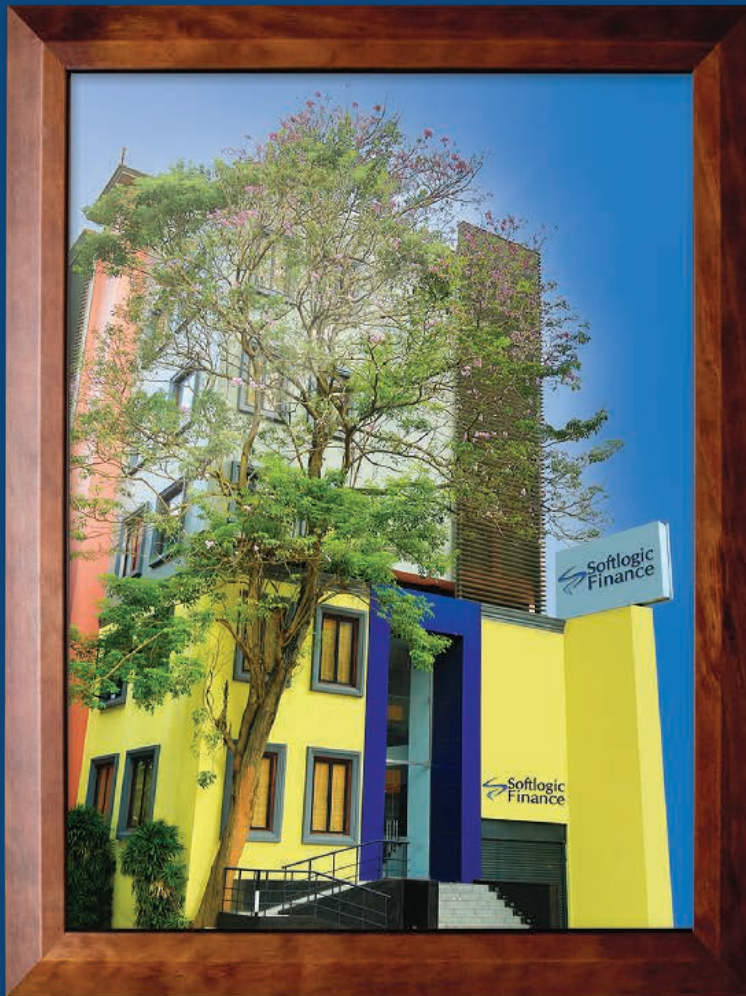


# Significant Milestone



# Significant Milestone

The journey to success is never an easy path and each achievement is marked by a series of milestones. We at Softlogic Finance are proud to say that we have achieved a significant milestone by opening the doors to our very own Corporate Home.

In reaching this particular milestone we have identified a combination of strengths that are derived from the Stability of the Group and the Flexibility of the Company. When further aligned with the Transparency in operations and Reachability towards Customers, the Company has inspired Trust which in turn helped boost its Success.

This has strengthened our dedication and motivated us to provide you with the best innovative financial solutions with excellence in customer service, proving once more that at Softlogic Finance, we are truly on the right path in achieving great success.

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## VISION

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

## MISSION

To strive to delight our customers through custom-made financial solutions, served through our professional and highly-motivated team, committed to excellence.

To create shareholder value through stability and above-average returns.

To sustain our continued commitment to being a good corporate citizen, and make a positive contribution to the community and environment.

## 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

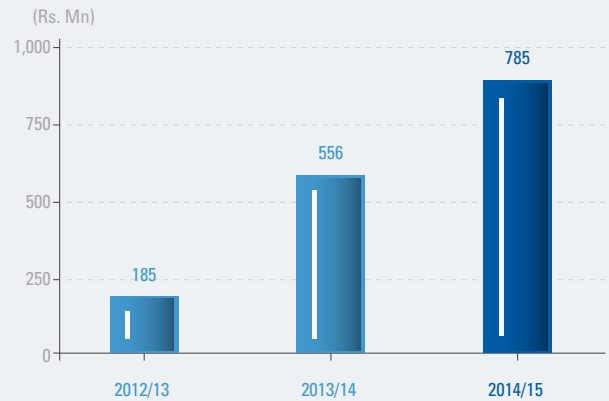
We always strive to be the best in our business and possess a will to win.

### Corporate Responsibility

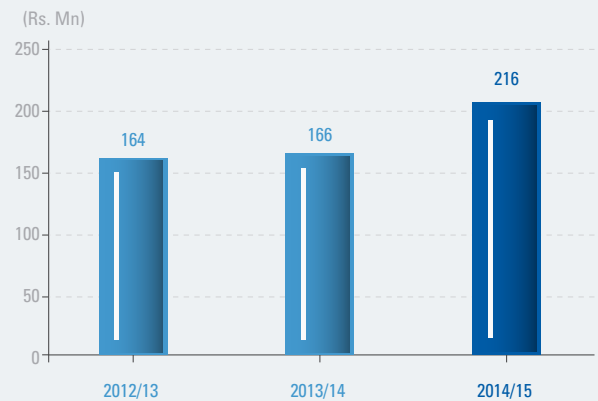
We care for the community and the environment taking the responsibility to protect them. We are a good corporate citizen and support worthy causes and CSR projects.

# Financial Highlights

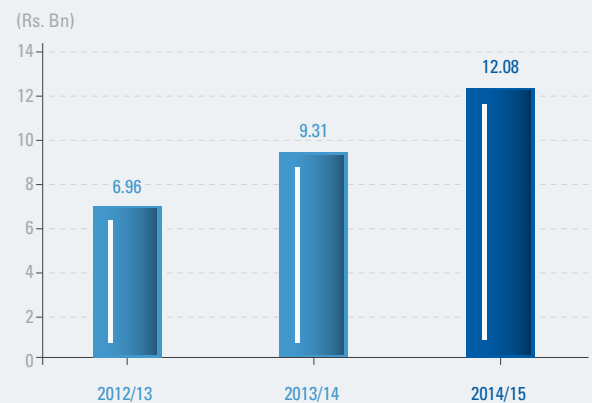
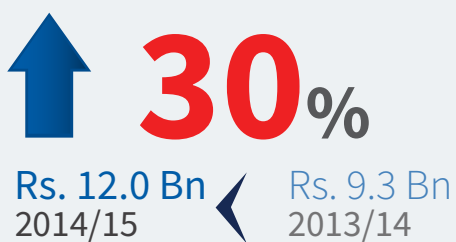
## Operating Profit (before Impairment)



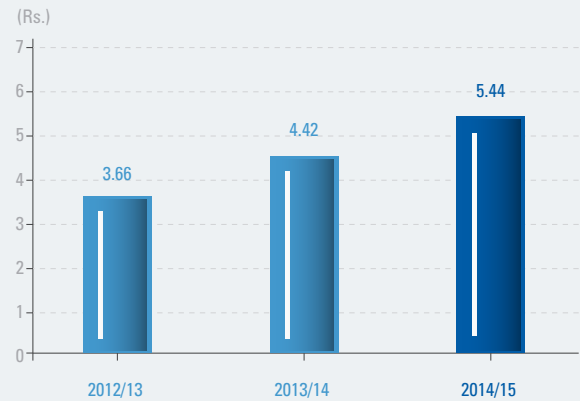
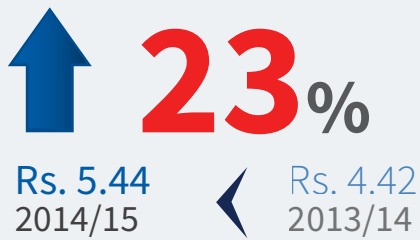
## Profit After Tax



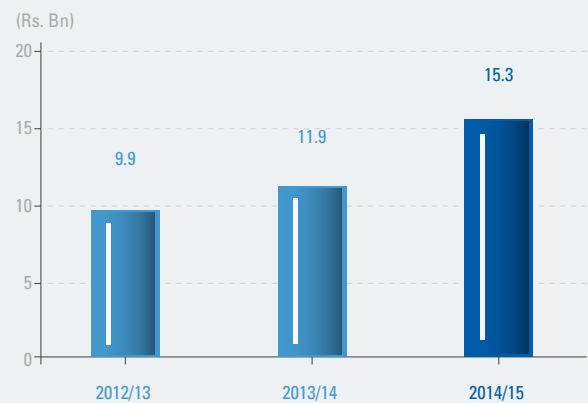
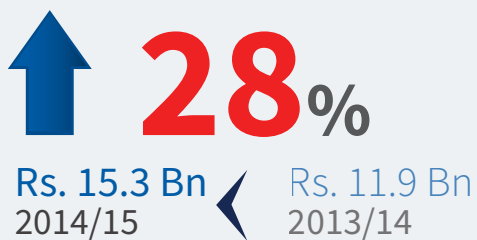
## Deposit Base



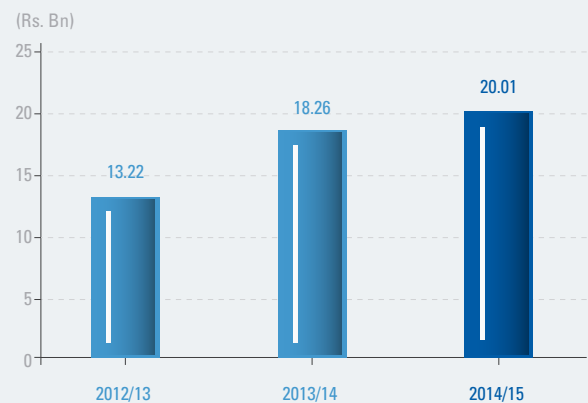
## Earnings Per Share



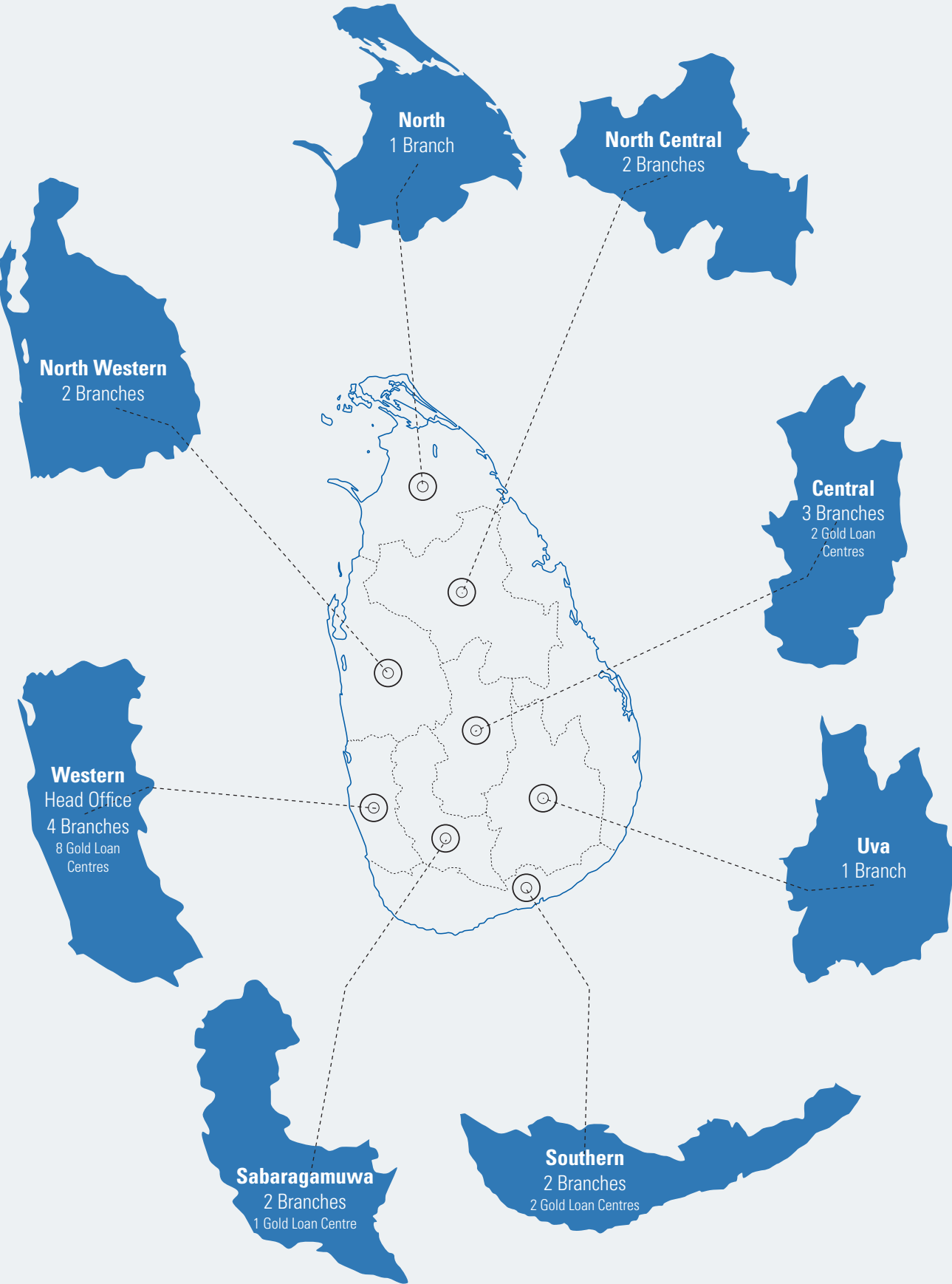
## Lending Portfolio



## Total Assets



# Where We Operate





## Western

### Head Office

No.13, De Fonseka Place, Colombo 4  
Tel : 011 2359700 / 011 2359600  
Fax : 011 2359799  
E-mail: info@softlogicfinance.lk

### City Office

No.14/9, Sri Jinarathana Road, Colombo 02  
Tel : 011 2303373 - 36 / 011 2303666  
Fax : 011 2303363  
E-mail: cityoffice@softlogicfinance.lk

### Kadawatha

No.139/7/D, Kandy Road, Kadawatha  
Tel : 011 2923011 / 011 2923012  
Fax : 011 2923013  
E-mail: kadawatha@softlogicfinance.lk

### Nawala

No. 305B, Nawala Road, Nawala  
Tel : 011 2807080 / 011 2807081  
Fax : 011 2807082  
E-mail: nawala@softlogicfinance.lk

### Negombo

No.406/1, Udayarthoppuwa Road, Negombo  
Tel : 031 2224714 / 031 2224715  
Fax : 031 2224716  
E-mail: negombo@softlogicfinance.lk

### Pamankada - (Gold Loan Centre)

(Gold Loan Centre converted to Branch w.e.f. 08 April 2015 )

No. 201, W. A. De Silva Mawatha, Colombo 6  
Tel : 011 2055518 / 011 2055519 / 011 2367901  
Fax : 011 2055517  
E-mail: pamankada@softlogicfinance.lk

### Borella - (Gold Loan Centre)

No. 1167, Maradana Road, Borella, Colombo 8  
Tel : 011 2698016

### Dematagoda - (Gold Loan Centre)

No. 93, Kolonnawa Road, Dematagoda, Colombo 9  
Tel : 011 2679089

### Grandpass - (Gold Loan Centre)

No. 408, Grandpass Road, Colombo 14.  
Tel : 011 2337040

### Kalutara - (Gold Loan Centre)

No. 242, Galle Road, Kalutara South  
Tel : 034 2224714

### Kochchikade - (Gold Loan Centre)

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

### Minuwangoda - (Gold Loan Centre)

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

### Kottawa - (Gold Loan Centre)

No. 128/A, High Level Road , Kottawa  
Tel : 011 2178464

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## North Western

### Chilaw

No.28B, Kurunegala Road, Chilaw  
Tel : 032 2221415  
Fax : 032 2223754  
E-mail: chilaw@softlogicfinance.lk

### Kurunegala

No. 13, Rajapihilla Mawatha, Kurunegala  
Tel : 037 2232875  
Fax : 037 2232565  
E-mail: kurunegala@softlogicfinance.lk

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## North

### Jaffna

No. 55/57/59, Kannathiddy Road, Jaffna  
Tel : 021 2219444 / 021 2219555  
Fax : 021 2219666  
E-mail: jaffna@softlogicfinance.lk

# Where We Operate *(Contd.)*

## North Central

### Anuradhapura

No.561/11, Maithreepala Senanayake Mw,  
New Town, Anuradhapura

Tel : 025 2226279

Fax : 025 2234743

E-mail: anuradhapura@softlogicfinance.lk

### Polonnaruwa

No.125, Batticaloa Road, Polonnaruwa

Tel : 027 2226727 / 027 5678501-2

Fax : 027 2225909

E-mail: polonnaruwa@softlogicfinance.lk

## Central

### Dambulla

No.719, Anuradhapura Road, Dambulla

Tel : 066 2284737 / 066 2284767

Fax : 066 2284717

E-mail: dambulla@softlogicfinance.lk

### Kandy

No.165, Kotugodella Veediya, Kandy

Tel : 081 2224912-3

Fax : 081 2224916

E-mail: kandy@softlogicfinance.lk

### Nuwara Eliya

No.72, Kandy Road, Nuwara Eliya

Tel : 052 2223382

Fax : 052 2223383

E-mail: nuwaraeliya@softlogicfinance.lk

### Senkadagala

(Operational w.e.f. 21 April 2015 )

No. 235/B, Katugasthota Road, Kandy

Tel : 081 2232601-2

Fax : 081 2232603

E-mail: senkadagala@softlogicfinance.lk

### Hatton - (Gold Loan Centre)

(Gold Loan Centre converted to Branch w.e.f. 27 May 2015 )

No. 101, New Building, Main Street, Hatton

Tel : 051 2222289

### Matale - (Gold Loan Centre)

No. 253, Main Street, Matale

Tel : 066 2226461

## Uva

### Badulla

No.38, Anagarika Dharmapala Mw, Badulla

Tel : 055 5635072-3 / 055 2224206

Fax : 055 2223905

E-mail: badulla@softlogicfinance.lk

## Southern

### Galle

No.64, Colombo Road, Kaluwella, Galle

Tel : 091 2248920 / 091 2226501

Fax : 091 2248095

E-mail: galle@softlogicfinance.lk

### Matara

No. 8A, 1st Floor, F N Building, Station Road, Matara

Tel : 041 2220195

Fax : 041 2227257

E-mail: matara@softlogicfinance.lk

### Tissamaharama - (Gold Loan Centre)

No. 28, Main Street, Tissamaharama.

Tel : 047 2239933

### Weligama - (Gold Loan Centre)

No. 325/A, Old Matara Road, Weligama

Tel : 041 2252888

## **Sabaragamuwa**

### **Embilipitiya**

No. 176, Ratnapura Road, Pallegama, Embilipitiya

Tel : 047 2230590 / 047 2230591

Fax : 047 2230592

E-mail: embilipitiya@softlogicfinance.lk

### **Ratnapura**

No. 1/200, Ground Floor, Main Street, Ratnapura

Tel : 045 2230677

Fax : 045 2223574

E-mail: rathnapura@softlogicfinance.lk

### **Mawanella - (Gold Loan Centre)**

No. 53/B, Kandy Road, Mawanella

Tel : 035 2247304

# Chairman's Message

"Your Company is in a great position to take on challenges head-on. By focusing on the big picture, adapting prudent management techniques, building on people competency, bringing in new technology and showing willingness to embrace the changing requirements of today's consumer."





# Chairman's Message *(Contd.)*

**23%**  
Earnings Per Share

In line with the profitability growth shown over the last few years, the Company's Earnings Per Share (EPS) showed a growth of **23%**, reaching **Rs.5.44** during the year, compared to **Rs.4.42** achieved in 2013/14.

## Dear Shareholder

I warmly welcome you to the Annual General Meeting of Softlogic Finance PLC and it is with pleasure that I present the Annual Report and the Audited Financial Statements as at 31st March 2015.

This financial year was another challenging one for your Company as we had to overcome several hurdles faced in general by the Banking and Finance industry especially in the Non-Banking Financial Institutions (NBFIs) sector. A marked decline in the private sector credit growth adversely affected both the Company and the sector during the first half of the year. However, your Company was able to successfully meet these challenges and rise to the occasion during the second half of the year, recording significant growth. The strategic shift to Working Capital Loans from Hire Purchase and Leasing contributed to this positive outcome.

## Economic Landscape

Despite the prolonged drought and adverse weather conditions in several parts of the island, the Sri Lankan economy showed healthy growth in 2014, growing by 7.6% in Q1, 7.8% in Q2, 7.7% in Q3 and 6.4% in Q4. Sri Lanka's external sector demonstrated stability with the BoP recording a surplus of US\$ 1,369 million in 2014, compared to US\$ 985 million in the previous year, boosted by increased earnings from tourism, remittances by Sri Lankan expatriates abroad and Foreign Direct Investments (FDIs). The trade deficit widened by 9.1% to US\$ 8,287 million while Foreign Reserves peaked at US\$ 9 billion prior to closing at US\$ 8.2 billion by the end of the year.

Despite the global currency volatility witnessed last year, the Sri Lankan Rupee managed to remain relatively stable with a slight depreciation of 0.2% by end-2014 against the US Dollar. The year 2014 also witnessed the successful execution of two international Sovereign bond issues aggregating to US\$ 1.5 billion.

The country's inflation showed varying fluctuations but remained at single digit levels with annual average inflation dropping to 3.3% in December (6.9% in 2013). Incidentally, this goes down in history as the longest period that both year-on-year inflation (71 months) and annual average inflation (65 months) have remained at single digit levels. The unemployment rate for the year remained low at 4.3%.

During the year, the All Share Price Index (ASPI) gained 23.4% while interest rates showed a downward trend. The benchmark 12-month TB rate declined to 6.01% and Bank Lending rates AWPLR declined to 6.26% from 10.13% recorded in 2013.

The political landscape of the country underwent a drastic change in the beginning of the 4th Quarter of the financial year. While Sri Lanka has been recording annual growth of over 7% since the ending of the war, there are great expectations of similar or greater growth in the coming years, spearheaded by larger foreign investments in the country. A stable and relatively low interest rate structure will also play an important role in facilitating growth in the years to come.

## Performance

Despite the numerous challenges faced, I am pleased to announce that your Company reported a Total Income of Rs.3.97 billion, a 14% YoY increase. Total Interest Income was Rs.3.67 billion, an increase of 10% YoY while Total Operating Income increased significantly by 32% YoY to Rs.1.89 billion. Your Company's operating profit (excluding impairment) growth was 41% YoY. While the Company's loan portfolio increased by 28% YoY to Rs. 15.25 billion, the Total Asset Base recorded a 10% YoY increase to Rs.20 billion. In line with the profitability growth shown over the last few years, the Company's Earnings Per Share (EPS) showed a growth of 23%, reaching Rs.5.44 at the end of the year under review, compared to Rs.4.42 achieved in 2013/14.

However, the NPL ratio recorded during the year stood at 8.7% of total advances. This increase was mainly due to two reasons. Firstly, the sharp drop in gold prices in the global market adversely affected our gold backed advances. Secondly, due to the drop in the second-hand market for vehicles, the Company had to absorb the related loss in the year under review. However, your Company has effectively reacted to these challenges and put a plan in motion.

## New Measures

It is abundantly clear that 2015 will hold many new challenges for not only your Company but the entire NBFi industry. Nevertheless I am confident that your Company is in a great position to take on

these challenges head-on. By focusing on the big picture, adapting prudent management techniques, building on people competency, bringing in new technology and showing willingness to embrace the changing requirements of today's consumer, I am sure we will be able to continue to win the trust of our customers, stay ahead of the competition, increase market share and post good financial results for the year.

In the pipeline are plans to complete the implementation of the state-of-the-art Skybank IT Solution along with the industry's best IT practices. We intend to use modern technology wherever possible in order to keep abreast of the changes in the financial industry, re-engineering our processes to make them robust and efficient, to better understand the fast-evolving lifestyles of the modern consumer and to help us leverage the distinct advantage provided by the strength of the Softlogic Group.

The gold loan business, which we have duly identified as one of great potential for the Company, will undergo further enhancements during the coming financial year. We intend to upgrade some of the standalone gold loan centres to mini branches and also open several fully-fledged branches thereby expanding the branch network to reach new customers and better serve existing ones.

At this juncture, I would like to convey my sincere appreciation to all the shareholders for the highly successful Rights Issue of the Company concluded in March 2015. The fact that it was subscribed by over 150% clearly demonstrates the utmost confidence all the shareholders have placed in the Company. The majority of funds raised through this Rights Issue will be utilized for the branch expansion in 2015/16.

## Appreciation

I warmly welcome Mr. Harris Premaratne who joined Softlogic Finance from 21 January 2015 as Deputy Chairman. His wealth of experience in finance and banking will undoubtedly be a valuable asset to the Company.

I would like to say a big "Thank you" to our valued customers who have placed their trust in our Company for yet another year. I would also like to convey 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 throughout the year, as well as the senior management team and all employees of Softlogic Finance for their hard work, dedication and passion in carrying out their duties. As we step into the new financial year, we are confident of the fact that we have put together a team with the best talents in the industry and look forward to your continued support and commitment on this wonderful journey.

(Sgd.)

**Ashok Pathirage**  
*Chairman*

09 June 2015





# Deputy Chairman's Review

"Being a fast-growing organization in a challenging industry, it is crucial that the Company invests in recruiting and retaining the best talent in the business. While doing so, during the year, the Company focused on creating a professional second layer of management that possesses the talent, experience and know-how to successfully overcome the challenges of the future."

## Deputy Chairman's Review *(Contd.)*

During the year, a concerted effort was made to further improve the internal processes across all departments of the Company. This has resulted in higher operational efficiencies and better cost management.

I am pleased to be given this opportunity to present you the information of another year of success at Softlogic Finance. It has been a year of political and economic uncertainty and several ups and downs for the Company, but Softlogic Finance has been able to come through with positive results at the year end.

### Political Stability

Sri Lanka has always been a resilient country, even during the dark days of the war. During the post-war period, Sri Lanka's economy consistently recorded over 7% growth despite relative political instability. The latter parts of the last financial year witnessed the swearing-in of a new President and the introduction of a new political culture and stability. This augurs well for the country's economic future as it will enhance the increased domestic demand for lifestyle products and sales for the Industrial and Services sectors.

### Heading in the Right Direction

During the financial year under review, there was an emphasis on fine-tuning certain parts of the Company's operational performance in order to achieve better results in the short and medium-term.

With the Company changing the product focus from Leasing & Hire Purchase to Working Capital Loans to the SME sector, it was imperative that the credit appraisal process be further improved to maximize the effect of this strategic change. As a result, the Company formed a new department - the Central Credit & Verification Department - which we believe will go a long way in boosting the overall quality of lending.

Over the years, strategic changes in the product portfolio offered by Softlogic Finance in order to better align with the ever-changing needs of our valued customers have been a key factor in the continued success of the Company. The financial year under review has been no different in this regard as plans are currently underway to restructure the gold loan business by upgrading standalone gold loan centers to mini-branches. In addition to this, plans are being made to open a minimum of 15 new, fully-fledged branches in order to better reach out to a wider customer base across various key locations in the country that hold the potential for more business growth. Plans are also being made to utilize the large ATM network of a partner bank to introduce a savings account product for our customers.

### A Consistent Message

Marketing and communication plays a key role in reaching out to new customers and informing existing customers about the numerous benefits of approaching Softlogic Finance for their financial needs. One of the key aspects focused on during the year was the maintaining of a consistent message in our communication with customers while providing the right information, in the right amount and at the right time to new and existing customers as well as other stakeholders. As a result of this, we witnessed a growing level of customer confidence which bodes well for the future of the Company.

### Process and Controls

During the year, a concerted effort was made to further improve the internal processes across all departments of the Company. This has resulted in higher operational efficiencies and better cost management.

### Staff Development

Being a fast-growing organization in a challenging industry, it is crucial that the Company invests in recruiting and retaining the best talent in the business. While doing so, during the year, the Company focused on creating a professional second layer of management that possesses the talent, experience and know-how to successfully overcome the challenges of the future.

Wherever possible, the Company believes in providing opportunities for existing staff to embrace new responsibilities and climb the ladder of success. In order to do so, an extensive staff training calendar was mapped out at the beginning of the year so that each and every team member received the necessary training required to upgrade their knowledge and skills to perform his or her job efficiently and eventually further his or her career in the Company.

### CSR Initiative

Having identified the need across the island for a proper, clean garbage disposal mechanism, the Company conceptualized and implemented the "Clean Zone" campaign, a major effort which eventually improved the roadside cleanliness stretching up to 1km around our branches and mobilized public support for waste segregation and recycling.

The effort commenced with a large number of Softlogic Finance staff educating residents in the vicinity of the Nawala Branch on the importance of segregating recyclable and non-recyclable garbage in order to achieve proper waste disposal. The Company has also placed separate bins in front of the branch to dispose plastic, bottles and non-recyclable waste. The launch of this “Clean Zone” campaign coincided with the “National Mosquito Control Week” announced by the Government from 26 March to 1 April 2014.

## Looking into the Future

Softlogic Finance recognizes human resources as its most valuable asset, driving growth and bringing continued success to the organization. Keeping this in mind, the Company intends to continue focusing on creating more opportunities for employees across all levels so that they are in a better position to unleash their potential and make greater contributions towards the strategic objectives of the Company. This will undoubtedly help them achieve their personal goals and ambitions while increasing loyalty and at the same time enhancing the Company’s reputation as one of the most preferred employers in the industry.

## Acknowledgements

I would like to convey my gratitude to our Chairman, Mr. Ashok Pathirage and Director / Chief Executive Officer, Mr. Nalin Wijekoon and the Board of Directors for the support and guidance given in navigating what has been a challenging yet rewarding year for the organization.

In addition, my sincere appreciation goes out to the Central Bank of Sri Lanka and its officers for their continuous advice and sound direction in regulatory matters as well as to the external auditors, PricewaterhouseCoopers for their valuable contributions during the year.

Last but not least, a big “Thank You” goes out to the wonderful Softlogic Finance family, all of whom have put in a great deal of hard work and commitment during the year to make this another year of resounding success for the Company. I look forward to their outstanding contributions in our pursuit of excellence in the years to come.

(Sgd.)

**Harris Premaratne**  
*Deputy Chairman*

09 June 2015

# CEO's Review

"Our continued focus on customer convenience has given us a competitive advantage. Our customer deposit base grew by a remarkable 30% - the highest recorded growth rate in the non-banking sector – clearly demonstrating the trust and confidence placed in our Company by our valued customers."





## CEO's Review (Contd.)

# 28%

### Loan Assets Growth

Loan assets of the Company grew to **Rs. 15.3 billion** as at 31 March 2015, recording an impressive growth of **28%** from a year before, which is commendable when compared to the asset growth of 16% in the industry in 2014.

It is with great pleasure that I share with you the detailed information of another successful year for Softlogic Finance. Despite the testing economic environment that the Company was faced with, through prudent management and sustained commitment to excellence we were able to demonstrate that Softlogic Finance is a resilient Company with the ability to successfully overcome many challenges.

The private sector credit growth showed a contraction in the first half of the year under review, led by a sharp drop in demand for leasing and hire purchase business for the Non-Banking Finance Institutions, traditionally known to be the core business for this sector. Strategic changes in the product mix of the Company, which gradually started in the year 2013, and our focus on customer convenience, sustained our expansion despite severely challenging economic conditions prevalent in the country.

The real growth of the Company accelerated only during the second half of the year when the Company shifted to Working Capital Loans to the SME sector. This fuelled a credit growth of over 28% during the year, which is significantly higher than the industry growth of around 16%.

This year also brought about the realisation that the high interest rate, high margin scenario that had prevailed in the NBFIs sector for a considerable period of time was rapidly coming to an end.

### Sri Lanka's Economic Progression

It is encouraging to note that the favourable structural changes of the country's economy that began in 2009 continued in the year under review with substantial progress being achieved in all macro fundamentals. The Sri Lankan economy continued its robust performance as it grew by 7.4% in 2014 after averaging over 7% growth in the last 5 years. The industrial and services sectors contributed significantly to the growth of the economy, driven by increased domestic demand, continuous infrastructure development and consistent growth in tourism. Amidst the volatility in the international currency market, the Sri Lankan Rupee remained relatively stable. A high level of liquidity prevailed in 2014 mainly due to the purchase of foreign currency inflows by the Central Bank of Sri Lanka (CBSL). Market interest rates portrayed gradual yet significant decline across all segments. The government has taken several measures to

reduce the negative impact on senior citizens due to low deposit rates. Inflation was also maintained at single digit levels throughout the year. We expect interest rates to be stable in the coming year to pave the way for higher credit growth.

### Company Performance

Softlogic Finance was able to sustain asset growth momentum despite the changes in the non-banking sector.

Loan assets of the Company grew to Rs. 15.3 billion as at 31 March 2015, recording an impressive growth of 28% from a year before, which is commendable when compared to the loan asset growth of 16% in the industry in 2014. The growth was funded from deposits and long-term borrowings by way of debentures.

Our continued focus on customer convenience has given us a competitive advantage. Our customer deposit base grew by a remarkable 30% - amongst the highest recorded growth rates in the NBFIs sector - clearly demonstrating the trust and confidence placed in our Company by our valued customers.

The Company was able to raise Rs.1.4 billion by way of issuing AAA rated Debentures which was guaranteed by GuarantCo and was the first-ever AAA rated Debenture issuance in Sri Lanka. The Debenture was oversubscribed on the first day of the issue and received subscriptions of over Rs.4 billion on the opening day. The instrument, rated AAA by Lanka Ratings Agency Ltd. (formerly known as RAM Ratings (Lanka) Ltd), offered 14,000,000 redeemable, guaranteed debentures to the public at a face value of Rs.100 each and witnessed substantial interest from a wide spectrum of investors that included Banks, Insurance Companies, Institutional Investors and Retail Investors.

The income from fund-based operations did not keep pace with the growth in the loan asset base primarily due to lower interest rates for working capital loans compared to high interest rates in leasing and hire purchase in the past. However, the reduction in interest cost has helped the Company to maintain similarly high net interest margins when compared to the previous financial year. Lower interest income growth was mitigated to some extent by the growth in income from trading and investment related activities. Overall, the total operating income grew by 32% to Rs.1.89 billion for the financial year under review.

Although our transactions and customer volumes increased rapidly with the change in the product mix, and accordingly we managed to enhance employee productivity during the period under review. We were able to restrict the increase of our head count to a single-digit figure through prudent management systems. We were also able to improve our cost to income ratio from 61% recorded in the previous year to 56% for the year under review.

## NPL

The Company loan asset position grew from Rs.1.5 billion to Rs.15.3 billion during the 6 years period ending on 31 March 2015.

- Liquidity constraints caused due to delayed settlements by principles and completion of mega projects in the post-war environment affected Small & 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 the gold backed advances.
- 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 repossession of these types of vehicles, triggering severe over-supply in the resale market. Such a scenario unfortunately brought about a drastic drop in prices, in some cases up to 50% of the value of the vehicle.

During the year, we made a strategic shift by restructuring our collection process from a decentralized model to a centralized model. First 3 months collections were handled by our centralized call centre and the balance was handled by the collection staff attached to branches with a centralized monitoring system, while the more difficult cases were outsourced to recovery companies. This structural change in recoveries has triggered a complete change in the previously increasing arrears and NPL situation.

Even though the impairment charge, including losses on sale of vehicles, has increased to unprecedented levels in the past two years, the Company managed to control the increase in the loan arrears position at almost 0% during the year, which is unquestionably a remarkable achievement.

The Company has changed the product mix from Leasing & Hire Purchase to Working Capital Loans for the SME sector as we strongly believe that this sector will continue to be an engine of growth for the Sri Lankan economy. With this strategic change, the Company has also initiated a Central Credit & Verification Department to improve the overall quality of lending. The current intensive recovery campaign and establishment of a separate division under an experienced DGM to aggressively recover the NPA, the Company expects to bring down the NPA below industry average in the coming financial year.

## Operating Profit

I am delighted to announce to you that Softlogic Finance has delivered an operating profit before impairment of Rs.785 million this year, compared to Rs.556 million in 2013/14. This is a 41% growth in operating profits which undoubtedly highlights the fact that Softlogic Finance has a profitable business model despite the fact that profitability was affected temporarily due to high provision for impairment.

## Milestones

The Company made headlines as it was awarded ISO 9001-2008 certification and was also placed 3rd in the "Non-Banking & Financial Services" category for the second consecutive year at the National Business Excellence Awards (NBEA) organized by the National Chamber of Commerce of Sri Lanka (NCCSL). The Institute of Chartered Accountants of Sri Lanka awarded a compliance certificate to the Company for the third year running which is a testament to the efficiency of our systems and processes, which serves to build trust and confidence amongst our stakeholders.

During the year, we were able to relocate our Head Office and Metro Branch to our own building at No.13, De Fonseka Place, Colombo 4. We are very fortunate to have the Softlogic Finance Head Office on Duplication Road mainly because Galle Road and Duplication Road are known to be two of the prime locations for business in the country especially with the development and expansion of the capital city.

## Rights Issue

In a resounding endorsement of Softlogic Finance and its sound business strategy, the Rights Issue of the Company was subscribed by over 150%. The new equity infusion of Rs.401 million boosted the Total Equity position of the Company to Rs.1.9 billion. The Rights Issue attracted applications for over 20.1 million shares with over-subscriptions exceeding 6.7 million shares.

## Looking to the Future

Having faced two challenging years I expect the prospect for the future to be more conducive for sustainable growth for all stakeholders of Softlogic Finance.

The recent budget presented by the new government is expected to boost consumer demand as disposable incomes of the public increase and inflation remains low. While there is possibility some volatility in interest rates in the short term, we expect demand for private sector credit to continue to show an upward trend in 2015 boosted by the low interest rate regime which is likely to continue beyond 2015/16.

All this augurs well for the Company to strengthen the change of the business model from a traditional vehicle leasing and hire purchase Company to a retail banking model. The sharp decline in global oil prices in recent months, which has now been passed onto benefit Sri Lankan consumers, would also help support their purchasing power in

## CEO's Message *(Contd.)*

the immediate future. Moreover, a rising demand for lifestyle products and growth of the real estate market are opportunities we foresee.

Our future plans include the completion of the implementation of the best IT practices with the Skybank IT Solution. In the context of rapidly-changing consumer lifestyles and ever-changing landscapes of the financial industry, we will continue to leverage on technology to delight our customers with service excellence coupled with the implementation of new IT systems and Softlogic Group synergies. Plans are in the pipeline for the launch of a savings account leveraging on a wide-spread partner ATM network enabling greater customer convenience and value addition.

Furthermore, we plan to restructure the gold loan business and open more standalone centers, as we believe that the gold loan business holds a lot of potential and is one of the safest businesses for financial institutions in the country. We also intend to convert some of the standalone gold loan centres to mini branches and open several fully-fledged branches in order to serve the increasing demand for lifestyle products by Sri Lankan customers.

### Acknowledgements

I would like to express my sincere gratitude to our Chairman, Mr. Ashok Pathirage, Deputy Chairman Mr. Harris Premaratne and the Board of Directors for their continued advice, support and confidence placed in me during the challenging year.

Let me also convey my thanks to the Central Bank of Sri Lanka and its officers for their sound guidance in regulatory matters and to the external auditors, PricewaterhouseCoopers for their valuable service during the year.

My sincere appreciation goes to the outstanding Softlogic Finance team who have worked tirelessly throughout the year with dedication and passion to deliver an exceptional performance in trying market conditions. Having faced both opportunities and challenges together in the past, we have the utmost confidence of knowing that the Softlogic Finance team will continue to perform exceptionally well in all its future endeavours.

(Sgd.)

**Nalin Wijekoon**  
*Director / Chief Executive Officer*

09 June 2015





**Board of Directors**

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# Board of Directors



## A K Pathirage

*(Chairman)*

Mr. Pathirage is one of the co-founders of Softlogic and was appointed as Chairman of Softlogic in 2000. He is also Chairman/Managing Director of The Asiri Hospital chain, Softlogic Capital PLC, Asian Alliance Insurance PLC and Odel PLC which are listed companies, in addition to the private companies of the Group operating in Leisure & Restaurants, Retail, Automobile, Insurance and ICT industries. He is also the Deputy Chairman of National Development Bank PLC and the Chairman of NDB Capital Holdings Limited. Due to his business acumen and corporate leadership he is one of the top business leaders in the country.



## Harris Premaratne

*(Deputy Chairman)*

A leading banking professional Mr. Harris Premaratne who is already on the Board of Softlogic Group companies including Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, Asiri Central Hospitals PLC and Central Hospital Ltd, was appointed as the Deputy Chairman of the Softlogic Finance PLC with effect from 21 January 2015.

Mr. Premaratne has over 42 years of banking experience with expertise in the areas of Trade Services, Trade Finance, Corporate Credit, Corporate Finance, Recoveries and Correspondent Relations, and was the Senior Deputy General Manager Corporate Banking at Commercial Bank PLC, former Chief Executive Officer of Cargills Bank and Managing Director of Sampath Bank PLC. In addition, he was a Director at the Sri Lanka Credit Information Bureau (CRIB) and was the Chairman of the Technical Advisory Committee of the Sri Lanka Banks' Association.

He is an Associate Member of the Chartered Institute of Bankers of London and a former President of Sri Lanka Banker's Association.



## 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 People's 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 and has been a Director at the Sri Lanka Credit Information Bureau (CRIB) since 2014.



## T M I Ahamed

*(Director)*

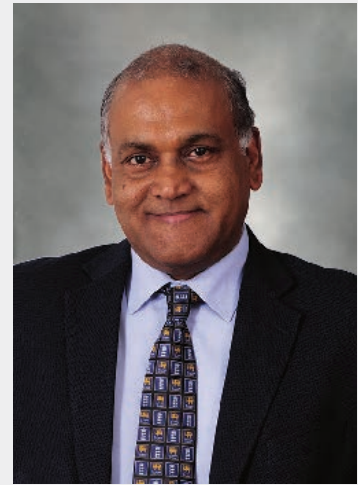
**M**r. Iftikar Ahamed heads the Financial Services Sector of the Softlogic Group and is the Managing Director of Softlogic Capital PLC, which is the financial services holding Company of the group that has interests in Insurance, Leasing and Finance and Stockbroking. He is also the Managing Director of Asian Alliance Insurance PLC and an Executive Director of both Softlogic Finance PLC and Softlogic Stockbrokers (Pvt) Ltd. He counts over 30 years of experience in a wide range of metiers within the financial services industry and has extensive Banking experience both in Sri Lanka and overseas, having held senior management positions as Deputy Chief Executive Officer at Nations Trust Bank PLC and Senior Associate at Deutsche Bank AG. He holds an MBA from the University of Wales, UK.



## B H S Jayawardena

*(Director)*

**H**e 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 for 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.



## D T C Soza

*(Director)*

**H**e 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 as a 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.

## Board of Directors *(Contd.)*



### 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 a Directorship in SMB Leasing PLC as well. 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.



### S Wickramasinghe

*(Director)*

Serving as the Chief Financial Officer of Asian Alliance Insurance PLC, he counts 13 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 FALIA (Japan), AOTS (Japan) and LIMRA (China). He is a Fellow member of the Chartered Institute of Management Accountants (FCMA) and a member of the Certified Practicing Accountants (CPA), and holds a BSc degree from the University of Colombo.



### 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.



Corporate  
Management Team

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# CORPORATE MANAGEMENT TEAM



Left to Right

Standing : 1. Nalaka De Silva

2. Bharatha Manjula

3. Nalinda Ranaraja

Seated : 4. Mark Thrimawithana

5. Indresh Fernando

6. Sanjaya Vithanage



# Softlogic Finance



Left to Right

Standing : 7. Priyan Jayakody

8. Gangadharan Murrilidhar

9. Shehan Uduwara

Seated : 10. Gayan Jayatissa

11. Sudesh Suranga

12. Kumara Kongahawatta

# Corporate Management Team *(Contd.)*

## Indresh Fernando

*Chief Operating Officer*

Ms. Indresh Fernando is a Fellow Member of the Chartered Institute of Management Accountants (UK) and counts for over 20 years of experience in the Accountancy profession in diverse sectors such as financial services, inbound travel, out-bound travel, leisure and telecommunications sectors. She has held several senior positions in the Corporate Sector and has served in the capacity of Sector Finance Director at both Hemas Transportation and the Hotels sector (Serendib Group) and Financial Controller of Lanka Bell. She was seconded by Softlogic Holdings as the Chief Operating Officer to Softlogic Finance PLC.

## Sanjaya Vithanage

*Deputy General Manager*

Sanjaya presently heads the Operation Division. He holds over 18 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 Amembaal, 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.

## 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.

## Sudesh Suranga

*Assistant General Manager*

Sudesh heads the Finance Division of the Company. He possesses a B.Sc. Accounting (Special) Degree from The University of Sri Jayewardenepura. 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 overlooks key functional areas strategically sensitive to stir the bottom line expressly in Sales, Operations, Customer Service & Care, Tele-sales and Tele-marketing & recoveries at the branch network while being responsible for achieving the expected profitability goals and operational excellence at each branch. In the capacity of an AGM his Marketing abilities bearing valued insights are harnessed to bring forth new sales and win new contracts that have an impact on future growth of the Company.

Nalaka joined Softlogic Finance with nearly nineteen years of experience in the field of Leasing & Collections with exposure to Litigation & Debt Recovery within which he gained managerial and senior managerial experience of over 12 years. Prior to joining Softlogic Finance he held the position of Manager - Consumer Collections (Consumer Loans & Credit Cards) at the Nations Trust Bank with a proven track record. Prior to Nations Trust Bank, he worked for Bartleet Finance PLC for 8 years holding numerous positions. He had also held the position of Labor Welfare Officer at Diplomatic Labor Welfare in Cyprus, representing the Sri Lankan government and the Foreign Employment Bureau of Sri Lanka.

## Kumara Kongahawatta

*Assistant General Manager*

Kumara is functioning as the Head of Credit of the Company. He has over 14 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 and was seconded to Vanik Leasing Limited as an Assistant Manager and then joined as a Manager to Capital Reach Leasing Limited in 2005, where he continued to work till 2010, and was 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 Jayewardenepura 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.

## Priyan Jayakody

*Chief Manager*

Priyan leads the Company's Internal Audit Division. He counts over 9 years of experience, starting 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 Master of Business Administration from the University of Sri Jayewardenepura and B.Com (Special) degree from the University of Sri Jayewardenepura. He is also an Associate Member of the Institute of Chartered Accountants of Sri Lanka.



Lanka, Associate Member of the Institute of Certified Management Accountants of Sri Lanka and has completed the Certificate Level in Banking and Finance held by Institute of Bankers of Sri Lanka. He is currently reading for Diploma in Information Systems Security Controls and Audit jointly conducted by ICA India and CA Sri Lanka.

## Mark Thrimawithana

*Senior Manager*

Mark is a progressive marketer and a well-experienced banking professional, having 21 years of experience in Service Marketing, Brand Management, Product Development, Retail Banking, Training and Development. Previously he has worked at Seylan Bank as a Brand Manager, MBSL Savings Bank as the Marketing Manager and Interblocks Ltd. as a Marketing Consultant. Mark is a Certified Professional Marketer - Asia [CPM]. He completed his MBA at The University of Ballarat, Australia. He has also completed an Advanced Diploma in Marketing and Management at Sri Jayewardenepura. Currently, he heads the Marketing Division of the Company.

## Bharatha Manjula

*Senior Manager*

Bharatha joined Softlogic Finance in February 2015 and heads the Human Resources Division of the Company. He has more than 15 years of experience in Leadership and Senior Management positions in local and international organizations, with key capabilities in IT, Quality Management and HR. He is an Associate Member of the Ceylon Hotel School Graduate Association (CHSGA), an Affiliate Member of the Institute of Personnel Management (IPM) and a Certified Internal Assessor of TATA Quality Management Services (TQMS), India. He started his hospitality career in 1992 with Taj Group of Hotels and later joined the Lotus Hospitality Group in Dubai as Corporate HR Manager, which oversees 05 hotels. He has also worked in Reed Lanka Holdings Pvt. Ltd, the holding Company of 05 companies, as Group Manager – HR & Compliance, prior to joining Bartleet Finance PLC as Senior Manager – HR & Administration.

## Gangadharan Murrliidhar

*Senior Manager*

Mr. G. Murrliidhar overlooks the Gold Loans units of the Company. He has 27 years of experience in gold manufacturing, pawning, refining, imports & exports in jewelry and in gem industry. He was a Partner of S D Jewels Mart for a period of 4 years. From 2002 – 2009 he was the Proprietor of S R Jewels Mart. In 2010, he joined Ariyawansa Investments & Jewelers as a Branch Manager. Prior to joining to Softlogic Finance he has worked at The Finance Co. PLC as Manager – Pawning.

## Shehan Uduwara

*Senior Manager*

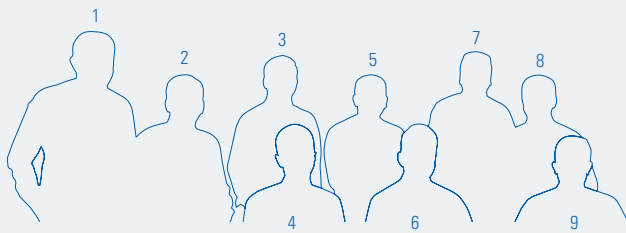
Shehan has been a key figure steering the crucial and bottom line potent credit risk management sector. He joined the group after a successful managerial career at Nations Trust Bank. Shehan as a senior manager has successfully modeled the Company's recovery competence to be above par indexes in the prevalent market equivalents. His support facilitated the Company's credit function to be more flexible in lending with regular risk reviews of the Company and has undertaken to ensure that necessary standards are maintained within the agreed business risk appetite. The success led to maintain Company recovery standards to all credit policies and procedures across the credit life cycle with proven sustainability based on stringent affordability recoveries criteria that directly affects the bottom line.

## 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.

# BRANCH MANAGERS



**1. S A P I Bandara**  
*Manager - Negombo*

**2. T M K J Peris**  
*Senior Manager - City Office*

**3. K H P K Silva**  
*Manager - Western Cluster*

**4. L P Amaraweera**  
*Manager - Kadawatha*

**5. K M A Konara**  
*Senior Manager - Nawala*

**6. S D Ranwalage**  
*Manager - Nuwaraelliya*

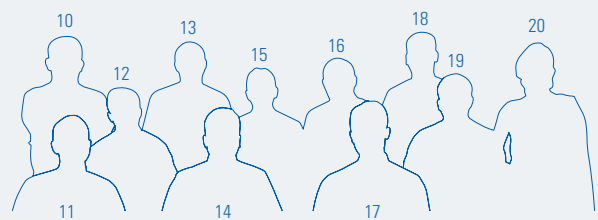
**7. S W M C K Siriwardana**  
*Manager - Dambulla*

**8. G M R N P Gajanayake**  
*Manager - Anuradhapura*

**9. R M N Rathnayake**  
*Manager - Polonnaruwa*



# Softlogic Finance



**10. V G P Kumara**  
*Manager - Embilipitiya*

**11. R M C P Kumara**  
*Manager - Badulla*

**12. S S N Hettige**  
*Manager - Kurunegala*

**13. J K A N Abeykoon**  
*Senior Manager - Southern Cluster*

**14. U M H K Weerathunga**  
*Senior Manager - Senkadagala*

**15. D A M Wickramasinghe**  
*Manager - Galle*

**16. T K M Dias**  
*Senior Manager - Kandy*

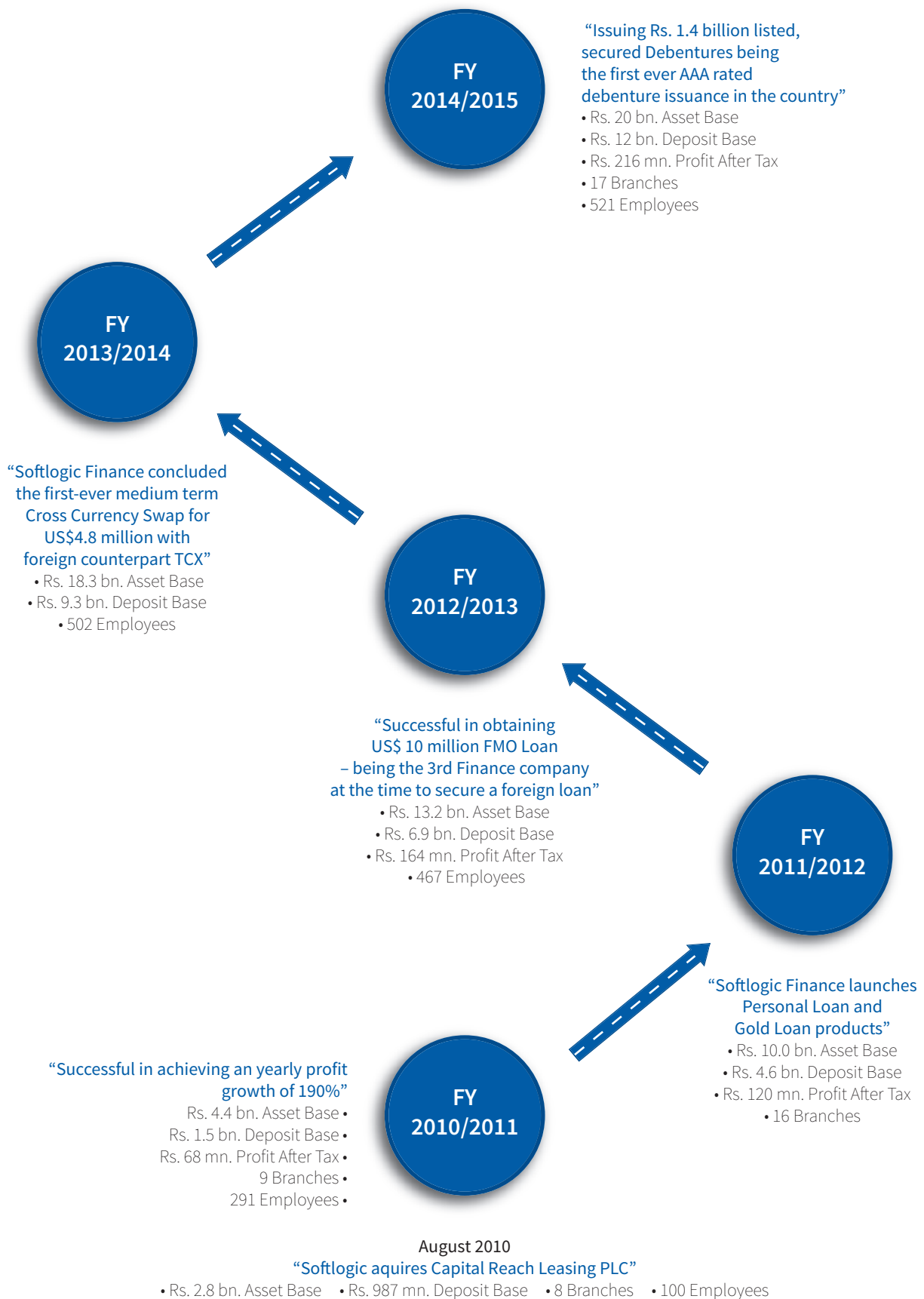
**17. K S N Fernando**  
*Manager - Chilaw*

**18. S Thavaseelan**  
*Senior Manager - Jaffna*

**19. P M K S S Kumara**  
*Senior Manager - Matara*

**20. N I Seneviratne**  
*Senior Manager - Corporate Branch*

# Our Journey





# Management Discussion and Analysis

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“ Management is doing things right, leadership is doing the right things. ”

Peter Drucker  
Management Consultant / Educator / Author

# Management Discussion and Analysis

Softlogic Finance PLC provides comprehensive financial services to its vast customer base through an island-wide branch network. The Company offers customised financial services that includes Business Finance, Leasing, Hire Purchase, Personal Finance, Gold Loans, Fixed Deposits and Savings Accounts. Over the years Softlogic Finance has rapidly grown to become one of the leading finance companies in the country, backed by the strength and stability of the parent Company Softlogic Holdings. The Company is renowned for professionalism, customer service, innovation and ethical business practices.

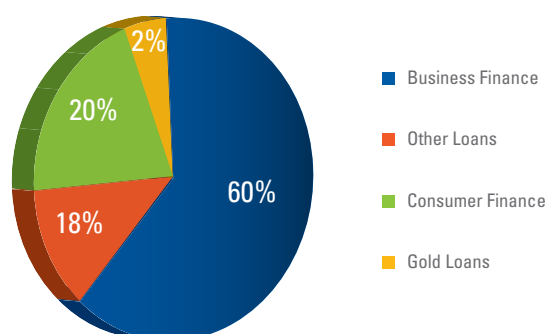
With the end of a successful financial year the Company has portrayed accelerated growth. Improved service levels and prudent cost management contributed to the growth in the year under review despite a challenging industry environment. Process improvements, investments in IT, training and development of human capital are also among the key propellants of the progress made by the Company.

## Operational and Business Review

### Business Finance

The Company mainly offers Working Capital facilities by way of fixed instalment and revolving loans which are catered for the SME sector. Leasing and Hire Purchase facilities are also offered under this category. The Company strongly believes that the SME sector will continue to drive growth in the Sri Lankan economy in the foreseeable future. A view shared by the government together with the Central Bank which has recognised the vital role played by SME's in the economy and has stressed on the importance of the accessibility of credit for these enterprises. Hence the Company altered its product mix to focus on building its Business Loan portfolio tailored for the SME sector. The Company simultaneously reduced its reliance on Leasing and Hire Purchase products.

Product-wise Portfolio - FY 2014/15



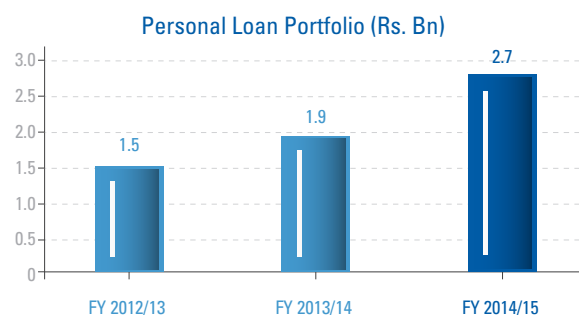
Disbursements in loans under this category increased by more than 75% compared to the related period of last financial year, which was achieved by several complimenting initiatives such as an effective marketing strategy, centralised credit approvals, streamlined operational procedures and competitive interest rates. A large proportion of disbursements were recorded in the Business Finance Loan category which resulted in over 28% growth in the total loan portfolio for the year under review. A special working capital loan tailored to the SME sector which was introduced last financial year, performed exceptionally by recording accelerated growth in its portfolio.

Meanwhile to complement the growth in product portfolios, the Company also initiated measures to contain NPL's by strategically directing a focused collections unit to diligently monitor the health of the portfolio.

The roll out of the new IT platform to support all business finance products, together with re-engineering of back-end processes has had a very positive impact by enabling the Company to achieve improved service standards.

### Personal Loans

Softlogic Finance offers loans under two loan categories – Personal Loans, where cash is provided for personal needs, and Consumer Loans, where the Company finances the purchase of consumer durables. During the year under review, the Company disbursed Rs. 2 billion across both categories, which is an increase of 50% compared to the previous financial year. The personal loan product portfolio illustrates accelerated year-on-year increases. Combined with consistently low NPL's, the product is a very lucrative financial service offered by the Company.



Group Personal Loans are a pioneering product in the Non-Banking Finance Sector offered by Softlogic Finance. The product builds on the Company's exceptional understanding of the needs of customers and the Company's drive to constantly innovate and deliver products that offer customer convenience and flexibility.

### Gold Loans

Softlogic Finance operates 25 gold loan centres, 13 of which are operated as stand-alone centres. In the financial year ahead the Company plans to add several new gold centres to its network while also converting current gold loan centres to fully-fledged branches.

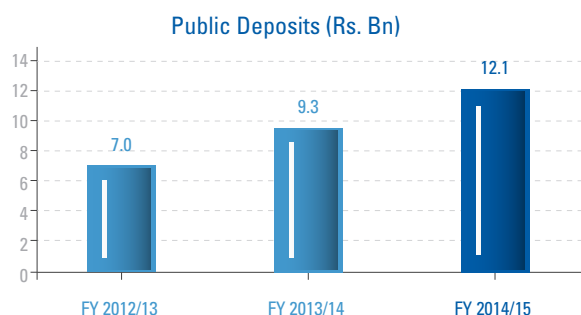
The Gold Loan product has had a turbulent past as a result of the decline in international gold prices, which negatively impacted the Sri Lankan market during the year under review. However, the Company was able to disburse Rs.1.7 billion in gold loans during the year despite the challenges faced by the industry. Innovative product development was a key determinant that propelled disbursements. Gold Loans are a very unique type of product which requires specific technical knowledge and expertise. Training and certification programs which are compulsory for all gold loan personnel are conducted periodically. The Company believes that this proactive initiative will contribute well

for the development of this line of business. Restructuring of back-end processes during the latter stages of the financial year also propelled disbursements, and simultaneously aided in shielding the Company from future losses pertaining to gold price fluctuations.

### Deposit Mobilisation

An increase in the deposit base is one of the key indicators of the trust and confidence placed in a finance company by the public. During the financial year, Softlogic Finance was able to expand the deposit base significantly by 30% to Rs.12 billion at the end of the financial year. This achievement was accomplished by the strength of the Company as a stable financial institution, backed by the strong support of the Softlogic Group, together with the unique service offered by our people in delivering an efficient and competitive service.

The Company has amply demonstrated its understanding of the intricacies of today's evolving customer. As most customers of today look for prompt service, a professional approach, flexibility of deposit schemes, high and competitive interest rates as well as the transparency and stability of the Company, Softlogic Finance has proudly excelled in all aspects while striving towards the Company's core values of 'placing the customer first'.



The expanding branch network and the inherent strength and stability of the Softlogic Group will be pragmatically utilized to build trust among new customers and thereby increase the customer base. The Company plans to use relationship marketing backed by excellent service levels to reach out to customers on a one-to-one basis, especially high net worth individuals and corporates. The Company has continuously strived to improve its back-end processes, constantly streamlining them for increased performance and adaptability according to customer needs. The implementation of a new IT system for deposit operations planned for the year ahead will further enhance the service levels of the Company's deposit products and aid to build on the Company's core values of performance and innovation.

### Internal Audit

Internal audit procedures and controls have been established which are reviewed by a Board appointed Audit Committee comprising of 3 Independent Non-Executive Directors, 1 Non-Executive Director and Senior Managerial personnel. The vital role of re-engineering processes as a result of the implementation of new IT systems was closely monitored by the Internal Audit team. Internal Audit operates as an independent unit which ensures that all processes align with stringent mechanisms instilled by the Board of Directors and the Senior Management of the Company.

### Risk Management

The Company recognizes the vital importance of Integrated Risk Management as an ongoing dynamic and evolving process that is essential to the sustainability of any financial institution. A board appointed committee has been tasked to identify, assess, quantify, control and mitigate the risks within the Company. The Risk Management department ensures that the various types of risk such as Credit, Market and Operational Risks in all business activities that the organization is engaged in, falls within acceptable tolerance levels. The organisation believes that risk management practices and information needs to be constantly updated and are in line with the best practices in the market.

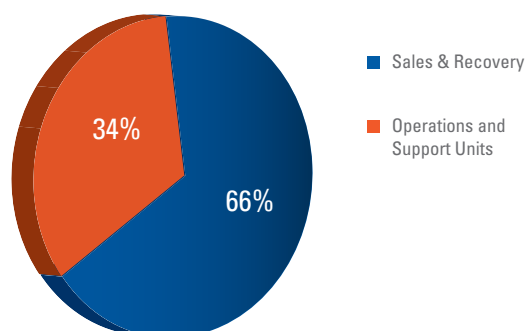
### Our People

The people of Softlogic Finance are the Company's greatest asset. Being the friendly face that every customer trusts, our people have proven that even in the most challenging economic conditions, yielding positive results for our valued customers and helping the Company achieve its strategic objectives is of paramount importance.

Being an organisation with the vision to be "the preferred non-banking financial institution in Sri Lanka", a significant amount of time, money and resources are invested in continuously improving the talent pool that the Company possesses so that they can unlock their optimum potential. Hunting for new talent also plays a vital role in building the Company's human capital base. The organisation recruits individuals who are competent, believes in 'Success' and will develop a culture that is aligned with the 'Performance' goals and values of the Company. We at Softlogic Finance serve a community covering all ethnic groups and as a result we provide an equal opportunity for all citizens of the country, irrespective of their age, gender and religion to join our Company for their career development.

At the end of the financial year, the workforce of the Company totalled 521 employees of which 346 are engaged in Sales and Recovery while 175 members are placed in Operations and other Supportive Units. At Softlogic Finance, employee commitment and motivation is a high priority. The Company focused on building strong relationships across all employees and departments while honesty, integrity and effective communication were emphasized as cornerstones of building trusted

Distribution of Our People



# Management Discussion and Analysis (Contd.)



**Sanjaya Vithanage**  
(DGM - Operations)

18 Years of Service

*"My journey at Softlogic Finance has been a remarkable one. Being at this institution for 18 years has embedded in me the key values of the Company and has allowed me to challenge myself beyond what I had imagined. Many hurdles were crossed during my tenure and I am proud to say that my team and I have always emerged as winners."*

relationships with clients, co-workers and supervisors. Employees were continuously empowered by the Company, keeping in mind the result oriented work culture practiced within the Company along with the importance for accountability. Fair and equal treatment of 'Our People' meant that employees can freely communicate their views and ideals.



**Dimuthu Epasinghe**  
(Manager - Operations)

18 Years of Service

*"It has certainly been a privilege to be a part of the Softlogic Finance family where everyone has been caring, friendly and helpful, while being professional at the same time. The team spirit and work culture has definitely motivated us to collaborate our efforts to work harder at making our tasks more efficient and timely."*

Constant training and development of employees continued to be one of the top priorities of the Company. Many programmes were conducted by the organisation to facilitate the efficient running of the organisation at peak performance levels. Outbound training programmes for managerial staff and special leadership seminars including those conducted overseas were carried out on several occasions. The main objective is to nurture team building skills, effective communication, and enhance motivational and inspirational skills among all staff members.



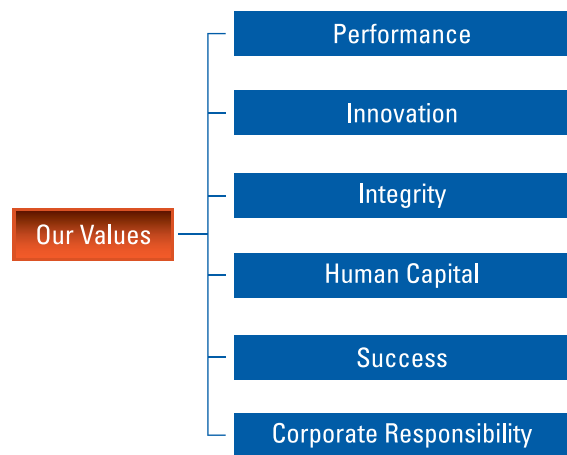
**Vimalakanth Thevepalaratnam**  
(Manager - FD Marketing)

9 Years of Service

*"I have been with Softlogic Finance for last 9 years. The resources and roadmap provided for accomplishing the goals we have set in our company are really different from other companies. I have been given an opportunity to be part of the team and to contribute my talents for self-development as well as for the betterment of the organization."*

In addition industry specific training programmes were conducted with affiliated bodies such as the Central Bank of Sri Lanka (CBSL), The Finance House Association of Sri Lanka (FHASL), The Institute of Credit Management (ICM) and the Institute of Bankers Sri Lanka (IBSL), to enhance and cultivate job specific competencies required to perform and excel in respective duties

A transparent performance management system has been developed by recognising the importance of 'work life balances'. Effective job allocation via setting Key Performance Indicators (KPI's) and leveraging on the automation of systems have enabled the organisation to move forward in the direction of meeting career objectives of staff members while aligning them with Company objectives and values of 'Innovation' and 'Success'. Furthermore, the Company developed optimised incentive structures to motivate all staff members to achieve competitive targets. This allowed the Company to effectively nurture performance in line with the Company's values of a 'Performance' oriented work culture and the commitment to the development of 'Human Capital'.



## Information Technology

During the year under review, the Company commenced the implementation of the SkyBank solution from OpenArc Systems with the support and guidance of a capable project team, which included an IT consultant from Ernst and Young. The IT consultants' role is to monitor the progress of the project independently and highlight any concerns from a security and technical standpoint. A Board-appointed IT steering committee was established to overlook the project implementation and provide guidance.

In the year under review Leasing, Hire Purchase, Business Loans and Savings modules successfully went live. One of the key outcomes from the system implementation has been the improved productivity and increased efficiency in processes resulting in better customer service. All processes in the Company were re-examined and re-engineered with the consideration of exceptional service levels in mind. As a result the Company realised the improvement in service outcomes and customer service which will be further maximised in the years ahead. The Company will be completing the implementation of all planned modules of the SkyBank solution in the financial year ahead.



## Awards and Accolades

Softlogic Finance is renowned for being a leading player in the non-banking and finance sector. This was clearly demonstrated during the financial year when the Company won several prestigious awards and accolades yet again.

### National Business Excellence Awards 2014 (NBEA 2014) – Merit Award



For the second consecutive year, the Company was awarded the Merit Award for “Business Excellence in the Non-Banking and Financial Services” category at the National Business Excellence Awards 2014 organised by The National Chamber of Commerce Sri Lanka (NCCSL), in recognition of its continued commitment to business excellence. 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.

### 50th Annual Report Awards – Compliance Award



For the third consecutive year, the Company received an award for Compliance at the 50th Annual Report Awards ceremony 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.

### Effie Awards 2014 – Finalist



The Company won an Effie Award after being nominated as a finalist in the ‘Finance’ category at the Effie Awards 2014 organized by the Sri Lanka Institute of Marketing (SLIM). The award was won for the ‘TV Campaign’, which communicated a strong, creative message about the customer convenience and service levels of Softlogic Finance.

### Best 100 Brands in Sri Lanka – 68th Place

The 2015 ranking by Brands Annual revealed that Softlogic Finance held the 68th place (2014 – 78th, 2013 – 81st) among the “Top 100 Most Valuable Brands” in Sri Lanka.

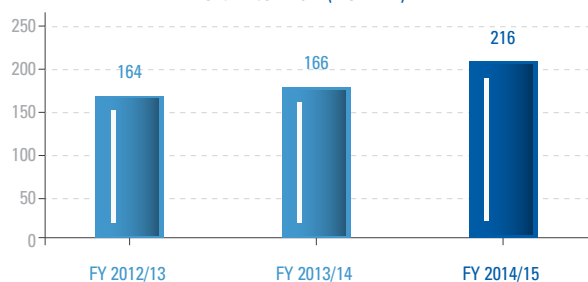
# Management Discussion and Analysis (Contd.)

## Financial Review

### Profitability

Softlogic Finance recorded a Profit After Tax of Rs.216 million, which was an increase of 32% over Rs.166 million recorded last year. The Net Profit After Tax for the financial year under review was the highest figure recorded since the inception of the Company. The significant increase was as a result of the 31% year-on-year growth in total operating income and prudent initiatives resulting in the low cost to

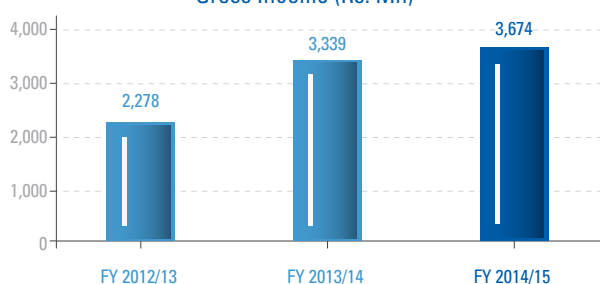
Profit After Tax (Rs. Mn)



income ratio. However profitability was hampered as a result of Non-Performing Accommodations rising by 59% as a result of continued deterioration in the Leasing and Hire Purchase portfolio. Nevertheless the Company strived to perform resiliently to achieve increased profitability. The Company anticipates achieving superior growth in the financial year ahead by leveraging on new product lines and focusing on profitable avenues of business finance.

### Gross Income

Gross Income (Rs. Mn)

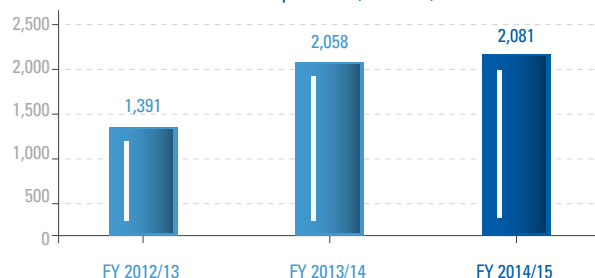


The Company was able to increase Gross Income from Rs. 3.33 billion in 2013/14 to Rs. 3.67 billion in the year under review. The main propellant of income was a 62% year-on-year increase in total disbursements, which was brought about by the realisation of the Company's renewed strategies. Furthermore, a systematic reduction in interest rates combined with tailored products allowed the Company to achieve the noteworthy increase in gross income.

### Interest Expenses

Interest expenses increased marginally by just 1% to Rs.2,081 million as a result of interest rate reductions in the financial sector, which allowed Softlogic Finance to renegotiate its bank borrowing rates, translating into lower cost of funds. The Company also continued its

Interest Expenses (Rs. Mn)

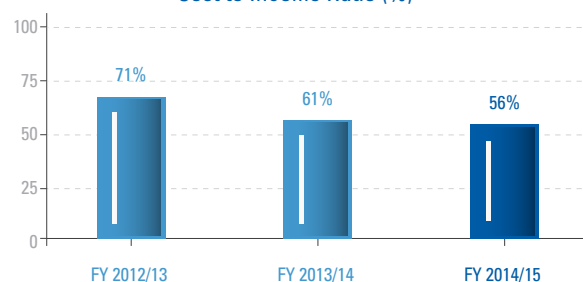


strategy of sourcing funds via public deposits which carry a relatively lower interest cost compared to bank borrowings.

### Cost to Income Ratio

The Company was able to generate a notable increase in the efficiency in cost management during the financial year, continuing the positive trend from recent years. The Cost to Income Ratio dropped for the 3rd consecutive year, improving to 56% for the year under review in comparison to 61% in the previous financial year. With the

Cost to Income Ratio (%)

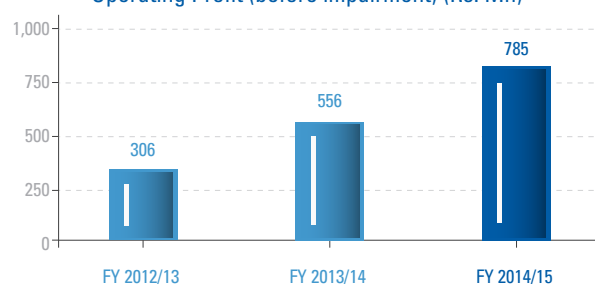


implementation of new IT systems, streamlining and re-engineering of internal processes, minimizing wastage and executing various cost management initiatives, the Company was able to increase efficiencies and productivity while containing costs. The effective renegotiation of the terms and conditions of contracts with our vendors, by leveraging on Company strengths furthermore contributed to the positive effect on the cost to income ratio.

### Operating Profit (before impairment)

The Company succeeded in achieving an operating profit before impairment of Rs. 785 million against Rs. 556 million in the previous financial year, recording a remarkable increase of 41% in the year

Operating Profit (before impairment) (Rs. Mn)



under review. Consequently making a new benchmark in the Company's operations over the course of its existence. This was attained as a result of a culmination of increased business revenues and effective cost management strategies.

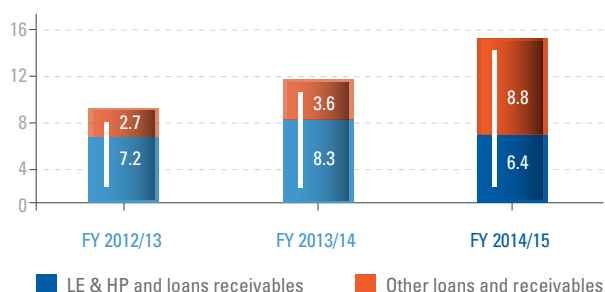
### Shareholder Equity

During the year, the successful Rights Issue of Softlogic Finance PLC provided an indication of the high level of shareholder confidence in the strength, stability and business future of the Company. The Rights Issue attracted applications for over 20.1 million shares with over-subscriptions exceeding 6.7 million shares. The addition of Rs. 401 million raised by the Rights Issue boosted the total equity position of the Company to Rs. 1.95 billion.

### Lending Portfolio

The total Lending Portfolio increased by a combined 28% from Rs. 11.9 to Rs. 15.3 billion at the end of the financial year 2014/15. The increase was driven by the Company's high Business Loan portfolio which contributed to the substantial increase in the other loans and receivables from Rs. 3.6 to 8.8 billion. Meanwhile negative growth was observed in the Leasing and Hire Purchase portfolio from Rs. 8.3 to Rs. 6.4 billion.

Lending Portfolio (Rs. Bn)

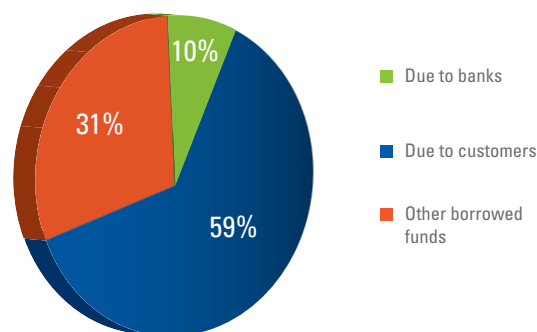


### Funding

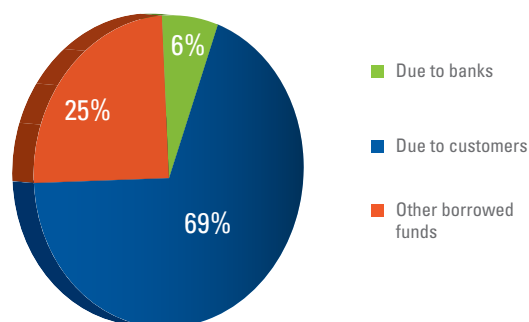
The Company focused on its strategy of obtaining funding through customer deposits to finance operations, thereby recording a 30% increase in the public deposit base (Due to Customers) from Rs 9.31 billion to Rs. 12.07 billion. Simultaneously the funding portfolio recorded reductions in the reliance on bank borrowings and other borrowings by 38% and 10% respectively over the course of the financial year under review.

Softlogic Finance PLC was successful in raising Rs.1.4 billion by way of issuing AAA-rated Debentures guaranteed by GuarantCo. Incidentally, this was the first-ever AAA rated Debenture in Sri Lanka and was oversubscribed on the first day of the issue, receiving subscriptions of over Rs.4 billion on the opening day. The instrument received significant publicity and interest from the Banks, Insurance Companies, Institutional Investors and Retail Investors.

Funding Mix - FY 2013/14



Funding Mix - FY 2014/15



### Liquidity

The Company managed to eclipse the maintenance of healthy cash reserves in the previous financial year through successful fund mobilization which saw deposits grow by 30%, together with the issue of Rs. 1.4 billion in Debentures. This in turn resulted in the Company realising its capacity through cash reserves to significantly restructure its liabilities in order to effectively reduce its interest costs, and thereby improve its interest margins. Excess cash reserves also allowed the Company to increase its disbursements over budget, which contributed positively towards the bottom line. The Company maintains cash reserves in excess of Rs. 1 billion as at 31 March 2015, therefore underlining the strength and stability of the Company while adhering to strict regulatory liquidity requirements.

### Future Outlook

Softlogic Finance PLC recorded a steady performance in the year under review. The Company has recorded the highest growth in profitability, asset base, deposit base and many other indicators since the Company's inception. However the change in the economic environment and the stiff competition from banks adversely impacted the Company's large Leasing & Hire Purchase portfolio. Nevertheless the Company effectively met the challenge by successfully altering its course during the last financial year.

During the year ahead, the Company intends to expand the branch network by opening new branches and converting existing standalone gold centres to branches considering its viability. Aggressive, innovative marketing campaigns will be organized with the expansion

## Management Discussion and Analysis *(Contd.)*

of the network in order to engage prospective customers in each region. The launch of the savings account, backed by a strong and stable ATM network and the unmatched strength and stability of the Softlogic Holdings, will enable the Company to successfully reach out to new customers and offer them greater convenience and value.

The corporate culture will be result oriented and continue to focus on consistently delivering service excellence to both internal and external customers – a factor that will be a decisive difference between Softlogic Finance and other competing finance companies.

In keeping with core values, the Company will continue to engage with the local communities through various projects that can help make a difference in the lives of the community. Project “Clean Zone” will be expanded as new branches are being opened. This will invariably help promote a clean environment and groom are employees to be responsible citizens.

The versatile and competent Board of Directors has effectively contributed and guided the management, which has allowed the Company to frequently fine tune its operational strategies.



# Corporate Governance

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*“ The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. ”*

Sir Adrian Cadbury

Chairman - Cadbury and Cadbury Schweppes (1965 - 1989)

Director - Bank of England (1975 - 1994)

# 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
<b>Board of Directors</b>				
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 Four 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 26-28 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.
<b>Board Meetings</b>				
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 is presented on page 61 of this Annual Report.  The Company Secretary records the proceedings of the meetings and the decisions taken thereon in sufficient detail.
<b>Board Responsibilities</b>				
Formulation and implementation of a sound strategy and effective systems	A.1.2		2 (1) (a), (b), 3 (2), 6 (1) & 6 (2)	Developing and implementing an annual business plan, annual budgets and managing day-to-day operations are fulfilled by the management as the Board has delegated its authority 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 budget for the next financial year. Necessary adjustments are made to the plans and budgets and the strategies are altered accordingly.

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Board Responsibilities</b>				
				<p>The changes by the Board are based on the Internal Strengths, Weaknesses and the Opportunities and Threats prevailing in the macro-environment. In addition, competitive actions are also considered in finalizing any change.</p> <p>On 26 March 2015, the Board has approved the budget for the next financial year.</p>
Competence of the CEO and Senior Management in implementing Business Strategies	A.1.2		2 (1) (f), (h) & (k)	The Senior Management / Management Committee consist of competent members who have skills, knowledge and experience and qualifications to carry out their respective functions effectively. The CEO is responsible for the effective implementation of the policies approved by the Board. The Senior Management / Management Committee meets once in every two weeks to discuss, review policies & decisions of the Company. The profiles of the Senior Management and the Management Committee are presented on pages 32-33 of this Annual Report.
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 Board's control and authority.

# Corporate Governance *(Contd.)*

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Board Responsibilities</b>				
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.
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 72-75. 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)	Stakeholders' interests are taken into consideration in evaluating a strategic decision. The Chairman ensures the effective communication with the shareholders and that their interests are taken into consideration in making decisions. The Board always makes an effort to minimize negative aspects towards any stakeholder in the corporate decision making process and a policy on communication with stakeholders is available for use.
Recognizing sustainable business development in corporate strategy, decisions and activities	A.1.2			Please refer the "Management discussion and analysis" on pages 37-44 for information on the Company's activities relating to sustainable business development.
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 82 of this Report.



<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Board Responsibilities</b>				
Fulfilling other Board functions are vital, given the scale, nature and complexity of the business concerned	A.1.2			The Board consistently discharges its stewardship obligations on behalf of all Shareholders. Further, it ensures that recommendations given by external auditors are implemented properly to improve internal controls and business processes within the Company. The Board continuously monitors and develops the ethical guidelines to meet the highest level of public interest in its business activities.
Act in accordance with the laws and regulations relevant to the organization and place procedures to obtain independent advice.	A.1.3		2 (3)	The Board ensures that members across the Company are independently and collectively responsible to act according to the relevant laws and regulations. The Directors are authorized to obtain any independent professional advice that they require regarding laws and regulations at the expense of the Company and 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.
Independent Judgment	A.1.5		4 (6)	Independent judgments of each Director on issues of strategy, performance, resources and standards of business conduct are discussed by the Board in order to evaluate matters effectively so that correct decisions can be made for the benefit of the Company and thus avoid conflicts of interests.
Dedication of adequate time and effort to matters of the Board and the Company	A.1.6		3 (3)	To ensure that the duties and responsibilities owed to the Company are satisfactorily discharged, the Directors attend monthly Board meetings and discuss prevailing matters. Time is allocated at each meeting to discuss the matters related to changes in business operations, risks and controls. Board papers are circulated amongst the members 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 61 of this Annual Report.

# Corporate Governance *(Contd.)*

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Board Responsibilities</b>				
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>
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 utilize 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 analyzing 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 2014/2015.

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Financial Acumen</b>				
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 26-28 of this Annual Report and provide the Company with the necessary financial guidance in conducting its business.
<b>Board Balance</b>				
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 Four 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 judgment. Appointment of those three Directors as Independent Non-Executive Directors complied with the applicable statutory provisions. The Independence / Non-Independence, Executive / Non-Executive capacity of each Director is specified in their profiles presented in pages 72 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.
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.

# Corporate Governance *(Contd.)*

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
<b>Board Balance</b>				
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 Central Bank approval.
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.
<b>Supply of Information</b>				
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.

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Supply of Information</b>				
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.
<b>Appointments to the Board</b>				
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.
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.
<b>Appraisal of Board performance</b>				
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.

# Corporate Governance *(Contd.)*

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Disclosure of Information in respect of Directors</b>				
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.
<b>Directors' Remuneration</b>				
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 75 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 127 of this Annual Report.
<b>Relations with Shareholders</b>				
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.

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Relations with Shareholders</b>				
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)	Company has a Board-approved stakeholder's communication policy. Company Secretary can be contacted for any queries of shareholders.
<b>Major Transactions</b>				
Disclosure of major transactions	C.3			Future strategies of the Company and their potential impact are disclosed on the pages 43 of this Annual Report.
<b>Accountability and Audit</b>				
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 31 March 2015. 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 74 of this Annual Report.

# Corporate Governance *(Contd.)*

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Accountability and Audit</b>				
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 80 and 82 respectively of this Annual Report.
Management Discussion and Analysis	D.1.4			A detailed Management Discussion and Analysis is presented on pages 38-44 of this Annual Report.
Declaration of Going Concern by Directors	D.1.5			This Information is provided in the Annual Report of the Directors on the affairs of the Company on page 80.
<b>Internal Control</b>				
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 68-71 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			10 (2) (c)	The Company has obtained a certification from the internal auditors on the effectiveness of the internal control mechanism.
Internal Audit Function	D.2.2			The Internal Audit Function is carried out by the Internal Audit Division of the Company.



<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Board Sub Committees</b>				
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"> <li>• Audit Committee</li> <li>• Integrated Risk Management Committee</li> <li>• Remuneration Committee</li> <li>• Credit committee</li> <li>• IT Steering Committee</li> <li>• Related Party Transaction Review Committee.</li> </ul> <p>Each of the above Committees directly report to the Board. The report of the Integrated Risk Management Committee and the Audit Committee are given on pages 68 and 78.</p>
<b>Sub Committees</b>				
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 other member of the Committee is also a Non-Executive Director. The Chairman of the Committee is an Independent Non-Executive Director who possesses qualifications and experience in accountancy. The composition and functions carried out by the Audit Committee are presented on page 78 of this Annual Report.</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 75 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>(i) Assess all risks to the Company on a quarterly basis through appropriate risk indicators and management information.</li> <li>(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> </ul>

# Corporate Governance *(Contd.)*

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
<b>Sub Committees</b>				
				<ul style="list-style-type: none"> <li>(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> <li>(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> <li>(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-Banking Financial Institutions of the Central Bank of Sri Lanka.</li> <li>(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.</li> <li>(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 of the Company.</li> </ul>
Related Party Transaction Review Committee		9.2		The composition of the Related Party Transaction Review Committee is disclosed on page 75 of the "Annual Report of the Board of Directors on the affairs of the Company"

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Sub Committees</b>				
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.
<b>Code of Business Conduct and Ethics</b>				
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.
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.
The external auditor's certification of the compliance with the Act and rules and direction issued by the monetary board.			10 (2) (j)	The Company has obtained the certification from External Auditors over the compliance of corporate governance direction.

# Corporate Governance *(Contd.)*

<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Shareholders</b>				
<b>Institutional Investors</b>				
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 133 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.
<b>Related Party Transactions</b>				
Identifying & recording related party transactions	D 1.7		9 (2), (3), (4) & 10 (2) (f), (g)	The related party transactions during the year under review are set out in the Note 35 to the Financial Statements.  Company has formed a Related Party Transaction Review Committee and composition of the committee is disclosed on page 75 of the Annual report.
<b>Other Investors</b>				
Investing/Divesting Decisions	F.1			The Annual Report is circulated to all shareholders in a timely manner and includes adequate information to enable the shareholders to make decisions relevant to their investment in the Company. The following reports aim at providing an overall assessment of the Company's activities and future prospects.  Chairman's Message : page 12-15 Deputy Chairman's Review : page 16-19 CEO's Review : page 20-24 Management Discussion and Analysis : page 37-44 Annual Financial Statements : page 82-131  During the financial year under review, the Company conducted one Rights Issue. Information relating to the said Right Issue is presented in page 73 of the Annual Report.

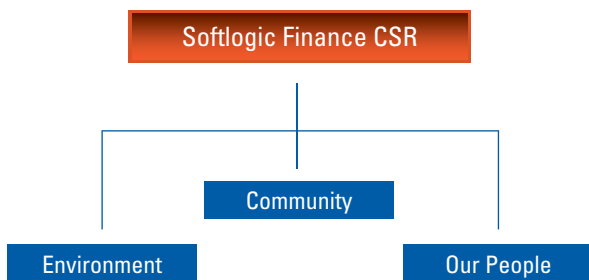
<b>Corporate Governance Principle</b>	<b>Reference to Code of Best Practice issued by ICASL</b>	<b>Reference to the Listing Rules of CSE</b>	<b>Reference to the Finance Companies (Corporate Governance) Direction No. 3 of 2008</b>	<b>Degree of Compliance</b>
<b>Other Investors</b>				
Encourage individual 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,

<b>Name</b>	<b>No. of Meetings</b>
Mr. A K Pathirage (Chairman)	12
Mr. G L H Premaratne (appointed w.e.f. 21 January 2015)	03
Mr. N H G Wijekoon	12
Mr. T M I Ahamed	11
Mr. B H S Jayawardena	12
Mr. C J E Corea	12
Mr. D T C Soza	11
Mr. S Wickramasinghe	10
Mr. S N P Palihena	12

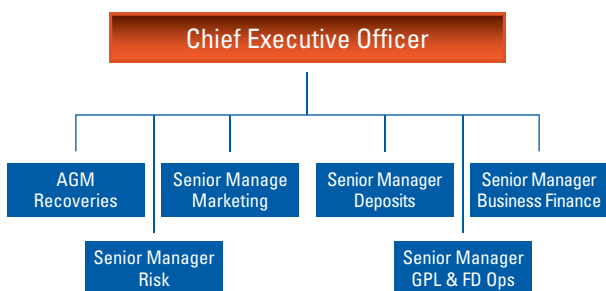
# Corporate Social Responsibility

Softlogic Finance strives to be a socially responsible corporate citizen that places great importance on sustainable development. In line with this endeavour the Company considers the interests of all stakeholders engaged with the Company. Understanding the many challenges faced by the community and environment while making meaningful contributions that make a positive difference, has always been of utmost importance. This report takes a look at each of the key drivers of social responsibility – our people, the community and the environment - and how the Company has contributed to them during the financial year under review.



## CSR Structure

Our CSR structure comprises of a committee including Senior Management personnel representing various departments which is being guided by the CEO. Each year, initiatives are planned and executed by the CSR committee by appointing various sub-committees which include executives across several divisions and at times across branches. Sub committees are formed to allow 'Our People' to brainstorm in a collaborative environment in order to work for the success of each initiative tasked to them.



The Company as a responsible corporate entity has embarked on several notable projects every year. However, over a period of time the Company's social responsibility model will be progressively aligned with the Softlogic Group, so that collectively there will be a wider scope for activities and projects which will positively impact the society and environment, by reaping benefits over a longer term.

## Environment

Softlogic Finance is a Company that recognizes the importance of using the most appropriate methods to preserve the environment for future generations by instilling "green" habits amongst staff and the community around the vicinity of each branch. The Company's policies are always aligned towards conserving energy and resources, while minimizing waste and disposing it responsibly.



The disposal of garbage in the island in a suitable, environmentally-friendly manner is one of the most difficult challenges faced by the authorities and citizens. The lack of a proper mechanism for garbage disposal not only affects the environment but also leads to the spread of many deadly diseases, such as dengue, that have brought about challenges in various regions of the country.



Responding to this national need for proper garbage disposal, Softlogic Finance PLC embarked on a carefully-planned, large-scale effort which would eventually improve the cleanliness of 100km roadside extent and mobilize public support for waste segregation and recycling. The campaign, which was ceremonially launched in March 2015 by the Deputy Minister of Policy Planning and Economic Affairs, Hon. Dr. Harsha de Silva at the Company's Nawala branch, saw the

declaration of the country's first 'Softlogic Finance Clean Zone'. The 'Clean Zone' initially encompassed a 500m roadside extent on either side of the Nawala Branch and would subsequently be expanded to cover 1km on either side of the branch. Softlogic Finance plans to further extend the Clean Zone to improve the cleanliness of 2km of road alongside all branches and pawning centres across the island, thereby promoting road-side cleanliness while simultaneously contributing towards the eradication of diseases such as dengue in those areas.

Softlogic Finance team members were mobilized in numbers to engage and educate residents in the vicinity of the Nawala Branch on the importance of segregating recyclable and non-recyclable garbage and proper waste disposal. Informative leaflets and stickers certifying the residents to be members of the Company's "Clean Zone" were distributed. To inculcate the habit of garbage segregation, the Company also placed separate bins in front of the branch to dispose plastic, glass and non-recyclable waste.

The Company intends to open two "Clean Zones" among existing branches while all new branches will open with "Clean Zone" facilities. The second phase of the campaign will be held at the Company's Galle, Senkadagala, Matara and Pamankada branches.

## Community

As Softlogic Finance expands its reach into every district of Sri Lanka, it is reminded of the harsh realities that people in rural areas face as they struggle to make a living in difficult social and economic conditions. As a significant player in the NBF industry, the Company is always ready to serve communities and aid to uplift the lives of those less fortunate. The Company's ability to become actively involved in the communities it operates in, help to identify the needs of the SME segment and provide speedy solutions for their difficulties.

With the expansion of the branch network, the Company has the opportunity of engaging more with the community. A majority of the products or services that any branch requires is sourced directly from the immediate community where the branch is located, rather than from Colombo or any other large city. This provides employment and business opportunities to individuals in the community. This results in increasing the quality of life in the respective area.



## Helping drought-affected families

The lengthy drought resulted in a great deal of suffering across various parts of the Island during the year. One of the most affected regions was the Polonnaruwa District where hundreds of families were struggling to survive during this period. As a result the Company leaped into action and delivered a large consignment of much-needed water, dry rations and other necessities to the affected families. The Company conducted this initiative through its Polonnaruwa Branch by making it a base of operations in order to coordinate supplies from Branches throughout the country. The staff at Softlogic Finance made significant contributions and played an active role in collecting items and ensuring that they were distributed efficiently.



## Helping landslide victims

The Koslanda landslide was another unfortunate tragedy that affected the lives of the people in the area. The Company and its staff rallied to assist the displaced victims, some of whom were left with no families or homes. During this trying period, the staff of Badulla Branch successfully managed to conduct and coordinate the relief operations. A large amount of clothes for adults and children, together with much-needed dry rations were sent to the area and distributed among the victims.



## Annual “Dansala” at City Office



Thousands of Sri Lankans arrive at the beautifully-lit city of Colombo on pilgrimage and to enjoy the sights and sounds of the Wesak festival. Some of these pilgrims travel hundreds of miles to arrive at the city and spend hours walking to the various Wesak Zones. For the fifth consecutive year, the staff of the Company organised a “Kopi Dansala” opposite the City Office Branch premises at Jinaratana Road. Hundreds of devotees, who were visiting the Gangarama temple and Navam Mawatha Wesak Kalapaya, were able to quench their thirst and re-energize themselves for the rest of their journey at the Dansala.

## Our People

Being a Company that prides in providing unparalleled service, Softlogic Finance understands the crucial role that ‘Our People’ play in realising the Company’s objective of being recognised amongst the most successful Companies in the industry. Discovering unmatched talent, along with the right set of skills and attitude in this highly-competitive industry is a major challenge faced by the Company. Hence the Company is always eager to dedicate a great deal of resources for the recruitment process. Upon joining the Softlogic Finance family, employees are made to feel welcome the very moment they



step into the Company’s premises. The induction programme helps them understand the Company’s corporate culture and operational procedures. This helps them to integrate seamlessly into the professional, inspiring and friendly culture of the Company that delivers exceptional customer service above all. The objective of the Company is to create an atmosphere where staff can cultivate their best talents while working with pride and enthusiasm which in turn will reflect in their excellent service standards.

Training and development has always been a significant part of the Company’s business strategy. During the year under review, the Company conducted several internal and external training programmes to develop their technical knowledge, soft skills, leadership skills, team building and customer service skills. The Performance Management System (PMS) of the Company strengthens and develops a performance-oriented culture in a transparent manner through the identified Key Performance Indicators (KPIs) within the organization. The Individual Development Plan (IDP) system currently implemented will enable the Company to understand the hopes, aspirations and career goals of each employee and prepare a path that will be mutually beneficial to both the individual and the Company.

While helping the community is an integral part of the Company’s social responsibility approach, the Company believes in looking inwards when it comes to changing the lives of individuals for the better. Plans are being made to reward deserving individuals within the Company or their children who may possess outstanding skills that deserve to be recognized and highlighted, yet do not have access to the resources to make the most out of their skills.

As a Company that strongly believes in the value of achieving “work-life balances”, Softlogic Finance ensures that the employees have a steady stream of exciting recreational and sports activities to participate in throughout the year. This helps the Company’s over 500 employees to build relationships with individuals across branches and departments, which in the long run will benefit both the individual and the Company.

During the year, the Softlogic Finance Cricket Team became the 2nd Runner-Up at the “Governor’s Trophy 2014” which is an Annual Sports Event organized by the Finance Houses Association of Sri Lanka. The Company also conducted the “World of Talent” Painting Competition, an innovative concept to create visuals to use for the 2015 calendar and greeting card of the Company. This competition which was open to all staff and their immediate family members, allowed participants to select from 12 topics that resembled the significance of each month. Winners were rewarded with attractive prizes and the winning paintings were used for the calendar and greeting card for the year 2015.





## Highlights of the Year

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“ We see our customers as invited guests to a party, and we are the hosts. It’s our job every day to make every important aspect of the customer experience a little bit better. ”

Jeff Bezos

Professor / Author / Engineer / Statistician

# Highlights of the Year



## Sports Carnival

May 2014

The "Sports Carnival" organised by the Recreation Club was held in May. Each branch was encouraged to participate and was well represented by their respective teams. The day was well enjoyed by everyone as the spirit of friendly competition flourished in competing for the "Softlogic Finance – 300 Up Trophy"



## Outbound Training

April 2014

An "Outbound Training Programme" was initiated by the HR Department at Kithulgala, which was organised by Ceylon Adventure Sports. The training was focused mainly in building team spirit and effective relationships among the employees whilst helping to improve skills such as planning, leadership, time management and competency in achieving set goals.



## SME Loans Campaign

July 2014

The "SME Loans" TV campaign conducted in order to promote "Business Loans" was a success as it created a positive growth in lending base. Branches also conducted promotional activities to reach out to the selected business segment.

April

May

June

July

August

September



## AAA Rated Debenture Issue

August 2014

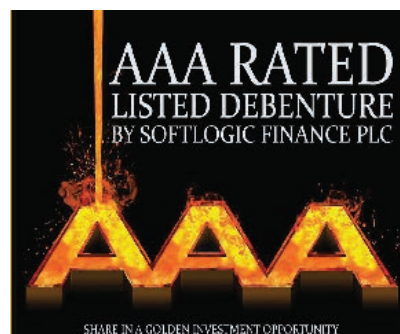
Company's AAA rated Debenture issue of Rs. 1.4 billion received subscriptions of over Rs. 4 billion on the opening day. This Debenture issue was completed in collaboration with GuarantCo who provided a guarantee to the issue. The transaction is viewed by many as a ground-breaking event.



## Opening of Dambulla Gold Loan Centre

August 2014

The Dambulla Branch commenced the Gold Loan business on 20 August 2014. This addition enables the Company to cater to a new segment in the area with convenience and service excellence.



## New Head Office Building

September 2014

To provide all services efficiently under one roof the Softlogic Finance Head Office and its Metro Branch shifted to a state of the art building in the heart of Colombo. The new building is located on Duplication Road at No. 13, De Fonseka Place, Colombo 4.



## Strategic Management Forum

October 2014

Two effective forums in which the Senior Management, Branch Managers and Department Heads were encouraged to intermingle and present their strategic plans for the future, was held at "Centara Ceysands" in October. These forums were a great success amongst the participants who interacted actively throughout the forums.

## A Platform to Showcase Talents

November 2014

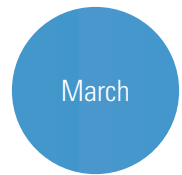
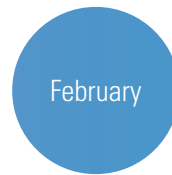
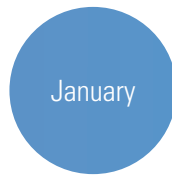
The "World of Talent" Painting Competition was an innovative competition organized to find the best paintings for the 2015 Softlogic Finance calendar and greeting card by tapping into the hidden artistic talents of the Company's staff and their immediate family members. This competition was open to all staff members who were given 12 topics to choose from, each resembling the significance of the 12 months of the year. The winners were also rewarded with attractive prizes for their efforts.



## Awards and Accolades

December 2014

Softlogic Finance was honoured to be awarded with a Merit Award in "Non-Banking & Financial Services" category for the second consecutive year in the National Business Excellence Awards (NBEA) 2014 organized by the National Chamber of Commerce of Sri Lanka (NCCSL).



## Internal Competitions

February 2015

An internal drive was conducted in order to promote Lending by rewarding the top achievers of the Company.

It was a great success and the team showed much interest and enthusiasm as the Company achieved Rs. 1.98 billion at the end of the competition, which is an achievement of 99.12% from the overall target.



## Advertising / Communication

January 2015

An effective "TV Campaign" was launched to promote the convenience and stability of the Company. The Company won an Effie Award in the "Finance Category" for this advertisement at the Effie Awards 2014 organized by Sri Lanka Institute of Marketing.



## Employee Motivation Programme

March 2015

It is vital to keep the staff continuously motivated and feel truly valued. Therefore marketing has implemented many strategies to develop a culture of appreciation where employee strengths are identified and rewarded.

# Integrated Risk Management

A comprehensive Integrated Risk Management framework greatly assists in the achievement of strategic corporate objectives. The activities of the Company invariably attract an element of risk. Integrated Risk Management 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.

Integrated Risk Management is an ongoing dynamic and evolving process that is essential to the sustainability of any financial institution. Our Risk Management framework plays a critical role in withstanding our reputation as a safe and sound Financial Institution. During the year, we continued to improve loan origination and appraisal systems with independent review approach to credit risk assessment. Our steady approach has been nurtured and derived from key inputs obtained through stakeholder engagement, understanding the needs of customers amidst rapidly changing markets that they conduct business and lifestyles and issues that matter to the environment they operate. The objective of Integrated Risk Management process 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.

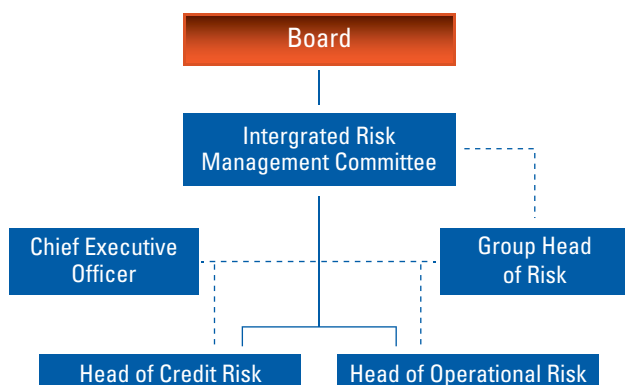
Our vision of Risk Management is to deliver superior shareholder value whilst managing risk and return theories.

The Risk Management Department ensures that risks are accepted within the risk appetite limits and overlooks the Credit, Market and Operational Risks relating to all business activities that the organization is engaged in. The organisation believes that risk management practice and information 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 Risk Management Department is divided into three main functions, which are the Credit Risk, Market Risk and the Operational Risk.

The structure of the integrated risk management is as follows:

The Risk Management Department is divided into three main functions, which are the Credit Risk, Market Risk and the Operational Risk.



## Risk Management Process

The identified risks are reviewed by the internal risk committee after which they are submitted to the Board Risk Committee for review on regular basis.

Initiatives carried out to aid in the Company's Risk management process have been listed out below

### A. Risk Management Policy

A risk management policy is in place which outlines the risk framework that will be applied at Softlogic Finance PLC. The policy also formalises the Risk Management processes, standards, roles and responsibilities and assist in the efficient management and mitigation of risks. The policy is reviewed on an annual basis and revised accordingly.

### B. Risk Register

As the first step towards achieving an Enterprise risk management framework, we have identified the main risks under each department. As these risks are specific to each department, this allows the Company to identify the main areas that need attention so as to mitigate any future losses as well as opportunities to gain through identifying new control mechanisms. These risks can be scored and analysed to achieve optimal decision making.

### C. Risk Appetite and Tolerance

The Company's risk appetite and tolerance levels are discussed and set and approved by the Board Risk Committee. The Board Risk Committee reviews these levels annually while the Internal Risk Management Committee is responsible for continuous monitoring and reporting of these limits as well as any business responses in times where these limits maybe significantly challenged.

The limits are set considering best practices, regulatory requirements, industry benchmarks and internal benchmarks as appropriate. The limits are reviewed annually and linked to the overall strategy of the Company.

## Duties and Responsibilities of Integrated Risk Management Committee

Subject to the powers and duties of the Board, the Board has delegated to the Committee the following powers and duties to be performed by the Committee on behalf of and for the Board. The Committee shall

- Review the risk identification and management process developed by management to confirm it is consistent with the Company strategy and business plan.
- Review management's assessment of risk at least annually and provide an update to the Board in this regard.

- C. Inquire of management and the independent auditor about significant business, financial and control risks or exposure to risk.
- D. Oversee and monitor management's documentation of the material risks that the Company faces and update as events change and risks shift.
- E. Assess the steps management has implemented to manage and mitigate identifiable risk, including the insurance.
- F. Oversee and monitor management's review, at least annually, and more frequently if necessary, of the Company's policies for risk assessment and risk management (the identification, monitoring, and mitigation of risks)
- G. Review the following with management, with the objective of obtaining reasonable assurance that financial risk is being effectively managed and controlled:
  - (a) Management's tolerance for financial risks
  - (b) Management's assessment of significant financial risks facing the Company
  - (c) The Company's policies, plans, processes and any proposed changes to those policies for controlling significant financial risks

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## Softlogic Finance Risk Profile

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	Risk Profile	Mitigation Strategy
Strategic Risk	<p>The risk that the medium and long-term profitability of the Company could be adversely impacted by the failure either to identify and implement the correct strategy, or to react appropriately to changes in the environment.</p> <p>We are aware of the importance of understanding all elements of new businesses strategies before commencement.</p>	<p>Decisions concerning new strategies are discussed and vetted by relevant business head, Chief Operating Officer, Deputy Chairman, and Chief Executive Officer before forwarding them to Board approval.</p> <p>The Company's strategic and business plans are updated on an annual basis and formally approved by the Board.</p>
Market Risk	<p>Market Risk is the risk that changes in equity and bond prices, as well as movements in interest rates or exchange rates having adverse impact on the Company.</p>	<p>The Company has put in 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. We continuously monitor the processes and review the policies in order to achieve faster turnaround times and to reduce the incidents of operational losses.</p> <p>A monthly liquidity gap is computed and review at ALCO. Liquidity gap is based on the expected realisation of the assets and liabilities, which are determined based on contractual maturities as well as behavioral assumptions. The net liquidity position reported for the month is monitored against the pre-set limits which have been approved by the ALCO. Furthermore, a Contingency Funding Plan to deal with a crisis situation is part of the Liquidity Management process.</p>

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# Integrated Risk Management *(Contd.)*

## Softlogic Finance Risk Profile

	Risk Profile	Mitigation Strategy
Credit Risk	Credit risk comprises of failure by counterparty to meet its financial obligations to the Company. The risk of failure to receive part or full value of the loan to the Company while settling a transaction which could subsequently lead to increase in the non-performing loans.	<p>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.</p> <p>The credit risk is managed at two broad levels, Pre and Post disbursement. Pre disbursement is regulated by establishing an appropriate credit culture through dedicated credit department and having approved delegated lending limits. Post disbursement involves monitoring and follow-up through regular MIS reviews by the Group subcommittee on Credit.</p>
Operational Risks	<p>Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. These are risks relating to the people, systems and processes through which we operate.</p> <p>Main functions of the Operational risk are as follows:</p> <p>Development of a risk matrix.</p> <p>Enhancement of the procedure manuals relating to all the products and processes of the company and communicating it to the relevant departments to ensure smooth functioning of the business.</p> <p>Staff awareness programs on Risk related issues further intensified towards creating an effective Risk culture within the Company.</p>	
	<p>People</p> <p>We believe that our people are our enduring advantage and therefore it is essential that we develop and maintain management capability across our Company. Identifying, developing and retaining talented managers with an appropriate succession plan is essential for the present and future development of the Company.</p>	<p>We believe in building aspiring leadership talent pool through our Company training initiative. Sustaining a strong culture of accountability, empowerment and personal development is a core part of Softlogic Finance. A clear succession plan for key management positions is established. The Head of Human Resource regularly review HR policies and procedures. We ensure clear processes are in place to understand and respond to employees' needs and annual performance reviews.</p>
	<p>Processes</p> <p>All products related processes and procedures should be in place to achieve faster turnaround times and to reduce the incidents of operational losses.</p>	<p>Most of the processes in the organisation have been documented and these are reviewed continuously to ensure that operations/activities are carried out seamlessly. We continuously monitor the processes and review the policies in order to achieve faster turnaround times and to reduce the incidents of operational losses</p>

## Softlogic Finance Risk Profile

	Risk Profile	Mitigation Strategy
	<p>Systems and Information Security</p> <p>Increasing sophistication of cyber-attack capabilities, disruption of information technology (IT) systems and a loss of valuable and sensitive information and assets could lead to significant business disruption. These can have a negative impact on business cash flows and financial position with loss of competitive advantage and reputational damage through the publicized loss of key operating systems and confidential data.</p>	<p>The Company reviews the approved IT strategy on a regular basis to ensure investment in IT systems and innovations to improve business efficiency. Head of IT and IT security manager monitors and controls the integrity of IT infrastructure and data. A dedicated IT security manager was recruited to enhance the Information Security Management function, providing line management, leadership and strategic direction for the function and liaising closely with other managers. The purpose of the Information Security Management function, in turn, is to bring the organization's information security risks under explicit management control.</p>
Business Continuity Plan (BCP) and Disaster Recovery	A major incident that could have severe implications on our business.	Appropriate business continuity and disaster recovery plans are in place. Disaster recovery plans are in place for key IT systems and data bases.
Political and Environmental Risk	Our business sectors may be affected by Legal and Political developments of the country.	We engage with governmental organisations to represent the views of our organisation. Our close relationship with Central Bank of Sri Lanka has been very cordial.
Social and Reputational Risk	Damage to Softlogic Finance brand arising from any association, action or inaction which is perceived by stakeholders to be inappropriate or unethical. This could lead to loss of trust and confidence and a decline in our customer base and affect our ability to recruit and retain talented people.	Softlogic Finance values have been embedded in how we do business at all levels. Our Company values guide our employees in dealing with customers, employees, suppliers and society at large. Social media publicity and displays are monitored. Customer complaints are promptly responded through customer complaint desk.

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

The Board of Directors of Softlogic Finance PLC have pleasure in presenting to the members their Annual Report together with the Audited Financial Statements of the Company for the year ended 31 March 2015.

## General

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

On 14 July 2005 the name of the Company was changed to "Capital Reach Leasing Limited". The Company was re-registered under the Companies Act No. 07 of 2007 on 29 September 2008 under Registration No. PB 641 PQ.

The Ordinary Shares of the Company were listed on the Dirisavi Board of the Colombo Stock Exchange on 22 January 2009.

The name of the Company was changed to Softlogic Finance PLC on 12 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 Message on pages 12-15.

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 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 82-131.

## Summarised Financial Results

	2014/15 Rs. '000	2013/14 Rs. '000
Total operating income	1,891,527	1,433,261
Profit before income tax	220,661	191,425
Income tax expense	(4,172)	(25,771)
Net profit for the year	216,490	165,654

## Auditors' Report

The Report of the Auditors on the Financial Statements of the Company is given on page 82.

## Accounting Policies

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards and the policies adopted thereof are given on pages 83-131. 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 26-28.

### Executive Directors

Mr. G L H Premaratne - Deputy Chairman  
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. G L H Premaratne was appointed as an Executive Director to the Board with effect from 21 January 2015 and Mr. Premaratne was appointed as the Deputy Chairman of the Company with effect from 22 January 2015. 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. D T C Soza 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. 07 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 31 March 2015 and 31 March 2014 are as follows;

	Shareholding as at 31/03/2015	Shareholding as at 31/03/2014
Mr. A K Pathirage	288,000	168,000
Mr. G L H Premaratne	Nil	Nil
Mr. N H G Wijekoon	13,118	9,666
Mr. T M I Ahamed	58,720	58,720
Mr. B H S Jayawardena	Nil	Nil
Mr. C J E Corea	Nil	Nil
Mr. D T C Soza	Nil	Nil
Mr. S Wickremasinghe	Nil	Nil
Mr. S N P Palihena	Nil	Nil

Messrs A K Pathirage, G L H Premaratne and T M I Ahamed are Directors of Softlogic Capital PLC, which held 32,189,009 shares as at 31 March 2015. Messrs A K Pathirage and G L H Premaratne are also Directors of Softlogic Holdings PLC which held 779,969 shares in Softlogic Finance PLC as at 31 March 2015.

## Remuneration of Directors

The Directors' remuneration is disclosed under transactions with key managerial personnel in Note 35.1.3 to the Financial Statements on page 127.

## 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 35 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. 1,526,597/- is payable by the Company to the Auditors for the year under review comprising Rs. 1,308,921/- as audit fees and Rs. 217,676/- 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 31 March 2015 was Rs. 1,404,523,150/- represented by 50,830,362 ordinary shares. The stated capital of the Company was increased from Rs. 1,003,230,820/- representing 37,453,951 ordinary shares to Rs. 1,404,523,150/- representing 50,830,362 during the year under review with the conclusion of the rights issue of shares.

## 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 pages 132-133 under Investor Information.

## Reserves

The movements of reserves during the year are given under the Statement of Changes in Equity on page 85.

## Property, Plant & Equipment

Details and movements of Property, Plant and Equipment owned by the Company are given in Note 19 to the Financial Statements on pages 107-108.

## Land Holdings

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

# Annual Report of the Board of Directors on the Affairs of the Company (Contd.)

## Investments

Details of quoted and unquoted investments made by the Company as at 31 March 2015 are given in Note 13 & 14 to the Financial Statements on pages 101-102.

## Dividend

The Directors recommend to the shareholders that the interim dividend of Rs. 1.50 per share paid on 28 May 2015 be considered as the final dividend for the year ended 31 March 2015.

## Donations

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

## Compliance

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

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

## Internal Controls

The Board 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 page 78.

## 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 68-71 sets out the processes currently practiced by the Company to identify and manage the risks.

## Contingent Liabilities

Except as disclosed in Note 32 to the Financial Statements on page 127, there were no material contingent liabilities as at the date of the Financial Position of the Company.

## 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 date of the Statement of Financial Position, have been paid or, where relevant, provided for.

## Events occurring after the Reporting Period

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 45-61.

An Audit Committee, Remuneration Committee, Related Party Transaction Review Committee, Credit Committee, IT Steering Committee and 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. G L H Premaratne - Deputy Chairman  
Mr. N H G Wijekoon - Director/CEO  
Mr. B H S Jayawardena - Non-Executive Director  
Mr. T M I Ahamed - Executive Director

### 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

### IT Steering Committee

- Mr. D T C Soza - Independent Non-Executive Director (Chairman)  
Mr. N H G Wijekoon - Director/CEO  
Mr. C J E Corea - Independent Non-Executive Director  
Mr. S Wickremasinghe - Executive Director  
Ms. I Fernando - Chief Operating Officer (w.e.f. August 2014)  
Mr. D V Solangaarachchi - Group Head of IT

### Related Party Transaction Review Committee

- Mr. C J E Corea - 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

### Annual General Meeting

The Annual General meeting will be held on 23 July 2015 at the Auditorium of the Central Hospital Limited (4th Floor), No. 114, Norris Canal Road, Colombo 10 at 2.30 p.m. The Notice of the Annual General Meeting appears on page 138 of the Annual Report.

### Acknowledgement of the content of the Report

As required by Section 168(1)(k) of the Companies Act No. 07 of 2007, this report is signed on behalf of the Board of the Company by two Directors and the Secretaries of the Company.

Signed for and on behalf of the Board of Directors by

(Sgd.)

**N H G Wijekoon**  
*Director*

(Sgd.)

**G L H Premaratne**  
*Director*

(Sgd.)

**Softlogic Corporate Services (Pvt) Ltd**  
*Secretaries*

09 June 2015  
Colombo

# 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 Softlogic Finance PLC's (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 regard 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 page 78.
- 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 have issued a certification on the effectiveness of internal controls over the financial reporting process.

By order of the Board,

(Sgd.)

**A K Pathirage**  
*Chairman*

(Sgd.)

**N H G Wijekoon**  
*CEO / Director*

09 June 2015

# Report of the Audit Committee

## Composition

The Board Audit Committee comprised the following Non-Executive Directors of the Company

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

## Role of the Board 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 Financial Reporting 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 Financial Reporting Standards and regulatory requirements.
- 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 judgments 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 to discuss the auditor's Management Letter pertaining to the previous year's Audit and the management response thereto.

## 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 twelve times during the year 2014/15. The attendance of the members at audit committee meetings is as follows.

Member	Status	No. of Meetings
Chris Corea (Chairman)	Independent Non-Executive Director	12/12
Dushan Soza	Independent Non-Executive Director	11/12
B H S Jayawardena	Non-Executive Director	12/12
S N P Palihena	Non-Executive Director	11/12

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. With effect from 1 March 2015, Softlogic Corporate Services (Pvt) Ltd will be acting 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  
09 June 2015

# Report of the IT Steering Committee

## Composition

The Board IT Steering Committee comprised the following Executive / Non-Executive Directors of the Company

Mr. D T C Soza (Chairman)	- Independent Non-Executive Director
Mr. C J E Corea	- Independent Non-Executive Director
Mr. S Wickramasinghe	- Executive Director
Mr. N H G Wijekoon	- Director / CEO

## The Role of the IT Steering Committee

The Board IT Steering Committee (BAITSC) was appointed by the Board to overlook the Company's automation project. They report to the Board of Directors on the progress and of any risks or concerns associated with the rollout of the frontend and backend systems.

## Key Functions

- Guiding and approving automation team in the selection of the investment of the new frontend system and setting up the Governance structures. The Automation team constitutes of the key users of the Company, Senior Management, an Ernst & Young IT Consultant and a Group IT representative.
- The automation team reports to the BAITSC.
- Overlooking the implementation of the frontend system and monitoring the progress being made, reviewing the concerns and issues brought to the notice of the BAITSC and ensuring that proper preventive and corrective actions are addressed and recommendations made.
- BAITSC reviews major change requests put forward by the automation team and reviews the rationale for these modifications to be made.
- BAITSC will ensure that for any significant issue/s that come up during the rollout of the frontend system proper solutions are provided by the vendor.
- BAITSC will also guide on the rollout of the backend system and the integration which will be done after the completion of frontend modules.
- Security controls with regard to database, application and general will be reviewed.

## BAITSC Meetings

BAITSC meets once a month if necessary twice a month if there is any valid justification. These meetings and action plans are minuted and followed up.

(Sgd.)

**D T C Soza**

*Director*

# Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on page 82.

The Companies Act No. 07 of 2007 stipulates that the Directors are responsible for preparing the Annual Report and the financial statements. Company law requires the Directors to prepare financial statements for each financial year, giving a true and fair view of the state of affairs of the Company at the end of the financial year, and of the statement of comprehensive income of the Company for the financial year, which comply with the requirements of the Companies Act.

The Directors consider that, in preparing financial statements set out on pages 83 to 131 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and in compliance with the Sri Lanka Accounting Standards (SLFRSs / LKASs), Companies Act No. 07 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 confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

The Directors are responsible for keeping proper accounting records, which disclose reasonable accuracy, at any time, the financial position of the Company and to enable them to ensure the financial statements comply with the Companies Act No. 07 of 2007.

They are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities. In this regard, the Directors have instituted an effective and comprehensive system of internal control.

The Directors are required to prepare financial statements and to provide the external auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their independent audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

## Compliance Report

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

For and on behalf of the Board of

### Softlogic Finance PLC

(Sgd.)

**Softlogic Corporate Services (Pvt) Ltd**  
*Secretaries*

09 June 2015  
Colombo





# Financial Information

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*“ An organisation ability to learn and translate that learning into action rapidly, is the ultimate competitive advantage ”*

Jack Welch  
Businessman/Author/Chemical Engineer  
(CEO General Electric 1981-2001)

# Independent Auditor's Report



## To the members of Softlogic Finance PLC

### Report on the financial statements

1. We have audited the accompanying financial statements of Softlogic Finance PLC which comprise the statement of financial position as at 31 March 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising and a summary of significant accounting policies and other explanatory notes as set out on pages 83 to 131.

### *Management's Responsibility for the Financial Statements*

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

6. In our opinion the financial statements give a true and fair view of the financial position of Softlogic Finance PLC as at 31 March 2015, and its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### Report on Other Legal and Regulatory Requirements

7. 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.

09 June 2015

**COLOMBO**

(Sgd.)

**CHARTERED ACCOUNTANTS**

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*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 Lankan Rupees)

Year ended 31 March	Note	2015	2014
<b>Interest income</b>	3	3,673,994,558	3,338,542,921
Interest expenses	4	(2,081,375,319)	(2,057,632,739)
<b>Net interest income</b>		<b>1,592,619,239</b>	<b>1,280,910,182</b>
Fee and commission income	5	139,139,685	118,526,933
Trading income	6	41,258,983	21,300,613
Other operating income	7	118,509,174	12,523,037
<b>Total operating income</b>		<b>1,891,527,081</b>	<b>1,433,260,765</b>
<b>Operating expenses</b>	8		
Personnel costs	8.1	(403,299,879)	(288,405,108)
Depreciation of property, plant and equipment		(68,254,322)	(50,349,812)
Amortisation of intangible assets		(5,959,780)	(3,020,753)
Other operating expenses	8.2	(629,434,619)	(535,238,649)
<b>Profit before Impairment for loans and receivables</b>		<b>784,578,481</b>	<b>556,246,443</b>
Impairment for loans and receivables	8.3	(522,295,525)	(327,796,234)
<b>Profit before income tax and Value Added Tax on financial services</b>		<b>262,282,956</b>	<b>228,450,209</b>
Value Added Tax on financial services		(41,621,711)	(37,024,957)
<b>Profit before income tax</b>		<b>220,661,245</b>	<b>191,425,252</b>
Income tax expense	9	(4,171,605)	(25,771,363)
<b>Profit for the year</b>		<b>216,489,640</b>	<b>165,653,889</b>
Basic earnings per share	10	<b>5.44</b>	4.42
<b>Profit for the year</b>		<b>216,489,640</b>	<b>165,653,889</b>
<b>Other comprehensive income / (expense) :</b>			
Gain / (loss) on remeasuring available for sale financial investments		47,223,634	30,912,900
Transferred to income statement on disposal of available for sale financial investments		Nil	579,076
Actuarial gain / (loss) on post employment benefit obligations		3,973,564	(5,472,457)
Net change in fair value on derivative financial instruments		30,540,342	(30,540,342)
<b>Other comprehensive income / (expense) for the year, net of tax</b>		<b>81,737,540</b>	<b>(4,520,824)</b>
<b>Total comprehensive income / (expense) for the year</b>		<b>298,227,180</b>	<b>161,133,065</b>

The accounting policies and notes from pages 87 to 131 form an integral part of these Financial Statements.

Independent auditors report - Page 82.

# Statement of Financial Position

(All amounts in Sri Lankan Rupees)

As at 31 March	Note	2015	2014
<b>Assets</b>			
Cash and cash equivalents	12	1,078,468,881	2,431,468,734
Financial investments - Available for sale	13	60,730,332	1,515,468,191
Financial investments - Held for trading	14	118,296,000	85,192,200
Lease, hire purchase and loans receivables	15	6,419,519,552	8,324,788,232
Other loans and receivables	16	10,314,478,187	3,887,396,468
Other non financial assets	17	1,654,875,637	1,693,254,204
Intangible assets	18	33,661,755	9,924,111
Property, plant & equipment	19	333,803,481	312,247,164
<b>Total assets</b>		<b>20,013,833,825</b>	<b>18,259,739,304</b>
<b>Liabilities</b>			
Due to banks	20	995,254,773	1,596,706,959
Derivative financial instruments	21	Nil	11,484,342
Due to customers	22	12,077,053,786	9,312,742,952
Other borrowed funds	23	4,400,894,797	4,887,560,395
Other non financial liabilities	24	556,621,995	1,073,130,911
Retirement benefit obligations	25	14,263,852	21,967,734
Deferred tax liabilities	26	20,109,228	46,597,380
<b>Total liabilities</b>		<b>18,064,198,431</b>	<b>16,950,190,673</b>
<b>Shareholders' Funds</b>			
Stated capital	27	1,404,523,150	1,003,230,820
Statutory reserve fund	28	119,267,968	75,970,040
Investment fund reserve	28	Nil	75,933,826
Retained earnings		425,844,276	142,204,832
Available for sale reserve	28	Nil	12,209,113
<b>Shareholders' funds</b>		<b>1,949,635,394</b>	<b>1,309,548,631</b>
<b>Total liabilities and share holders' funds</b>		<b>20,013,833,825</b>	<b>18,259,739,304</b>
Net assets per share		38.36	34.96

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 are responsible for the preparation and presentation of these financial statements.

These financial statements were approved by the Board of Directors on 05 June 2015.

(Sgd.)

**A K Pathirage**

*Chairman*

(Sgd.)

**N H G Wijekoon**

*CEO / Director*

The Accounting policies and notes from pages 87 to 131 form an integral part of these Financial Statements.  
Independent auditor's report - page 82.

# Statement of Changes in Equity

(All amounts in Sri Lankan Rupees)

	Stated capital	Retained earnings	Available for sale reserve	Statutory reserve	Investment fund	Total
<b>Balance as at 01 April 2013</b>	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	Nil	129,641,090	12,209,113	42,839,262	47,687,252	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
<b>Balance as at 31 March 2014</b>	<b>1,003,230,820</b>	<b>142,204,832</b>	<b>12,209,113</b>	<b>75,970,040</b>	<b>75,933,826</b>	<b>1,309,548,631</b>
<b>Balance as at 01 April 2014</b>	1,003,230,820	142,204,832	12,209,113	75,970,040	75,933,826	1,309,548,631
Net profit for the year	Nil	216,489,640	Nil	Nil	Nil	216,489,640
Other comprehensive income for the year	Nil	34,513,906	47,223,634	Nil	Nil	81,737,540
Total comprehensive income for the year	Nil	251,003,546	47,223,634	Nil	Nil	298,227,180
Dividends paid	Nil	Nil	Nil	Nil	Nil	Nil
Rights Issue of Shares	401,292,330	Nil	Nil	Nil	Nil	401,292,330
Transferred to income statement on disposal of available for sale financial investments	Nil	Nil	(59,432,747)	Nil	Nil	(59,432,747)
Transferred to/(from) during the year	Nil	32,635,898	Nil	43,297,928	(75,933,826)	Nil
<b>Balance as at 31 March 2015</b>	<b>1,404,523,150</b>	<b>425,844,276</b>	<b>Nil</b>	<b>119,267,968</b>	<b>Nil</b>	<b>1,949,635,394</b>

The Accounting policies and notes from pages 87 to 131 form an integral part of these Financial Statements.  
Independent audit's report - page 82.

# Statement of Cash Flows

(All amounts in Sri Lankan Rupees)

Year ended 31 March	Note	2015	2014
<b>Cash flows from operating activities</b>			
Net profit before taxation		220,661,245	191,425,252
<b>Adjustments for</b>			
Depreciation	19.2	68,254,322	50,349,812
Amortisation of intangible assets	18	5,959,780	3,020,753
Profit on disposal of property, plant and equipment	7	(1,248,348)	(189,000)
Profit from sale of vehicles	6	429,582	(1,880,609)
Gain from disposal of available for sale investments	7	(59,432,747)	579,076
Impact on Derivative financial instruments	21	19,056,000	Nil
Impairment charge bad and doubtful debts	8.3	522,295,525	327,796,234
Provision for defined benefit plans	8.1	6,678,382	4,267,410
Interest expenses	4	2,081,375,319	2,057,632,739
<b>Operating profit before working capital changes</b>		<b>2,864,029,059</b>	<b>2,633,001,667</b>
(Increase) in lease, hire purchase and loans rental receivable		1,382,973,156	(1,430,617,385)
(Increase) in other loans & receivables		(6,427,081,720)	(534,486,498)
(Increase) in financial investments - Held for trading		(33,103,800)	(6,487,200)
(Increase) in other non financial assets		32,148,985	(919,665,731)
(Decrease) / increase in amounts due to banks		(693,563,555)	(949,901,479)
Increase in amounts due to customers		2,764,310,834	2,355,791,905
(Decrease) / increase in other borrowed funds		(486,665,597)	3,287,083,363
Increase in other non financial liabilities		(491,776,929)	315,097,877
<b>Cash (used in) / generated from operations</b>		<b>(1,088,729,568)</b>	<b>4,749,816,520</b>
Interest paid		(2,081,375,319)	(2,057,632,739)
Taxes paid		(55,391,744)	(30,051,117)
Defined benefit plan costs paid		(10,408,700)	(1,284,800)
Purchase of vehicles		Nil	Nil
Proceeds from sale of vehicles		5,800,000	19,830,325
<b>Net cash (used in) / generated from operating activities</b>		<b>(3,230,105,331)</b>	<b>2,680,678,188</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment / intangible assets	18, 19.1	(119,732,871)	(189,327,424)
Proceeds from disposal of property, plant and equipment		1,473,157	189,000
(Purchase)/Proceeds from available for sale investments (net)		1,501,961,493	(1,369,592,630)
<b>Net cash (used in) / generated from investing activities</b>		<b>1,383,701,778</b>	<b>(1,558,731,054)</b>
<b>Cash flows from financing activities</b>			
Proceeds from rights issue of shares		401,292,330	Nil
Dividends paid	11	Nil	(56,180,927)
<b>Net cash (used in) / generated from financing activities</b>		<b>401,292,330</b>	<b>(56,180,927)</b>
Net (Decrease) / Increase in cash and cash equivalents		(1,445,111,222)	1,065,766,207
Cash and cash equivalents at the beginning of the year		2,282,945,030	1,217,178,823
<b>Cash and cash equivalents at the end of the year</b>		<b>837,833,807</b>	<b>2,282,945,030</b>
<b>Reconciliation of cash and cash equivalents</b>			
Cash, bank balance and short term investments	12	1,078,468,881	2,431,468,734
Bank overdrafts	20	(240,635,073)	(148,523,704)
		<b>837,833,807</b>	<b>2,282,945,030</b>

The Accounting policies and notes from pages 87 to 131 form an integral part of these Financial Statements.  
Independent auditor's report - page 82.

# Significant Accounting Policies

## 1. Corporate information

### 1.1 General

Softlogic Finance PLC (formerly known as Capital Reach Leasing 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. 13, De Fonseka Place, Colombo 4. 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, SME loans, group personal loans, business loans, other credit facilities, pawning, 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 (formerly known as Capital Reach Holdings Ltd). In the opinion of the directors, the Company's ultimate parent undertaking and controlling party is Softlogic Holdings 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 2015 were authorised for issue in accordance with a resolution of the board of directors on 5 June 2015.

## 2. Basis of preparation and summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

### 2.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards (SLFRSs), Sri Lanka Accounting Standards (LKASs), relevant interpretations of the Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC). These financial statements have been prepared under the historical cost convention except for financial assets and liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in note 2.2 to the financial statements.

### 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 New accounting standards, amendments and interpretations adopted in 2014/2015

- (a) The following standards have been adopted by the Company for the first time with effect from financial year beginning on 1 April 2014.
  - (i) SLFRS 12 'Disclosure 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.
  - (ii) 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 Sri Lanka Accounting Standards.
  - (iii) IFRIC 21 'Levies', establishes the accounting for an obligation to pay a levy if that liability is within the scope of LKAS 37 'Provisions'. The interpretation addresses what the obligating event which gives rise to pay a levy and when a liability should be recognised. The Group has applied the IFRIC 21 and there has been no significant impact on the Company financial statements.
  - (iv) Amendment to LKAS 1 'Financial Statement Presentation', regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'Other Comprehensive Income' (OCI) on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments).
  - (v) Amendments to LKAS 32 'Financial Instruments: Presentation', with regard to offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment does not have a significant effect on the Company financial statements.
  - (vi) Amendments to LKAS 36 'Impairment of Assets', regarding recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of 'Cash-Generating Units' (CGUs) which had been included in LKAS 36 by the issue of SLFRS 13. The amendment does not have a significant effect on the Company financial statements.

# Significant Accounting Policies (Contd.)

(vii) Amendments to LKAS 39 'Financial Instruments: Recognition and Measurement', on novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under LKAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The amendment is not applicable to the Company financial statements in the current financial year.

(b) New accounting standards, amendments and interpretations issued but not yet adopted.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Company, except as set out below:

(i) SLFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of SLFRS 9 was issued in July 2014. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. SLFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under LKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess the full impact of SLFRS 9.

(ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces LKAS 18 and LKAS 11 and related interpretations. This standard will be effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted.

There are no other standards or IFRIC interpretations that are not yet effective that would be expected to have a material impact to the Company.

## 2.1.3 Statement of compliance

For all periods up to and including the year ended 31 March 2012, the Company prepared its financial statements in accordance with Sri Lanka Accounting Standards. These financial statements for the year ended 31 March 2015, has prepared in accordance with SLFRS.

## 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 judgment, 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 judgments 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 judgments 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 judgments 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 judgment. In making this judgment, 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 judgment. In making this judgment, 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. Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment 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. judgment 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 capitalized 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.

# Significant Accounting Policies (Contd.)

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 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 recognized 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 derecognized 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 recognized 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 recognized 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 framework of LKAS 39 at the election of management.

- 01) 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.

- 02) 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)
- (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 21. 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 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,

# Significant Accounting Policies (Contd.)

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 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 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 30.

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 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 capitalized only when it increases the future economic benefits embodied in the item of property, plant & equipment. All other expenditure is recognized 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.

#### *Amortization*

Amortization 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 capitalized and amortised using the straight line method over the useful life of five years at the rate of 20%.

# Significant Accounting Policies (Contd.)

## *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:

- 1) Past due contractual payments of either principal or interest.
- 2) Probability of Bankruptcy of the customer
- 3) 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 to 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 realization 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 into ranges according to the number of days in arrears and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency and ultimately prove irrecoverable.

- 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 in a 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 recognized 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 recognized when the Company has a present obligation (legal or constructive) as a result of a past event, where it is probable that an outflow of resources embodying

# Significant Accounting Policies (Contd.)

economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used the increase in the provision due to the passage of time is recognized as an interest expense.

## 2.3.13 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 recognized 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	10.5%
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 recognized 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 recognized.

### 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.

### 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 recognized 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 recognized 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 recognized when the Company's right to receive the payment is established.



### Dividends on ordinary shares

Dividends on ordinary shares are recognized 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.

#### Interest expense

- 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

However, in compliance with the new guideline issued under the letter No. 24/10/001/0004/001 by Central Bank, the operation of Investment fund reserve has ceased with effect from October 1, 2014 and the balance has been transferred to retained earnings.

## 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 Lankan Rupees)

## 3. Interest income

	2015	2014
<b>Interest income from lease and hire purchase</b>		
Finance leasing	421,879,681	608,738,405
Hire purchases	1,309,290,865	1,484,100,550
<b>Interest income from loans and advances</b>		
Income on hire	8,813,468	2,264,262
Personal loans	678,769,022	584,505,734
Pawning	84,981,512	102,479,221
Revolving loans	118,129,869	124,837,966
SME loans	791,087,007	176,527,814
Consumer loans	58,956,595	30,640,845
Margin trading	Nil	113,937
Other lending & investments	202,086,541	224,334,188
	<b>3,673,994,558</b>	<b>3,338,542,921</b>

## 4. Interest expenses

	2015	2014
<b>Due to customers</b>		
Interest on time deposits	1,324,862,947	1,163,481,343
Interest on certificate of deposits	1,722,095	1,084,953
Interest on savings deposits	4,910,725	6,891,476
<b>Due to banks</b>		
Interest on bank borrowings	177,423,928	276,808,030
Interest on finance lease	371,843	625,069
<b>Other borrowed funds</b>		
Interest on securitisation	101,993,079	199,420,609
Interest on commercial papers	270,778,932	356,334,031
Interest on promissory notes	Nil	918,248
Interest on debentures	199,311,769	52,068,981
	<b>2,081,375,319</b>	<b>2,057,632,739</b>

## 5. Fee and commission income

	2015	2014
Documentation & processing fees	108,101,975	88,402,179
Sundry income	31,037,710	30,124,754
	<b>139,139,685</b>	<b>118,526,933</b>

## 6. Trading income

	2015	2014
Dividend income	8,735,408	12,932,804
Gain from remeasuring investments held for trading	33,103,800	6,487,200
Loss from sale of real estates	(150,643)	Nil
Profit/(Loss) from sale of vehicles	(429,582)	1,880,609
	<b>41,258,983</b>	<b>21,300,613</b>

## 7. Other operating income

	2015	2014
Profit on disposal of property, plant and equipment	1,248,348	189,000
Gain from disposal of available for sale investments	59,432,747	(579,076)
Notional interest reversal on individually impaired receivables	4,858,890	4,776,415
Capital gain on treasury bonds	52,969,190	8,136,698
	<b>118,509,174</b>	<b>12,523,037</b>

## 8. Operating expenses

Operating expenses include the following;

### 8.1 Personnel costs

	2015	2014
Defined contribution plan costs - EPF & ETF	36,312,413	28,823,283
Defined benefit plan costs	6,678,382	4,267,410
Directors' remuneration	18,160,930	12,930,517
Salaries and other staff related expenses	342,148,154	242,383,897
	<b>403,299,879</b>	<b>288,405,108</b>

### 8.2 Other operating expenses

	2015	2014
Loss in fair value on derivative financial instruments	19,056,000	Nil
Auditors' remuneration	1,308,921	1,136,394
Secretarial fees	1,703,923	1,073,993
Other overhead expenses	607,365,776	533,028,263
	<b>629,434,619</b>	<b>535,238,649</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 8.3 Impairment for loans and receivables

	2015	2014
Lease, hire purchase and loans	273,582,089	216,321,660
Other loans and receivables	135,201,367	94,679,341
Other receivables	27,366,412	7,753,954
Repossessed vehicle stock	86,145,656	9,041,278
	<b>522,295,525</b>	<b>327,796,234</b>

## 9. Income tax expenses

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

	2015	2014
<b>Current income tax</b>		
Current income tax charge	16,160,448	44,324,124
Reversal of income tax over provision in 2013/2014	(8,986,915)	Nil
<b>Deferred income tax</b>		
Deferred taxation charge/(reversal)	(3,001,928)	(18,552,761)
<b>Income tax expense reported in the statement of comprehensive income</b>	<b>4,171,605</b>	<b>25,771,363</b>

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

	2015	2014
Accounting profit before income tax	220,661,245	191,425,252
At the statutory income tax rate of 28% (2014 : 28%)	61,785,149	53,599,071
Deductible expenses	(65,749,016)	(56,049,686)
Non deductible expenses	8,135,473	28,221,978
At the effective income tax rate of 1.89% (2014 : 13.46%)	<b>4,171,605</b>	<b>25,771,363</b>

## 10. Basic earnings per share

- 10.1 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.

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

	2015	2014
Net profit for the year	216,489,640	165,653,889
<b>Number of ordinary shares used as the denominator</b>		
Weighted average number of ordinary shares	39,783,494	37,453,951
<b>Basic earnings per share</b>	<b>5.44</b>	<b>4.42</b>

### 11. Dividends paid and proposed

	2015	2014
Declared and paid during the year (Rs.1.50 per share)	Nil	56,180,927
<b>Dividends on ordinary shares:</b>	<b>Nil</b>	<b>56,180,927</b>
Proposed for dividends declaration by Directors (Rs.1.50 per share)	76,245,543	Nil
<b>Dividends on ordinary shares:</b>	<b>76,245,543</b>	<b>Nil</b>

### 12. Cash and cash equivalents

	2015	2014
Cash at bank and in hand	678,468,880	491,468,734
Other deposits and investments - original maturity less than 3 months	400,000,000	1,940,000,000
	<b>1,078,468,881</b>	<b>2,431,468,734</b>

### 13. Financial investments - available for sale

	2015	2014
Equity securities at fair value - Listed	Nil	106,034,888
Equity securities at cost - Unlisted	50,030,600	50,030,600
Treasury bills and bonds investments	10,699,732	1,359,402,703
	<b>60,730,332</b>	<b>1,515,468,191</b>

### 14. Financial investments - Held for trading

	2015	2014
Equity securities at fair value - Listed	118,296,000	85,192,200
	<b>118,296,000</b>	<b>85,192,200</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 14.1 Quoted shares investments

	No. of Shares 31 March 2015	Cost of investment Rs. 31 March 2015	Market value Rs. 31 March 2015	No. of Shares 31 March 2014	Cost of investment Rs. 31 March 2014	Market value Rs. 31 March 2014
<b>Financial investments - available for sale</b>						
Sampath Bank PLC	Nil	Nil	Nil	Nil	Nil	Nil
Seylan Bank PLC (Non Voting)	Nil	Nil	Nil	205,142	10,816,110	7,590,254
John Keells Holdings PLC	Nil	Nil	Nil	Nil	Nil	Nil
Expo Lanka Holdings PLC	Nil	Nil	Nil	927,600	12,986,400	8,070,120
Access Engineering PLC	Nil	Nil	Nil	2,000,000	50,000,000	46,000,000
Asian Alliance Insurance PLC	Nil	Nil	Nil	547,158	52,467,760	44,374,514
<b>Financial investments - Held for trading</b>						
National Development Bank	477,000	53,901,000	118,296,000	477,000	53,901,000	85,192,200

## 15. Lease, hire purchase & loans receivables

	2015	2014
Gross investment in leases, hire purchases and loans	8,135,344,465	11,070,551,243
(-) Rentals received in advance	(2,289,650)	(3,912,273)
(-) Unearned income	(1,555,384,442)	(2,648,740,073)
Total Gross investment in lease, hire purchases and loans	<b>6,577,670,373</b>	<b>8,417,898,897</b>
(-) Allowance for impairment		
Allowance for specific impairment	(10,220,024)	(25,436,303)
Allowance for collective impairment	(147,930,797)	(67,674,362)
Net leases, hire purchase and loans receivables (Note 15.1)	<b>6,419,519,552</b>	<b>8,324,788,232</b>
<b>Lease, hire purchase and loans rentals receivable within one year</b>		
Lease, hire purchase and loans rentals receivable within one year	4,616,593,823	5,973,355,498
(-) Unearned income	(851,180,031)	(1,425,566,950)
Total rentals receivable within one year	<b>3,765,413,792</b>	<b>4,547,788,548</b>
<b>Lease, hire purchase and loans rentals receivable within one to five years</b>		
Lease and hire purchase rentals receivable within 1-5 years	3,516,460,992	5,093,283,473
(-) Unearned income	(704,204,411)	(1,223,173,123)
Gross rentals receivable within one to five years	<b>2,812,256,581</b>	<b>3,870,110,349</b>

## 15.1 Net lease, hire purchase and loans receivables

	2015	2014
Gross investment in leases, hire purchases and loans		
Leases	2,169,715,594	3,229,871,185
Hire purchase and loans contracts	5,965,628,871	7,840,680,059
(-) Unearned income		
Leases	(406,208,721)	(837,884,960)
Hire purchase and loans contracts	(1,149,175,722)	(1,810,855,113)
(-) Rentals received in advance		
Leases	(2,289,650)	(3,912,273)
Leases net before impairment allowance	1,761,217,223	2,388,073,952
HP net before impairment allowance	4,816,453,150	6,029,824,945
<b>(-) Allowance for impairment</b>		
Allowance for specific impairment		
Leases	4,214,008	1,797,172
Hire purchase and loans contracts	6,006,016	23,639,131
Allowance for collective impairment		
Leases	33,938,983	14,064,491
Hire purchase and loans contracts	113,991,814	53,609,871
Net investment in leases, hire purchases and loans		
Leases	1,723,064,232	2,372,212,289
Hire purchase and loans contracts	4,696,455,320	5,952,575,943
	<b>6,419,519,552</b>	<b>8,324,788,232</b>

## 15.2 Movement in Impairment allowance for leases, hire purchase and loans receivables

	2015	2014
Balance as at the beginning of the year	104,497,172	41,212,308
Net impairment charge for the year	273,582,089	216,321,662
Recoveries during the year	54,465,995	5,263,435
Write offs during the year	(258,172,216)	(158,300,230)
Balance as at end of the year	174,373,041	104,497,172
Reversal of notional interest for the year	(16,222,220)	(11,386,507)
Balance as at the end of the year after notional interest adjustment	<b>158,150,821</b>	<b>93,110,665</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## Movement in specific impairment allowance for leases, hire purchase and loans receivables

	2015	2014
Balance as at the beginning of the year	36,822,810	27,826,070
Net impairment charge for the year	193,325,654	162,033,536
Recoveries during the year	54,465,995	5,263,435
Write offs during the year	(258,172,215)	(158,300,230)
Balance as at end of the year	26,442,244	36,822,810
Reversal of notional interest for the year	(16,222,220)	(11,386,507)
Balance as at the end of the year after notional interest adjustment	10,220,024	25,436,303

## Movement in collective impairment allowance for leases, hire purchase and loans receivables

	2015	2014
Balance as at the beginning of the year	67,674,362	13,386,238
Net impairment charge for the year	80,256,435	54,288,124
Balance as at end of the year	147,930,797	67,674,362

## 16. Other loans and receivables

	2015	2014
Other loans and receivable	12,060,633,409	4,996,420,860
(-) Unearned income	(1,539,515,984)	(979,411,269)
<b>Gross other loans and receivables</b>	<b>10,521,117,426</b>	<b>4,017,009,591</b>
(-) Allowance for specific impairment	(81,512,922)	(93,769,560)
(-) Allowance for collective impairment	(125,126,316)	(35,843,564)
<b>Net loans and receivable</b>	<b>10,314,478,187</b>	<b>3,887,396,468</b>

### 16.1 Product wise analysis of loans and receivables

	2015	2014
Short term loans receivable	143,256	252,018
Revolving loans receivable	524,830,914	524,509,685
Consumer loans receivable	338,280,852	
(-) Unearned income	(48,338,426)	107,530,596
Personal loans receivable	3,941,844,666	
(-) Unearned income	(1,112,938,655)	2,234,669,849
Pawning receivable	385,236,606	407,488,720
Margin trading receivable	Nil	Nil
SME loans receivable	5,389,527,897	
(-) Unearned income	(378,238,902)	463,170,570
Investments in commercial papers more than 3 months	Nil	31,924,215
Placements with banks and financial institutions more than 3 months	289,517,546	247,463,938
Investments in government securities more than 3 months	1,191,251,671	Nil
Allowance for impairment (Note 16.2)	(206,639,238)	(129,613,123)
	<b>10,314,478,187</b>	<b>3,887,396,468</b>



## 16.2 Product wise analysis - allowance for impairment for loans and receivables

	2015	2014
Revolving loans receivable	28,673,634	9,522,385
Consumer loans receivable	19,020,691	9,385,078
Personal loans receivable	102,220,843	61,641,157
Pawning receivable	1,747,871	46,357,649
SME loans receivable	54,976,199	2,706,855
	<b>206,639,238</b>	<b>129,613,123</b>

## 16.3 Movement in impairment allowance for loans and receivables

	2015	2014
Balance as at the beginning of the year	129,613,123	34,933,782
Net impairment charge for the year	135,201,367	94,679,341
Write offs during the year	(3,264,732)	Nil
Set offs during the year	(54,910,520)	Nil
Balance as at end of the year	<b>206,639,238</b>	<b>129,613,123</b>

## 16.4 Movement in specific impairment allowance for loans and receivables

	2015	2014
Balance as at the beginning of the year	93,769,560	31,736,935
Net impairment charge for the year	45,918,615	62,032,625
Write offs during the year	(3,264,732)	Nil
Set offs during the year	(54,910,520)	Nil
Balance as at end of the year	<b>81,512,922</b>	<b>93,769,560</b>

## 16.5 Movement in collective impairment allowance for loans and receivables

	2015	2014
Balance as at the beginning of the year	35,843,564	3,196,847
Net impairment charge for the year	89,282,752	32,646,717
Balance as at end of the year	<b>125,126,316</b>	<b>35,843,564</b>

## 17. Other non financial assets

	2015	2014
Prepayments and other receivable (17.1)	1,031,915,888	1,050,142,145
Vehicle stock (17.3)	262,584,742	375,798,273
Real estate stock	356,885,276	59,722,920
Gold stock	3,489,732	207,590,866
	<b>1,654,875,637</b>	<b>1,693,254,204</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 17.1 Prepayments and other receivable

	2015	2014
Advance, deposits and prepayments	87,076,499	106,288,236
Receivable from inland revenue	116,097,854	156,387,728
Other receivable (17.2)	865,192,851	796,551,084
Impairment for other receivable	(36,451,315)	(9,084,903)
	<b>1,031,915,888</b>	<b>1,050,142,145</b>

## 17.2 Other receivable

	2015	2014
Interest receivable on lease, hire purchase and loans receivables	284,394,761	205,627,339
Interest receivable on other loans and advances	161,191,008	138,534,430
Interest receivable on derivative financial instrument	Nil	159,496,851
Insurance debtors	157,534,595	105,074,382
Others	262,072,486	187,818,082
	<b>865,192,851</b>	<b>796,551,084</b>

## 17.3 Vehicle stock

	2015	2014
Trading vehicle stock	24,388,206	30,617,788
Repossessed vehicle stock	333,383,470	354,221,764
Impairment on repossessed vehicle stock	(95,186,935)	(9,041,278)
	<b>262,584,742</b>	<b>375,798,273</b>

## 18. Intangible assets

	Balance as at 01 April 2014	Additions 01 April 2014 to 31 March 2015	Disposals 01 April 2014 to 31 March 2015	Balance as at 31 March 2015
Gross carrying amount	24,457,095	29,697,423	Nil	54,154,518
Depreciation	14,532,984	5,959,780	Nil	20,492,763
<b>Net book values</b>	<b>9,924,111</b>	<b>23,737,643</b>	<b>Nil</b>	<b>33,661,755</b>

Intangible assets includes fully amortised assets of Rs. 8,585,367 as at 31 March 2015 which are still in use. (2014 - Rs.7,971,450)

## 19. Property plant and equipment

### Owned assets

#### 19.1 Gross carrying amount

	Balance as at 01 April 2014	Additions 01 April 2014 to 31 March 2015	Disposals 01 April 2014 to 31 March 2015	Balance as at 31 March 2015
<b>Owned assets</b>				
Land	62,181,178	Nil	Nil	62,181,178
Building	60,691,222	20,327,539	Nil	81,018,761
Office equipment	144,637,777	38,893,115	(283,200)	183,247,692
Furniture and fittings	64,147,234	4,404,185	(78,606)	68,472,813
Motor vehicles	7,567,063	5,773,402	Nil	13,340,465
Office partitioning	60,818,015	20,637,207	Nil	81,455,223
Motor vehicles - given out on hire agreements	36,701,070	Nil	Nil	36,701,070
	<b>436,743,557</b>	<b>90,035,449</b>	<b>(361,806)</b>	<b>526,417,202</b>
<b>Assets on finance leases</b>				
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
	<b>18,149,975</b>	<b>Nil</b>	<b>Nil</b>	<b>18,149,975</b>
<b>Total value of depreciable assets</b>	<b>454,893,532</b>	<b>90,035,449</b>	<b>(361,806)</b>	<b>544,567,177</b>

#### 19.2 Depreciation

	Balance as at 01 April 2014	Charge for the Year	Reversals for the Year	Balance as at 31 March 2015
<b>Owned assets</b>				
Land	Nil	Nil	Nil	Nil
Building	252,880	3,485,633	Nil	3,738,513
Office equipment	68,854,787	31,389,040	(99,180)	100,144,647
Furniture & fittings	26,285,089	9,556,869	(37,813)	35,804,144
Motor vehicles	6,862,776	2,128,875	Nil	8,991,651
Office partitioning	20,337,217	10,709,518	Nil	31,046,734
Motor vehicles - given out on hire agreements	4,035,217	8,854,955	Nil	12,890,172
	<b>126,627,965</b>	<b>66,124,889</b>	<b>(136,993)</b>	<b>192,615,861</b>
<b>Assets on finance leases</b>				
Furniture and fittings	3,590,486	Nil	Nil	3,590,486
Motor vehicles - given out on hire agreements	3,629,040	Nil	Nil	3,629,040
Motor vehicles	8,091,878	2,129,432	Nil	10,221,310
Office equipment	707,000	Nil	Nil	707,000
	<b>16,018,403</b>	<b>2,129,432</b>	<b>Nil</b>	<b>18,147,836</b>
<b>Total depreciation</b>	<b>142,646,369</b>	<b>68,254,322</b>	<b>(136,993)</b>	<b>210,763,697</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 19.3 Net book values

As at 31 March	2015	2014
<b>Owned assets</b>		
Cost	526,417,202	436,743,557
Accumulated depreciation	(192,615,861)	(126,627,965)
Net book value	<b>333,801,342</b>	<b>310,115,592</b>
<b>Assets on finance leases</b>		
Cost	18,149,975	18,149,975
Accumulated depreciation	(18,147,836)	(16,018,403)
Net book value	2,139	2,131,572
<b>Total carrying amount of property, plant and equipment</b>	<b>333,803,481</b>	<b>312,247,164</b>

Property plant and equipment includes fully depreciated assets which are still in use of Rs. 21,310,350/- as at 31 March 2015.  
(2014 - Rs.15,217,590/-)

## 20. Due to banks

	Payable within one year	Payable after one year	2015	2014
Bank overdrafts	240,635,073	Nil	240,635,073	148,523,704
Bank loans	244,727,928	507,960,000	752,687,928	1,443,921,930
Finance lease creditors	1,931,772	Nil	1,931,772	4,261,325
	<b>487,294,773</b>	<b>507,960,000</b>	<b>995,254,773</b>	<b>1,596,706,959</b>

### 20.1 Finance lease creditors

	As at 31 March 2015	Not later than 1 year	Later than 1 year and not later than 5 years
Gross liability	2,701,391	2,701,391	Nil
Finance charge allocated to future periods	(769,619)	(769,619)	Nil
<b>Net liability</b>	<b>1,931,772</b>	<b>1,931,772</b>	<b>Nil</b>

## 21. Derivative financial instruments

	2015		2014	
	Asset	Liability	Asset	Liability
Cross currency interest rate Swap - Cash flow hedges	Nil	Nil	Nil	11,484,342

### 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 15 April, 15 October of 2014, 2015, 2016, 2017 in USD 1.2 Mn capital repayment at each 15 of April in each year and interest repayments both at 15 April, 15 October of each year.

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

In December 2014 cash flow hedge instrument has been settled and early settlement fee of Rs. 21,489,510/- was charged.

	2015	2014
Net change in fair value on derivative financial instruments	30,540,342	(30,540,342)
	<b>30,540,342</b>	<b>(30,540,342)</b>

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

	2015	2014
Interest expense	31,559,481	22,205,775
Early settlement fee	21,489,510	Nil
Loss in fair value on derivative financial instruments	19,056,000	Nil
	<b>72,104,991</b>	<b>22,205,775</b>

## 22. Due to customers

	Payable within one year	Payable after one year	2015	2014
Time deposits	9,782,933,724	2,211,419,588	11,994,353,313	9,235,316,875
Savings deposits	70,806,908	Nil	70,806,908	65,532,511
Certificate of deposits	9,017,376	2,876,189	11,893,565	11,893,565
	<b>9,862,758,008</b>	<b>2,214,295,777</b>	<b>12,077,053,786</b>	<b>9,312,742,952</b>

## 23. Other borrowed funds

	Payable within one year	Payable after one year	2015	2014
Securitization	164,104,285	Nil	164,104,285	1,000,170,577
Commercial papers	2,271,790,512	Nil	2,271,790,512	3,322,389,818
Debentures	Nil	1,965,000,000	1,965,000,000	565,000,000
	<b>2,435,894,797</b>	<b>1,965,000,000</b>	<b>4,400,894,797</b>	<b>4,887,560,395</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 23.1 Securitizations and other bank facilities

Bank	Type of the loan	Amortised cost	Interest rates	Securities pledged
Commercial Bank of Ceylon	Term Loan	35,715,769	AWPLR+2.5%	46,430,500
People's Bank	Term Loan	2,762,172	AWPLR+3.25%	3,590,824
Bank of Ceylon	Term Loan	6,249,986	AWPLR+3%	9,374,979
Seylan Bank	Term Loan	200,000,000	7.9%	200,000,000
FMO Loan	Convertible Debt	507,960,000	LIBOR+7%	Nil
Deustche Bank - Securitization XIV	Securitisatio	5,824,222	15.23%	8,736,333
Deustche Bank - Securitization XVII	Securitisatio	22,187,513	13.17%	33,281,270
Deustche Bank - Securitization XIX	Securitisatio	16,415,638	17.04%	24,623,457
Deustche Bank - Securitization XX	Securitisatio	42,526,067	16.88%	63,789,101
Deustche Bank - Securitization XXI	Securitisatio	77,150,844	14.64%	115,726,266
DFCC Bank	Finance Lease	1,931,772	13.18%	Nil

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

## 23.2 Securitization (at amortised cost)

Bank	2015	2014
Trust 11	Nil	9,101,697
Trust 13	Nil	29,417,469
Trust 14	5,824,222	90,858,352
Trust 16	Nil	24,584,781
Trust 17	22,187,513	89,509,961
Trust 18	Nil	43,750,000
Trust 19	16,415,638	135,145,557
Trust 20	42,526,067	297,894,855
Trust 21	77,150,844	279,907,904
	<b>164,104,285</b>	<b>1,000,170,577</b>

### 23.3 Debentures

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

#### 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
					<b>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
					<b>65,000,000</b>

During the financial year 2014/15, Company issued debentures as follows:

#### Listed debentures

Debenture category	Annual interest rate	Interest payment frequency	Allotment date	Maturity date	Amortised cost
Type A -	10.00%	Quarterly	29-Aug-14	28-Aug-19	949,870,000
Type B -	Three (03) Months Net Treasury Bill Rate plus 1.50%	Quarterly	29-Aug-14	28-Aug-19	450,130,000
					<b>1,400,000,000</b>

### 24. Other non financial liabilities

	2015	2014
Trade payables	424,570,936	313,125,690
Income tax liabilities	Nil	34,196,089
Interest payable on derivative financial instruments	Nil	181,702,625
Other payables	132,051,058	544,106,507
	<b>556,621,995</b>	<b>1,073,130,911</b>

# Notes to the Financial Statements *(Contd.)*

(All amounts in Sri Lankan Rupees)

## 25. Retirement benefit obligation

	2015	2014
At beginning of year	21,967,734	13,512,666
Transitional liability	1,411,602	667,334
Current service cost	4,152,093	2,636,710
Interest cost	2,526,289	1,630,700
Actuarial losses / (gains)	(5,385,166)	4,805,124
Contributions paid	(10,408,700)	(1,284,800)
<b>At end of the year</b>	<b>14,263,852</b>	<b>21,967,734</b>

The amounts recognized in the statement of comprehensive income are as follows

Current service cost	4,152,093	2,636,710
Interest cost	2,526,289	1,630,700
	<b>6,678,382</b>	<b>4,267,410</b>

Amounts recognized in the other comprehensive income are as follows

Liability (gain) / losses due to changes in assumptions	Nil	Nil
Liability experience (gain)/losses during the year	(5,385,166)	4,805,123
*Transitional liability / (asset) recognized during the year	1,411,602	667,334
	<b>(3,973,564)</b>	<b>5,472,457</b>

\*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 2015. The principal assumptions used for this purpose are as follows:

	2015	2014
Discount rate per annum	10.5%	11.5%
Annual salary increments rate	10%	10%
Retirement age	55	55



## 26. 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:

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

Taxable / (Deductible) Temporary Differences

	2015	2014
Property, Plant & Equipment	198,696,709	103,440,393
Lease Capital Balance	147,935,715	181,426,289
Taxable Temporary Differences	346,632,424	284,866,682
Retirement Benefit Obligation	(14,263,852)	(21,967,734)
Unclaimed Impairment Provisions	(174,346,989)	(88,783,500)
Unclaimed Tax Losses	(86,202,913)	(7,696,233)
Total Taxable Temporary Differences (net)	71,818,670	166,419,214
Applicable Tax Rate	28%	28%
Net Deferred Tax Liabilities / (Assets)	20,109,228	46,597,380

	Temporary Difference	2015 Tax Effect	Temporary Difference	2014 Tax Effect
<b>Deferred Tax Liabilities</b>				
At beginning of the year	284,866,683	79,762,671	309,639,404	86,699,033
Originating/(reversing) during the year	61,765,741	17,294,407	(24,772,721)	(6,936,362)
At the end of the year	346,632,424	97,057,079	284,866,683	79,762,671
<b>Deferred Tax Asset</b>				
At beginning of the year	118,447,468	33,165,291	76,960,325	21,548,891
Originating during the year	156,366,286	43,782,560	41,487,142	11,616,400
At the end of the year	274,813,754	76,947,851	118,447,468	33,165,291

	2015	2014
<b>Net deferred tax liability</b>		
At beginning of the year	46,597,380	65,150,142
Income statement release	(3,001,928)	(18,552,761)
Impact on reclassification	(23,486,225)	Nil
At the end of the year	20,109,228	46,597,380

## 27. Stated capital

	2015		2014	
	Number	Rs.	Number	Rs.
Issued and fully paid ordinary shares	50,830,362	1,404,523,150	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)	13,376,411		Nil	
<b>No of shares at the ending of the year</b>	<b>50,830,362</b>		<b>37,453,951</b>	

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 28. Reserves

	Statutory reserve fund	Investment fund reserve	Available for sale reserve	Total
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	<b>75,970,040</b>	<b>75,933,826</b>	<b>12,209,113</b>	<b>164,112,978</b>
Transfers during the year	43,297,928	(75,933,826)	Nil	(32,635,898)
Net loss on available for sale assets	Nil	Nil	(12,209,113)	(12,209,113)
As at 31 March 2015	<b>119,267,968</b>	<b>Nil</b>	<b>Nil</b>	<b>119,267,968</b>

### 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:

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

However, in compliance with the new guideline issued under under the letter No. 24/10/001/0004/001, the operation of Investment fund reserve has ceased with effect from October 1, 2014 and the balance has been transferred to retained earnings.

## 29. 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 subcommittees 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.

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, one non executive director, two executive directors including CEO, COO, Head of 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 analyzing 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 comprised of 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 summarized 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 optimizing return.

### Financial assets subject to market risk

	2015		
	Carrying amount	Trading portfolios	Non trading portfolios
Financial investments - Available for sale	60,730,332	Nil	60,730,332
Financial investments - Held for trading	118,296,000	118,296,000	Nil
Lease and hire purchase receivables	6,419,519,552	Nil	6,419,519,552
Loans and receivables	10,314,478,187	Nil	10,314,478,187
	<b>16,913,024,072</b>	<b>118,296,000</b>	<b>16,794,728,072</b>
	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
	<b>13,812,845,091</b>	<b>85,192,200</b>	<b>13,727,652,891</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## Financial liabilities subject to market risk

	2015		
	Carrying amount	Trading portfolios	Non trading portfolios
Due to banks	995,254,773	Nil	995,254,773
Due to customers	12,077,053,786	Nil	12,077,053,786
Other borrowed funds	4,400,894,797	Nil	4,400,894,797
	<b>17,473,203,356</b>	<b>Nil</b>	<b>17,473,203,356</b>

	2014		
	Carrying amount	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
	<b>15,808,494,648</b>	<b>Nil</b>	<b>15,808,494,648</b>

## 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 rate

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

	31 March 2015	31 March 2014
<b>Fixed interest rate instruments:</b>		
Financial assets	17,144,697,472	15,511,587,403
Financial liabilities	16,651,868,620	14,223,532,747
<b>Floating interest rate instruments:</b>		
Financial assets	Nil	Nil
Financial liabilities	580,699,663	1,436,438,197

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.

	Changes in basis points	Effect on profit
<b>2015</b>		
Floating interest rate instruments	+25 b.p	1,196,822
<b>2014</b>		
Floating interest rate instruments	+25 b.p	3,681,374

### 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	Effect on equity
<b>31 March 2015</b>			
Quoted shares – (Colombo Stock Exchange)	10% +/-	11,829,600	Nil
<b>31 March 2014</b>			
Quoted shares – (Colombo Stock Exchange)	10% +/-	8,519,220	10,603,489

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. The Company employs a range of tools to monitor and limit market risk exposures.

### Credit risks

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 obligator 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.

# Notes to the Financial Statements *(Contd.)*

(All amounts in Sri Lankan Rupees)

## *Credit risk - Default risk*

Default risks are 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 reports 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.

<b>Gross maximum exposure</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
Bank balances	467,707,261	231,151,642
Lease and hire purchase rental receivables	6,419,519,552	8,324,788,232
Loans and advances	10,314,478,187	3,887,396,468

### 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.

#### Concentration by sector (Gross)

	2015	2014
Agriculture	549,565,117	935,691,241
Manufacturing	429,681,742	756,965,489
Tourism	51,305,594	52,876,139
Transport	579,023,744	516,841,436
Construction	1,479,341,052	1,418,176,314
Trading	6,564,243,613	4,503,274,688
Services	8,316,232,356	7,192,357,650
Other	743,525,790	407,488,720
	<b>18,712,919,008</b>	<b>15,783,671,678</b>

#### Concentration by location (Gross)

	2015	2014
Western	11,449,762,415	8,415,796,185
Uva	620,759,562	408,796,722
North Western	982,134,159	1,255,121,941
Southern	1,797,345,734	1,767,684,988
Central	1,899,462,239	1,955,635,508
North Central	886,019,338	967,905,753
Sabaragamuwa	767,771,716	851,892,242
North	309,663,845	160,838,339
	<b>18,712,919,008</b>	<b>15,783,671,678</b>

#### (a) Credit quality by class of financial assets

	2015	2014
<b>Assets at amortised cost</b>		
<b>Individually impaired</b>		
- Net amount	1,755,803,336	1,302,759,644
- Allowance for impairment	(91,732,947)	(119,205,863)
Carrying amount	1,664,070,390	1,183,553,781
<b>for the rest of portfolio where collective impairment is applicable</b>		
- Net amount	16,957,115,672	14,480,912,034
- Allowance for impairment	(273,057,113)	(103,517,926)
Carrying amount	16,684,058,559	14,377,394,108
<b>Total carrying amount</b>	<b>18,348,128,949</b>	<b>15,560,947,889</b>

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## Age analysis of facilities considered for collective impairment

	2015	2014
<b>Category</b>		
Not due/ current	14,502,503,364	13,532,080,439
<b>Overdue:</b>		
Less than 30 days	533,567,174	306,488,506
31 - 60 days	485,353,000	200,983,257
61 - 90 days	284,520,573	125,017,940
91 - 120 days	144,964,898	56,473,090
121 - 150 days	118,628,500	55,364,892
151 - 180 days	151,760,892	44,361,443
181 - 365 days	272,602,355	115,546,822
above 365 days	463,214,916	44,595,645
	<b>16,957,115,672</b>	<b>14,480,912,034</b>

## (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:

31 March 2015	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
Cash and cash equivalents	1,078,468,881	Nil	Nil	1,078,468,881
Financial investments - Available for sale	60,730,332	Nil	Nil	60,730,332
Financial investments - Held for trading	118,296,000	Nil	Nil	118,296,000
Lease, hire purchase and loans (net)	3,865,402,485	2,248,939,365	305,177,702	6,419,519,552
Other Loans and receivables (net)	4,763,234,788	4,255,481,837	1,295,761,562	10,314,478,187
Total financial assets	<b>9,886,132,486</b>	<b>6,504,421,202</b>	<b>1,600,939,264</b>	<b>17,991,492,952</b>
31 March 2014	Neither past due nor impaired	Past due but not impaired	Individually impaired	Total
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, hire purchase and loans (net)	2,913,755,022	5,380,320,677	30,712,533	8,324,788,232
Other Loans and receivables (net)	2,674,299,704	480,608,415	732,488,349	3,887,396,468
Total financial assets	<b>9,620,183,851</b>	<b>5,860,929,092</b>	<b>763,200,882</b>	<b>16,244,313,825</b>



### **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 value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. 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.

**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 Hire Purchase)***

Approximately 70% of the total lending portfolio has a remaining maturity of less than one year. Therefore fair value of lending portfolio approximates to the carrying value as at the reporting date. All loans are granted with a fixed interest rate term.

#### ***Liabilities***

##### **Due to banks**

Approximately 49% 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 82% 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 premature 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**

55% 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 all securitization payable with a contractual maturity of less than one year also approximately equals to its fair value.

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## Financial assets and liabilities

	2015	
	Carrying Value	Fair Value
Cash and cash equivalents	1,078,468,881	1,078,468,881
Loans and receivables (Including and lease and HP)	16,733,997,739	16,733,997,739
Due to banks	995,254,773	995,254,773
Due to customers	12,077,053,786	12,077,053,786
Other borrowed funds	4,400,894,797	4,400,894,797

## 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 2015	Less than 3 months	More than 3 and less than 12 months	More than 1 year and less than 3 years	More than 3 years	Total
<b>Financial assets</b>					
Cash and cash equivalents	678,468,880	400,000,000	Nil	Nil	1,078,468,881
Financial investments - Available for Sale	60,730,332	Nil	Nil	Nil	60,730,332
Financial investments - Held for Trading	118,296,000	Nil	Nil	Nil	118,296,000
Lease, hire purchase and loans	817,542,502	2,036,998,354	3,018,264,780	546,713,917	6,419,519,552
Other loans and receivables	3,391,799,872	5,490,927,498	1,153,138,021	278,612,796	10,314,478,187
<b>Total financial assets</b>	<b>5,066,837,587</b>	<b>7,927,925,851</b>	<b>4,171,402,802</b>	<b>825,326,713</b>	<b>17,991,492,953</b>
<b>Financial liabilities</b>					
Bank overdrafts	240,635,073	Nil	Nil	Nil	240,635,073
Due to customers	4,020,831,803	5,841,926,205	2,014,364,365	199,931,412	12,077,053,786
Due to banks	227,162,946	19,496,754	507,960,000	Nil	754,619,700
Other borrowed funds	805,942,564	1,629,952,233	500,000,000	1,465,000,000	4,400,894,797
Derivative financial instruments	Nil	Nil	Nil	Nil	Nil
<b>Total financial liabilities</b>	<b>5,294,572,386</b>	<b>7,491,375,193</b>	<b>3,022,324,365</b>	<b>1,664,931,412</b>	<b>17,473,203,356</b>
	<b>(227,734,799)</b>	<b>436,550,659</b>	<b>1,149,078,436</b>	<b>(839,604,699)</b>	<b>518,289,596</b>

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:

<b>As at 31 March</b>	<b>2015</b>	<b>2014</b>
Average for the year	14.46%	18.83%
Maximum for the year	22.34%	25.07%
Minimum for the year	10.79%	15.73%

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

	<b>2015</b>	<b>2014</b>
Cash in Hand & Bank Balances	678,468,880	491,468,734
Deposits in Commercial Banks free from lien	289,517,546	247,463,938
Sri Lanka Government Treasury Bills and Treasury Bonds, maturing within one year, free from any lien or charge	1,441,251,672	2,420,615,236
<b>Total Liquid Assets as at end of March</b>	<b>2,409,238,098</b>	<b>3,159,547,907</b>

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

	<b>2015</b>		<b>2014</b>	
	<b>Encumbered</b>	<b>Unencumbered</b>	<b>Encumbered</b>	<b>Unencumbered</b>
Cash and cash equivalents	Nil	1,078,468,881	Nil	2,431,468,734
Financial investments - Available for sale	Nil	60,730,332	Nil	1,515,468,191
Financial investments - Held for trading	Nil	118,296,000	Nil	85,192,200
Lease, hire purchase and loans receivables	505,552,730	5,913,966,822	2,707,594,260	5,617,193,973
Other loans and receivables	Nil	10,314,478,187	Nil	3,887,396,468
Other non financial assets	Nil	1,654,875,637	Nil	1,693,254,204
Intangible assets	Nil	33,661,754	Nil	9,924,111
Property, plant & equipment	Nil	333,803,481	Nil	312,247,164

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 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	More than 3 years	Total
Guarantees issued to banks and other institutions	3,500,000	8,750,000	Nil	Nil	12,250,000
	3,500,000	8,750,000	Nil	Nil	12,250,000

## 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 2014 and 31 March 2015.

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 2015	31 March 2014
Due to banks	995,254,773	1,596,706,959
Due to customers	12,077,053,786	9,312,742,952
Other borrowed funds	4,400,894,797	4,887,560,395
Less cash and cash equivalents	(1,078,468,881)	(2,431,468,734)
<b>Net debt</b>	<b>16,394,734,476</b>	<b>13,365,541,572</b>
Total capital	1,949,635,394	1,309,548,631
<b>Capital and net debt</b>	<b>18,344,369,869</b>	<b>14,675,090,202</b>
Gearing ratio	89.37%	88.97%

### 30. Fair value estimation

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

	Level 1	Level 2	Level 3	Balance
<b>As at 31 March 2015</b>				
<b>Assets</b>				
Financial investments - Held for trading	118,296,000	Nil	Nil	118,296,000
Financial investments - Available for sale	10,699,732	Nil	50,030,600	60,730,332
	<b>128,995,732</b>	<b>Nil</b>	<b>50,030,600</b>	<b>179,026,332</b>
<b>Liabilities</b>				
Financial liabilities at fair value				
through profit or loss-Derivative financial instrument	Nil	Nil	Nil	Nil
	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>	<b>Nil</b>
<b>As at 31 March 2014</b>				
<b>Assets</b>				
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
	<b>1,550,629,791</b>	<b>Nil</b>	<b>50,030,600</b>	<b>1,600,660,391</b>
<b>Liabilities</b>				
Financial liabilities at fair value				
through profit or loss	Nil	11,484,342	Nil	11,484,342
	<b>Nil</b>	<b>11,484,342</b>	<b>Nil</b>	<b>11,484,342</b>

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 maximize 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.

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

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 31. Financial instruments by category

31 March 2015	Loans and receivables	Fair value through profit or loss	Available for sale	Held to maturity Investments	Total
<b>Assets as per the statement of financial position</b>					
Financial investments - Available for sale	Nil	Nil	60,730,332	Nil	60,730,332
Financial investments - Held for trading	Nil	118,296,000	Nil	Nil	118,296,000
Lease and hire purchase	6,419,519,552	Nil	Nil	Nil	6,419,519,552
Loans and receivables	10,314,478,187	Nil	Nil	Nil	10,314,478,187
Cash and bank balances	1,078,468,881	Nil	Nil	Nil	1,078,468,881
	<b>17,812,466,620</b>	<b>118,296,000</b>	<b>60,730,332</b>	<b>Nil</b>	<b>17,991,492,952</b>

31 March 2015	Liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>Liabilities as per the statement of financial position</b>			
Due to banks	Nil	995,254,773	995,254,773
Derivative financial instruments	Nil	Nil	Nil
Due to customers	Nil	12,077,053,786	12,077,053,786
Other borrowed funds	Nil	4,400,894,797	4,400,894,797
	<b>Nil</b>	<b>17,473,203,356</b>	<b>17,473,203,356</b>

31 March 2014	Loans and receivables	Fair value through profit or loss	Available for sale	Held to maturity Investments	Total
<b>Assets as per the statement of financial position</b>					
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, hire purchase and loans	8,324,788,232	Nil	Nil	Nil	8,324,788,232
Other 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
	<b>14,643,653,434</b>	<b>85,192,200</b>	<b>1,515,468,191</b>	<b>Nil</b>	<b>16,244,313,825</b>

31 March 2014	Liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>Liabilities as per the statement of financial position</b>			
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
	<b>11,484,342</b>	<b>15,797,010,306</b>	<b>15,808,494,648</b>

## 32. Commitments and contingencies

	2015	2014
Guarantees issued and in force	12,250,000	14,650,000
	<b>12,250,000</b>	<b>14,650,000</b>

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

## 33. Events after the balance sheet date

The Directors have recommended the payment of an interim dividend of Rs. 1.50 per share for the financial year 2014/2015 and paid on 28 May 2015. No other circumstances have arisen since the balance sheet date, which would require adjustments to or disclosure in the financial statements.

## 34. Transfer of financial assets (Lease and Hire Purchase receivable)

Under the securitization 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 securitization 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	2015	2014
Lease, hire purchase and loans rental receivable	505,552,730	2,707,594,260
Securitisations payable	164,104,285	1,000,170,577

### 34.1 The following assets have been pledged as security for liabilities respectively for securitization and bank term loan facilities.

Nature of assets	2015	2014
Lease, hire purchase and loans rental receivable	505,552,730	2,707,594,260
Government securities	Nil	Nil
	<b>505,552,730</b>	<b>2,707,594,260</b>

## 35. Related party transactions

Details of significant related party disclosures are as follows:

### 35.1 Transactions with key managerial personnel (KMPs)

35.1.1 Key managerial personnel includes members of the board of directors of the Company and of its Holding Company.

35.1.2 The following table provides the total amount of transactions which have been entered into with key managerial personnel and their close family members.

	2015	2014
Deposits	44,212,192	6,139,846

35.1.3 Remuneration to key managerial personnel amounted to Rs. 18,160,930/- for the year ended 31 March 2015. (2014 - Rs. 12,930,517)

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 35.2 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 & advances and Investments	Borrowings/ deposits	Income earned	Amounts owed by group companies	Expenses incurred
Softlogic Capital PLC	Parent Company	2015 Mar	Nil	Nil	Nil	Nil	36,734,688
		2014 Mar	Nil	Nil	Nil	Nil	35,098,668
Softlogic Corporate Services (Pvt) Ltd	Group Company	2015 Mar	Nil	Nil	Nil	Nil	Nil
		2014 Mar	Nil	Nil	256,366	Nil	2,825,884
Softlogic Retail (Pvt) Ltd	Affiliated Company	2015 Mar	Nil	5,319,459	445,341	Nil	4,435,492
		2014 Mar	28,025,792	9,456,786	28,638,295	Nil	4,450,978
Softlogic Communications (Pvt) Ltd	Affiliated Company	2015 Mar	Nil	Nil	955,613	Nil	14,739
		2014 Mar	30,596,378	Nil	6,493,583	Nil	Nil
Softlogic Computers (Pvt) Ltd	Affiliated Company	2015 Mar	Nil	Nil	Nil	Nil	963,894
		2014 Mar	Nil	Nil	Nil	Nil	817,806
Softlogic Information Technologies (Pvt) Limited	Affiliated Company	2015 Mar	Nil	Nil	953,973	Nil	10,782,216
		2014 Mar	34,820,004	Nil	7,580,236	Nil	7,644,018
Softlogic Stock Brokers (Pvt) Ltd	Group Company	2015 Mar	Nil	15,091,424	Nil	Nil	937,281
		2014 Mar	Nil	Nil	Nil	Nil	Nil
Asian Alliance Insurance PLC	Group Company	2015 Mar	150,462,397	80,000,000	36,622,348	Nil	15,259,795
		2014 Mar	1,936,968	145,000,000	788,238	Nil	18,440,996
Softlogic Trading (Pvt) Ltd	Affiliated Company	2015 Mar	Nil	Nil	Nil	Nil	2,758,220
		2014 Mar	Nil	Nil	Nil	Nil	Nil
Softlogic Automobiles (Pvt) Ltd	Affiliated Company	2015 Mar	9,856,923	Nil	10,283,246	Nil	8,587,500
		2014 Mar	Nil	Nil	Nil	Nil	Nil



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	700,000,000	0.0%	N/A	To manage the working capital requirement of the Company
Nil	25,000,000	0.0%	N/A	To manage the working capital requirement of the Company
Nil	Nil	0.0%	N/A	
Nil	Nil	0.0%	Loans granted & outstanding - interest rate @ 18% p.a / period :24 months	Normal business activity of the Company
2,507,162	Nil	0.0%	Fixed deposit accepted - interest rate @ 9% p.a. / Period : 12 months	Working capital requirement of the Company
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
-	Nil	0.0%	N/A	
Nil	Nil	2.6%	Loans granted & outstanding - interest rate @ 20% p.a / period: 60 months	Normal business activity of the Company
954,750	Nil	0.0%	N/A	
345,000	Nil	0.0%	N/A	
10,190,421	Nil	0.0%	N/A	
15,673,489	Nil	2.9%	Loans granted & outstanding - interest rate @ 20% p.a / period: 60 months	Working capital requirement of the Company
Nil	Nil	0.0%	Fixed deposit accepted - interest rate @ 8% p.a. / Period : 3 months	Working capital requirement of the Company
Nil	Nil	0.0%	N/A	
Nil	Nil	7.7%	Commercial paper investment at 9% and 9.50% & Loans granted and outstanding - interest rate @ 30% & 32% p.a / period: 36 months, debentures @ the rate of 16%, 17% for 36 months	Normal business activity of the Company
Nil	Nil	0.2%	Loans 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
4,898,445	Nil	0.0%	N/A	
Nil	Nil	0.0%	N/A	
Nil	Nil	0.5%	Loans granted & outstanding - interest rate @ 20% p.a / period: 60 months and 48 months	Normal business activity of the Company
Nil	Nil	0.0%	N/A	

# Notes to the Financial Statements (Contd.)

(All amounts in Sri Lankan Rupees)

## 36. Business segment information

The Company's segmental reporting is based on the following operating segments: Leasing, hire purchase, loans, 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 & Loans	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
<b>Revenue</b>				
Interest	421,879,681	608,738,405	1,309,290,865	1,484,100,550
Investment Income	Nil	Nil	Nil	Nil
Fee based income and others	2,865,935	5,701,539	23,764,041	32,087,058
Profit/(Loss) from Dealing Securities	Nil	Nil	Nil	Nil
<b>Total Revenue</b>	<b>424,745,616</b>	<b>614,439,944</b>	<b>1,333,054,906</b>	<b>1,516,187,608</b>
Depreciation of property, plant and equipment	(7,297,115)	(8,862,183)	(22,901,836)	(21,868,259)
Amortisation of intangible assets	(637,164)	(531,689)	(1,999,725)	(1,311,993)
<b>Profit/(Loss) before tax</b>	<b>23,591,039</b>	<b>33,693,185</b>	<b>74,039,965</b>	<b>83,141,062</b>
Taxation				
<b>Profit after tax</b>				
<b>Segment Assets</b>	<b>1,465,809,117</b>	<b>2,319,556,430</b>	<b>4,953,710,435</b>	<b>6,002,103,075</b>
<b>Segment Liabilities</b>	<b>1,323,018,217</b>	<b>2,153,202,908</b>	<b>4,471,147,760</b>	<b>5,571,645,349</b>

Other Loans and Receivables		Unallocated		Total	
2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
1,740,737,472	1,021,369,779	Nil	Nil	3,471,908,017	3,114,208,733
Nil	Nil	202,086,541	224,334,188	202,086,541	224,334,188
81,471,999	53,174,401	98,269,320	55,479,461	206,371,295	146,442,459
Nil	Nil	92,536,547	5,908,124	92,536,547	5,908,124
<b>1,822,209,471</b>	<b>1,074,544,180</b>	<b>392,892,408</b>	<b>285,721,773</b>	<b>3,972,902,400</b>	<b>3,490,893,504</b>
(31,305,494)	(15,498,352)	(6,749,878)	(4,121,019)	(68,254,322)	(50,349,812)
(2,733,510)	(929,829)	(589,381)	(247,242)	(5,959,780)	(3,020,753)
<b>101,208,379</b>	<b>58,923,279</b>	<b>21,821,862</b>	<b>15,667,726</b>	<b>220,661,245</b>	<b>191,425,252</b>
				(4,171,605)	(25,771,363)
				<b>216,489,640</b>	<b>165,653,889</b>
<b>10,314,478,187</b>	<b>3,887,396,468</b>	<b>3,279,836,086</b>	<b>6,050,683,331</b>	<b>20,013,833,825</b>	<b>18,259,739,304</b>
<b>9,309,699,597</b>	<b>3,608,600,881</b>	<b>2,960,332,857</b>	<b>5,616,741,535</b>	<b>18,064,198,431</b>	<b>16,950,190,673</b>

# Investor Information

## 1. General

Stated Capital - Rs. 1,404,523,150.00

## 2. Stock Exchange Listing

The ordinary shares of Softlogic Finance PLC were listed in the Colombo Stock Exchange of Sri Lanka.

## 3. Shares held by the public

Shares held by the public was 34.55% as at 31 March 2015. The number of public shareholders as at 31 March 2015 was 1,477.

## 4. Distribution of Shareholding as at 31 March 2015

There were 1,483 registered shareholders as at 31 March 2015.

From	To	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
1	1,000	1,086	73.23	280,994	0.55
1,001	10,000	301	20.30	1,123,399	2.21
10,001	100,000	81	5.46	1,953,764	3.85
100,001	1,000,000	9	0.61	4,305,635	8.47
Over 1,000,000		6	0.40	43,166,570	84.92
Total		<b>1,483</b>	<b>100.00</b>	<b>50,830,362</b>	<b>100.00</b>

## 5. Analysis Report of Shareholders as at 31 March 2015

Category	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares
Individual	1,397	94.20	10,315,245	20.29
Institutional	86	5.80	40,515,117	79.71
<b>Total</b>	<b>1,483</b>	<b>100.00</b>	<b>50,830,362</b>	<b>100.00</b>
Resident	1,472	99.26	50,550,529	99.45
Non-resident	11	0.74	279,833	0.55
<b>Total</b>	<b>1,483</b>	<b>100.00</b>	<b>50,830,362</b>	<b>100.00</b>

## 6. Twenty Major Shareholders as at 31 March 2015

Shareholder	No. of Shares as at 31 March 2015	%
Softlogic Capital PLC	20,173,769	39.69
Pan Asia Banking Corporation PLC/Softlogic Capital PLC	12,015,240	23.64
Vanik Incorporation Ltd	5,376,068	10.58
Mr. M M Fuad	2,097,079	4.13
L B Finance Limited	2,090,000	4.11
Royal Ceramics Lanka PLC	1,414,414	2.78
Associated Electrical Corporation Ltd	966,964	1.90
People's Leasing & Finance PLC/L P Hapangama	818,112	1.61
Softlogic Holdings PLC	779,969	1.53
First Capital Limited	669,642	1.32
Waldock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd	414,809	0.82
Mr. A K Pathirage	228,000	0.45
Dee Sanda Holdings (Private) Limited	187,749	0.37
Dr. S Yaddehige	138,090	0.27
D S L Investments (Private) Limited	102,300	0.20
Mr. M M C J Fernandopulle	84,233	0.17
People's Leasing & Finance PLC/Hi-Line Trading (Pvt) Ltd	80,080	0.16
Waldock Mackenzie Ltd/Mr. M Haradasa	67,422	0.13
Mr. T M I Ahamed	58,720	0.12
Mrs. F A A Mack	58,710	0.12
Mr. S Abishek	55,693	0.11

## 7. Share Trading Information

	2014/15
Highest (Rs.)	50.00
Lowest (Rs.)	28.00
Closing (Rs.)	34.90
Turnover (Rs.)	336,346,780.10
No. of shares Traded	8,151,646
No. of Trades	5,211

# Investor Information *(Contd.)*

## 8. Equity Information

	2014/15
Earnings per share (Rs.)	5.44
Dividend per share (Rs.)	Nil
Dividend pay out	0.0%
Net Asset Value per share (Rs.)	38.36

## 9. Debt Information

*2013 Debenture Issue: 'BBB-' Lanka Rating*

5,000,000 senior, rated, unsecured, redeemable debentures at an issue price of Rs. 100.00 each with maturity of three years were issued on 22 August 2013

*2014 Debenture Issue: 'AAA' Lanka Rating*

14,000,000 senior, rated, secured, redeemable debentures at an issue price of Rs. 100.00 each with maturity of five years were issued on 21 August 2014

### Market prices of listed debentures during the year

Debenture Type	Interest Rate	Highest	Lowest	Last Traded
B - CRL BC-2708/16B16.5	16.50%	106.79	106.06	106.06
C - CRL BC-2708/16C16	16.00%	109.88	100.00	109.88
D - CRL BC-29/08/19A10	10.00%	101.14	101.14	101.14
A - CRL BC-29/08/19B7.69	7.69%	101.01	100.48	100.48

### Yield of debentures during the year

Debenture Type	Interest Rate	Interest Yield	Last Traded Date
A - CRL BC-2708/16B16.5	16.50%	11.84	11-Mar-15
A - CRL BC-2708/16C16	16.00%	10.50	25-Aug-14
A - CRL BC-29/08/19A10	10.00%	9.70	15-Sep-14
A - CRL BC-29/08/19B7.69	7.69%	7.50	19-Nov-14

### Ratios

	2014/15
Debt to Equity Ratio (Times)	9.26
Interest Cover (Times)	1.11
Liquid Assets Ratio (%) - Statutory Minimum 10%	14.13

### Interest rate of comparable government securities

	2014/15
3 Year Treasury Bond	8.42%
5 Year Treasury Bond	8.95%
<i>(rates are excluding 10% withholding tax)</i>	

# Ten Year Summary

(Rs.'000)	2014/15*	2013/14*	2012/13*	2011/12*	2010/11	2009/10	2008/09	2007/08	2006/07	2005/06
<b>OPERATING RESULTS</b>										
Gross Income	3,673,995	3,338,543	2,277,546	1,534,039	650,610	346,881	309,382	206,663	112,487	60,379
Profit Before Tax	262,283	228,450	233,180	194,928	84,787	26,162	17,761	21,853	17,225	10,058
Taxation	45,793	62,796	69,126	74,101	16,251	2,558	3,862	7,666	6,960	5,275
Profit After Tax	216,490	165,654	164,053	120,827	68,536	23,605	13,899	14,187	10,265	4,783
As at 31 March										
<b>ASSETS</b>										
Investments	179,026	1,600,660	193,668	70,486	299,225	105,031	13,232	42,077	33,102	46,124
Loans & Advances	10,314,478	3,887,396	3,412,910	1,985,510	283,956	30,793	28,294	46,035	30,510	11,694
Lease/HP Rentals Receivables	6,419,520	8,324,788	7,221,967	6,004,641	3,371,328	1,526,854	1,002,663	833,206	502,048	301,773
Vehicle Stocks	262,585	375,798	105,235	10,209	4,855	10,288	10,259	-	-	-
Real Estate Stocks	356,885	59,723	37,858	39,258	16,647	15,848	15,365	-	-	-
Property & Equipment	333,803	312,247	177,863	176,248	39,587	17,413	23,332	28,260	28,951	18,268
Other Assets	2,147,536	3,699,127	2,069,302	1,534,250	298,478	161,481	74,129	75,417	32,453	17,733
	20,013,834	18,259,739	13,218,803	10,075,741	4,438,398	1,867,708	1,167,274	1,024,995	627,064	395,592
<b>LIABILITY</b>										
Public Deposits	12,077,054	9,312,743	6,956,951	4,681,850	1,584,807	821,816	406,768	225,480	31,573	-
Borrowings	5,396,150	6,484,267	4,234,833	3,717,284	2,008,094	633,222	453,121	497,749	345,637	148,453
Other Liability	590,995	1,153,180	822,422	568,527	314,311	195,149	93,404	101,684	63,959	48,377
	18,064,199	16,950,190	12,014,206	8,967,661	3,907,212	1,650,187	953,293	824,913	441,169	196,830
<b>SHAREHOLDERS' FUNDS</b>										
Share Capital/Stated Capital	1,404,523	1,003,231	1,003,231	1,003,231	468,174	200,646	200,646	200,646	200,646	165,238
Reserves	545,112	306,318	201,366	104,849	63,012	16,875	13,335	(564)	(14,751)	1,024
	1,949,635	1,309,549	1,204,597	1,108,080	531,186	217,521	213,981	200,082	185,895	196,762
<b>SHARE INFORMATION</b>										
Earnings Per Share (Rs.)	5.44	4.42	3.66	4.38	3.07	1.18	0.69	0.71	0.51	0.89
Net Assets Per Share (Rs.)	38.36	34.96	32.16	29.79	19.86	10.84	10.66	9.97	9.26	12.00
Debt Equity Ratio (times)	9.28	13.18	9.91	8.09	7.36	7.59	4.46	4.12	2.37	0.99
<b>OTHER INFORMATION</b>										
No. of Employees	521	502	467	550	291	103	48	33	19	18
Supporting Network	17	17	17	16	9	8	8	8	8	8

\* Financial Years 2014/15, 2013/14, 2012/13 and 2011/12 have been prepared on SLFRS.











# Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Softlogic Finance PLC will be held at the Auditorium of Central Hospital Limited (4th Floor), No. 114, Norris Canal Road, Colombo 10 on Thursday the 23rd day of July 2015 at 2.30 p.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company for the year ended 31 March 2015 together with the Report of the Auditors thereon.
- 2) To ratify the Interim Dividend of Rs. 1.50 per share paid on 28 May 2015 as the Final Dividend for the year ended 31 March 2015.
- 3) To re-elect Mr. D T C Soza who retires by rotation in terms of Articles 91 and 92 of the Articles of Association, as a Director of the Company.
- 4) To re-elect Mr. G L H Premaratne who retires in terms of Article 97 of the Articles of Association, as a Director of the Company.
- 5) To re-appoint the retiring Auditors, Messrs PricewaterhouseCoopers as Auditors of the Company for the ensuing year and to authorize the Directors to determine their remuneration.
- 6) To authorize the Directors to determine and make donations for the year ending 31 March 2016 and up to the date of the next Annual General Meeting.

By Order of the Board

## **SOFTLOGIC CORPORATE SERVICES (PVT) LTD**

(Sgd.)

**SECRETARIES**

09 June 2015  
Colombo

### **Note:**

1. A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend on behalf of him/her.
2. The Form of Proxy is enclosed in this Report.
3. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 13, De Fonseka Place, Colombo 04 by 2.30 p.m. on Tuesday the 21st day of July 2015 being forty eight (48) hours before the time appointed for the holding of the meeting.

# Form of Proxy

\*I/We ..... of ..... being  
 \*a member/ members of SOFTLOGIC FINANCE PLC, do hereby appoint ..... (holder of N.I.C. No. ....)  
 ..... ) of .....  
 ..... or failing him\*

- |                          |                            |
|--------------------------|----------------------------|
| (1) Mr A K Pathirage     | of Colombo or failing him* |
| (2) Mr G L H Premaratne  | of Colombo or failing him* |
| (3) Mr N H G Wijekoon    | of Colombo or failing him* |
| (4) Mr T M I Ahamed      | of Colombo or failing him* |
| (5) Mr B H S Jayawardena | of Colombo or failing him* |
| (6) Mr C J E Corea       | of Colombo or failing him* |
| (7) Mr D T C Soza        | of Colombo or failing him* |
| (8) Mr S Wickremasinghe  | of Colombo or failing him* |
| (9) Mr S N P 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 as \*my/our Proxy to represent \*me/us and to speak and vote for \*me/us on \*my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at the Auditorium of Central Hospital Limited, No. 114, Norris Canal Road, Colombo 10 at 2.30 p.m. on the 23<sup>rd</sup> day of July 2015 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company for the year ended 31 March 2015 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To ratify the Interim Dividend of Rs. 1.50 per share paid on 28 May 2015 as the Final Dividend for the year ended 31 March 2015.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. D T C Soza 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"/>
4) To re-elect Mr. G L H Premaratne who retires in terms of Article 97 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-appoint Messrs PricewaterhouseCoopers, as Auditors and to authorize the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
6) To authorize the Directors to determine and make donations.	<input type="checkbox"/>	<input type="checkbox"/>

.....  
 \*Signature/s  
 Date

Note:

- 1) \*Please delete the inappropriate words.
- 2) Instructions as to completion are noted on the reverse hereof.

## INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote on behalf of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. In the case of a Corporate Member, the Form of Proxy must be executed in the manner prescribed by the Articles of Association/Statute.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 13, De Fonseka Place, Colombo 04 by 2.30 p.m. on Tuesday the 21st day of July 2015 being forty eight (48) hours before the time appointed for the holding of the meeting.

Please provide the following details:

Shareholder's N.I.C./ Passport/ Company Registration No.	Shareholder's Folio No.	Number of shares held	Proxy Holder's N.I.C. No. (if not a Director)

# 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 24 August 1999.

Re-registered under the Companies Act No. 7 of 2007 on 29 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 22 January 2009.

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

## Company Registration Number

PB 641 PQ

## Tax Payer Identification Number (TIN)

134008350

## Accounting Year End

31st March

## Registered Office

No. 13, De Fonseka Place, Colombo 4

## Principal Place of Business

No. 13, De Fonseka Place, Colombo 4

Tel : 94-11-2359600, 94-11-2359700

Facsimile : 94 11 2359799

E-mail : info@softlogicfinance.lk

Website : www.softlogicfinance.lk

## Board of Directors

Mr. Ashok Pathirage (Chairman)

Mr. Harris Premaratne (Deputy Chairman)

Mr. Nalin Wijekoon (CEO)

Mr. Baddegama Hevege Sirinimal Jayawardena

Mr. Tuan Iftikar Ahamed

Mr. Chris Corea

Mr. Dushan Soza

Mr. Saliya Wickremasinghe

Mr. Shanthikumar Nimal Placidus Palihena

## Management Committee

Mr. Harris Premaratne (Deputy Chairman)

Mr. Nalin Wijekoon (CEO/Director)

Mr. Tuan Iftikar Ahamed (Director)

Mr. Saliya Wickramasinghe (Director)

Ms. Indresh Fernando (COO)

Mr. Sanjaya Vithanage (DGM)

Mr. Nalinda Ranaraja (DGM)

Mr. Nalaka De Silva (AGM)

Mr. Kumara Kongahawatta (AGM)

Mr. Sudesh Suranga (AGM)

Mr. Priyan Jayakody (CM)

Mr. Gayan Jayatissa (SM)

Mr. Shehan Uduwara (SM)

Mr. Mark Thirimawithana (SM)

Mr. Bharatha Manjula (SM)

Mr. Gangadharan Murrilidhar (SM)

## Secretaries

Softlogic Corporate Services (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

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**Softlogic Finance PLC**

No. 13, De Fonseka Place, Colombo 4

Tel: (+94) 11 2359600, Fax: (+94) 11 2359799

Email: [info@softlogicfinance.lk](mailto:info@softlogicfinance.lk), Web: [www.softlogicfinance.lk](http://www.softlogicfinance.lk)