ORIENT FINANCE PLC

FINANCIAL STATEMENTS

31 MARCH 2015

KPMG
(Chartered Accountants)
32A, Sir Mohamed Macan Markar Mawatha,
P. O. Box 186,
Colombo 00300,
Sri Lanka.

Tel : +94 - 11 542 6426
Fax : +94 - 11 244 5872
+94 - 11 244 6058
+94 - 11 254 1249
+94 - 11 230 7345
Internet : www.lk.kpmg.com

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF ORIENT FINANCE PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Orient Finance PLC, ("the Company"), which comprise the statement of financial position as at March 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, 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 the 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 Board, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

KPMG

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.
b) In our opinion we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company and the financial statements of the Company, comply with the requirements of section 151 of the Companies Act.

KPMG

CHARTERED ACCOUNTANTS
Colombo
25th June 2015.

UK/HA/-

ORIENT FINANCE PLC

INCOME STATEMENT

For the Year Ended 31 March	Note	2015 Rs.	2014 Rs.
Income	4	**1,229,523,857**	1,076,075,447
Interest Income	5	**1,121,810,806**	992,642,060
Interest Expense	6	**(500,466,241)**	(486,904,757)
Net Interest Income		**621,344,565**	505,737,303
Other Income	7	**107,713,051**	83,433,387
Operating Income		**729,057,616**	589,170,690
Provision for Impairement	8	**(252,233,047)**	(146,371,239)
Net Operating Income		**476,824,569**	442,799,451
Operating Expenses			
Personnel Expenses	9.1	**(203,167,074)**	(166,913,542)
Premises, Equipment & Establishment Expenses		**(61,562,074)**	(49,913,211)
Other Overhead Expenses		**(128,835,740)**	(115,966,957)
Operating Profit Before Value Added Tax & NBT	9	**83,259,681**	110,005,741
Value Added Tax on Financial Services, NBT		**(16,987,146)**	(12,660,189)
Profit Before Income Tax		**66,272,535**	97,345,552
Income Tax Expense	10	**(16,742,315)**	(18,787,962)
Profit for the Year		**49,530,220**	78,557,590
Basic Earnings Per Share (Rs.)	11	**0.43**	0.68
Diluted Earnings Per Share (Rs.)	11.1	**0.43**	0.68

Figures in brackets indicate deductions.

The Notes are an integral part of these Financial Statements.

ORIENT FINANCE PLC
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Year Ended 31 March	Note	2015 Rs.	2014 Rs.
Profit for the Year		49,530,220	78,557,590
Other Comprehensive Income			
Available for Sale Financial Assets - Net Change in Fair Value		3,255,611	2,932,005
AFS Financial Assets Reclassified to Profit or Loss		(6,255,473)	(2,172,140)
Actuarial Gain / (Loss) on Retirement Benefit Plan	27.1.1	(1,562,990)	(36,965)
Deferred Tax on OCI		-	10,350
Other Comprehensive Income for the year Net of Tax		(4,562,852)	733,250
Total Comprehensive Income for the Year Net of Tax		44,967,368	79,290,840

Figures in brackets indicate deductions.
The Notes are an integral part of these Financial Statements.

ORIENT FINANCE PLC

STATEMENT OF FINANCIAL POSITION

As At 31 March,	Note	2015 Rs.	2014 Rs.
ASSETS			
Cash and Cash Equivalent	13	51,903,139	38,064,778
Available for Sale Financial Assets	14	224,841,423	81,334,729
Loans and Receivables from Customers	15	6,100,885,468	4,489,266,526
Investment Securities	16	498,338,899	127,936,968
Income Tax Recoverable	24	-	3,885,521
Trade and Other Receivable	17	131,033,839	61,071,342
Other Equity Investments - CRIB Shares		30,600	30,600
Deferred Tax Asset	18	43,793,854	43,793,854
Non Current Assets Held For Sale	19	10,000,000	10,000,000
Intangible Assets	20	1,142,658	1,767,658
Property, Plant and Equipment	21	32,722,330	46,266,537
Total Assets		7,094,692,210	4,903,418,513
LIABILITIES			
Bank Overdrafts	13	143,864,608	71,085,989
Deposits from Customers	22	2,579,728,116	1,473,271,543
Interest Bearing Borrowings	23	1,963,714,872	2,285,675,362
Unsurbodinated Term Debt	24	1,023,595,482	-
Current Tax Payable	25	12,211,564	-
Trade and Other Payable	26	465,916,361	203,665,471
Non Interest Bearing Security Deposits		2,812,689	3,547,480
Retirement Benefit Obligations	27	10,752,499	7,481,517
Total Liabilities		6,202,596,191	4,044,727,362
EQUITY			
Stated Capital	28	500,000,000	500,000,000
Reserve Fund	29	28,414,455	25,937,944
Investment Fund	30	-	27,795,752
Available for sale Fair Value Reserve	31	(5,706)	2,994,156
Retained Earnings		363,687,270	301,963,299
Total Equity		892,096,019	858,691,151
Total Equity and Liabilities		7,094,692,210	4,903,418,513
Net Assets Per Share		7.72	7.43

Figures in brackets indicate deductions.
The Notes are an integral part of these Financial Statements.

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

....
Asela Wijayabandara
Asst. General Manager - Finance

....
Suresh Amerasekera
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board;

....
Dr. Dayanath Jayasuriya
Chairman
25th June 2015

....
Prakash Schaffter
Director

ORIENT FINANCE PLC

STATEMENT OF CHANGES IN EQUITY

For The Year Ended 31 March 2015,

	Stated Capital Rs.	Reserve Fund Rs.	Investment Fund Rs.	Available for Sale Fair Value Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01 April 2013	500,000,000	22,010,064	20,772,000	2,234,291	257,508,956	802,525,311
Profit for the year	-	-	-	-	78,557,590	78,557,590
Other Comprehensive Income Net of Taxes	-	-	-	759,865	(26,615)	733,250
Transfer to Statutory Reserve Fund	-	3,927,880	-	-	(3,927,880)	-
Transfer to Investment Fund	-	-	7,023,752	-	(7,023,752)	-
Transactions with Equity Holders						
Dividend Paid	-	-	-	-	(23,125,000)	(23,125,000)
Balance as at 31 March 2014	500,000,000	25,937,944	27,795,752	2,994,156	301,963,299	858,691,151
Profit for the year	-	-	-	-	49,530,220	49,530,220
Other Comprehensive Income Net of Taxes	-	-	-	(2,999,862)	(1,562,990)	(4,562,852)
Transfer to Statutory Reserve Fund	-	2,476,511	-	-	(2,476,511)	-
Tranfer of Investment Fund to the Retained Earnings			(27,795,752)	-	27,795,752	-
Transfer to Investment Fund	-	-	-	-	-	-
Transactions with Equity Holders						
Dividend Paid	-	-	-	-	(11,562,500)	(11,562,500)
Balance as at 31 March 2015	500,000,000	28,414,455	-	(5,706)	363,687,270	892,096,019

Figures in brackets indicate deductions.

The Notes are an integral part of these Financial Statements.

ORIENT FINANCE PLC

CASH FLOW STATEMENT

For the Year Ended 31 March	2015 Rs.	2014 Rs.
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit Before Income Tax Expense	66,272,535	97,345,552
Adjustment for;		
Depreciation / Amortization	19,681,764	19,465,728
Profit on disposal of Property Plant & Equipment	(425,603)	(1,987,851)
Impairment Charge/(Write Back)	252,233,047	146,371,239
Finance Expenses	500,466,241	486,904,757
Investment Income	(21,665,417)	(14,578,938)
Provision for Gratuity	2,745,793	2,221,516
Operating Profit before Working Capital Changes	819,308,360	735,742,003
Change in Loans and Receivables from Customers	(1,863,851,990)	(1,249,946,239)
Change in Trade & Other Receivables	(73,187,472)	4,418,258
Change in Deposits from Customers	1,082,765,192	1,125,855,623
Change in Trade & Other Payables	262,250,890	53,568,709
Change in Non Interest Bearing Security Margins	(734,791)	835,417
	226,550,190	670,473,771
Interest Paid	(488,707,022)	(428,394,574)
Income Tax Paid	(100,000)	(25,077,786)
Gratuity Paid	(1,037,801)	(1,298,502)
Net Cash Used in Operating Activities	(263,294,634)	215,702,909
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of Property, Plant and Equipment	(6,367,664)	(18,182,449)
Acquisition of Intangible Assets	-	(500,000)
Proceeds from Sale of Property Plant & Equipment	1,280,712	4,302,908
Net Change in Available for Sale Financial Assets	(146,506,556)	(61,661,698)
Net change in Investment Securities	(370,401,931)	(95,612,463)
Investment Income Received	24,345,163	11,767,275
Net Cash Generated from Investing Activities	(497,650,276)	(159,886,427)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest Bearing Borrowings Obtained	5,391,357,742	7,541,957,354
Interest Bearing Borrowings Repayments	(5,677,790,591)	(7,217,812,375)
Proceeds from Debenture Issue	1,000,000,000	-
Dividend Paid	(11,562,500)	(23,125,000)
Net Cash Generated from Financing Activities	702,004,651	301,019,979
Net Change in Cash and Cash Equivalents	(58,940,259)	356,836,461
Cash and Cash Equivalents at Beginning of the Year	(33,021,211)	(389,857,672)
Cash and Cash Equivalents at End of the Year (Note A)	(91,961,469)	(33,021,211)

Note - A

Analysis of Cash and Cash Equivalents

Cash in Hand	20,052,300	16,813,511
Cash at Bank	31,850,839	21,251,267
Bank Overdrafts - Secured	(143,864,608)	(71,085,989)
	(91,961,469)	(33,021,211)

Figures in brackets indicate deductions.

The Notes are an integral part of these Financial Statements.

1. REPORTING ENTITY

1.1 General

Orient Finance PLC (the "Company") is a company incorporated and domiciled in Sri Lanka under the Companies Act No. 07 of 2007 and approved under Finance Lease Act, No. 56 of 2000 and Finance Business Act No. 42 of 2011.

The registered office of the Company is located at No. 02, Deal Place, Colombo 03 and the business is carried out at No.18, Sri Sangaraja Mawatha, Colombo 10

The Company listed its shares on the Diri Savi Board of the Colombo Stock Exchange by way of an introduction on 07 June 2012.

1.2 Principal Activities and Nature of Operations

The principal activities of the Company are comprised of finance leasing, hire purchasing, debt factoring, mobilization of deposits and pawning advances.

1.3 Parent Entity and Ultimate Parent Entity

In the opinion of the Directors, the Company's immediate parent undertaking is Orient Capital Limited and the ultimate parent undertaking is Janashakthi Limited.

1.4 Directors' Responsibility Statement

The Board of Directors takes the responsibility for the preparation and presentation of these Financial Statements as per the provisions of the Companies Act No.07 of 2007 and the Sri Lanka Accounting Standards comprising LKAS and SLFRS.

1.5. Date of Authorization

The Financial Statements of the Company for the year ended 31 March 2015 were authorized to issue by the Board of Directors on 25 June 2015.

2. BASIS OF PREPARATION

2.1. Statement of compliance

The Statement of financial position as at 31 March 2015, Income Statement, Statements of profit or loss and other comprehensive income, Statement of changes in equity and statement of cash flows, together with Notes to the financial statements ("Financial Statements") of the Company for the year then ended, comply with the Sri Lanka Accounting Standards (SLFRSs /LKASs) as laid down by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and the Finance Business Act No. 42 of 2011 and amendments thereto, and provide appropriate disclosures as required by the Listing Rules of the Colombo Stock Exchange.

2.2. Basis of measurement

The financial statements have been prepared on historical cost basis except for the following material items in the Statement of Financial Position;

- Liability for Defined Benefit Obligations is recognised as the present value of the defined benefit obligation.

- Available-for -sale financial assets are measured at fair value.

- Land and buildings are measured at cost at the time of acquisition.

2.3. Functional & presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the Company's functional currency. All financial information presented in Sri Lankan Rupees has been rounded to the nearest rupee unless stated otherwise.

2.4. Materiality and Aggregation

In compliance with LKAS 01 on Presentation of Financial Statements, each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or functions are presented separately, unless they are immaterial.

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the Notes to the financial statements.

2.5. Comparative Information

The accounting policies have been consistently applied by the Company with those of the previous financial year in accordance with LKAS 01 *Presentation of Financial Statements* except those resulted to change as the revision or application of new SLFRSs/LKASs. Further comparative information is reclassified wherever necessary to comply with the current presentation.

2.6 Use of Estimates, Judgments and Assumptions

The preparation of financial statements in conformity with Sri Lanka Accounting Standards (LKAS and SLFRS) requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

The most significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have most significant effect on the amounts recognised in the Financial Statements of the Company are as follows:

2.6.1 Going concern

The Company's Management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.6.2 Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but if this is not available, judgment is required to establish fair values.

2.6.3 Impairment losses on loans and advances

The Company reviews its individually significant loans and advances at each reporting date to assess whether an impairment loss should be provided for in the Statement of Comprehensive Income. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about number of factors and actual results may differ, resulting in future changes to the allowance made.
Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, by categorising them into groups of assets with similar risk characteristics, to determine whether a provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan to collateral ratio, level of restructured performing loans, etc.), and judgment on the effect of concentrations of risks and economic data.

The impairment loss on loans and advances is discussed in detail under Note 15.

2.6.4 Impairment of available for sale investments

The company reviews its debt securities classified as available for sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

Company also records impairment charges on available for sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is ‘significant’ or ‘prolonged’ requires judgment. In making this judgement, the company evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

2.6.5 Deferred Tax Assets

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. 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.

2.6.6. Impairment Losses on Other Financial Assets

The Company assesses whether there are any indicators of impairment for an asset or a cash generating unit at each Reporting date or more frequently, if events or changes in circumstances necessitate doing so. This requires the estimation of the ‘value in use’ of such individual assets or the cash generating units. Estimating value in use requires management to make an estimate of the expected future cash flows from the asset or the cash-generating unit and also to select a suitable discount rate in order to calculate the present value of the relevant cash flows. This valuation requires the Company to make estimates about expected future cash flows and discount rates, and hence, they are subject to uncertainty.

2.6.7. Defined Benefit Obligation

The cost of the defined benefit pension plan is determined using an actuarial valuation. The actuarial valuation involves making various assumptions determining the discount rates, future salary increases, mortality rates etc. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of Sri Lanka Government bonds with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on publicly available mortality tables. Future salary increases are based on expected future inflation rates and expected future salary increase rate of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

3.1 FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to Sri Lanka Rupees at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Sri Lanka Rupees at the foreign exchange rate ruling as at the balance sheet date.

Non-monetary assets and liabilities which are stated at historical cost denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates of the transactions.
Non-monetary assets & liabilities that are stated at fair value, denominated in foreign currencies are translated to Sri Lanka Rupees at the exchange rate ruling at the dates that the value were determined. Foreign exchange differences arising on translation are recognized in the income statement.

3.2. FINANCIAL INSTRUMENTS

3.2.1. Financial Instruments – Initial Recognition, Classification and Subsequent Measurement

3.2.2. Date of Recognition

The Company initially recognises Lease and Hire Purchase receivables, loans and advances, deposits and debt securities issued on the date on which they are originated. All other financial instruments (including regular way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Company becomes a party to the contractual provisions of the instrument.

3.2.3. Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management's intention in acquiring them.

All financial instruments are initially measured at their fair value plus transaction costs, except in the case of financial assets and liabilities as per the Sri Lanka Accounting Standard – LKAS 39 on " Financial Instruments : Recognition and Measurement" recorded at fair value through profit or loss.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss are dealt with through the Income Statement.

3.2.3.1 "Day 1" Profit or Loss

When the transaction price differs from the fair value of other observable current market transactions in the same instrument, or based on a valuation technique whose variables include only data from observable markets, the Company recognises the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'Interest Income and Personnel Expenses'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognised in the profit or Loss when the inputs become observable, or when the instrument is derecognised. The 'Day 1 loss' arising in the case of loans granted to employees at concessionary rates under uniformly applicable schemes is deferred and amortised using Effective Interest Rates (EIR) over the remaining service period of the employees or tenure of the loan whichever is shorter.

3.2.4. Classification and Subsequent Measurement of Financial Assets

At inception financial assets are classified into one of the following categories:

- At Fair value through profit or loss, and with in this category as :
  - Held for trading ; or
  - Designated at fair value through profit or loss
- Loans and receivables
- Held-to-maturity
- Available for Sale

The subsequent measurement of the financial assets depends on their classification.

3.2.4.1. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss which are discussed below.

3.2.4.1.1 Financial Assets Held for Trading

Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term Profit or position taking.
Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in profit or loss.
The Company evaluates its financial assets held for trading to determine whether the intention to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances.

3.2.4.1.2 Financial Assets Designated at Fair Value through Profit or Loss

The Company designates financial assets at fair value through profit or loss in the following circumstances:

- The assets are managed, evaluated and reported internally at fair value;
- The designation eliminates or significantly reduces an accounting mismatch, which would otherwise have arisen; or

Financial assets designated at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned is accrued in 'Interest Income', using the EIR, while dividend income is recorded in 'other operating income' when the right to receive the payment has been established.
The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss.

3.2.5 Held to maturity financial investments

Held to maturity financial investments are non–derivative financial assets with fixed or determinable payments and fixed maturities, which the company has the intention and ability to hold to maturity. After initial measurement, held to maturity financial investments are subsequently measured at amortised cost using the Effective Interest Rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the income statement. The losses arising from impairment of such investments are recognised in the income statement line 'Provision for Impairment'.

If the company were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available for sale. Furthermore, the company would be prohibited from classifying any financial asset as held to maturity during the following two years.

The company has not designated any financial assets as Held to Maturity during the financial year.

3.2.5.1Available for sale financial assets

Available-for-sale investments include equity securities and debt securities. Equity investments classified as Available-for-Sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available for sale financial investments are subsequently measured at fair value.Unrealised gains and losses are recognised directly in Equity through Other Comprehensive Income in the ‘Available-For-Sale Reserve’. When the investment is disposed of, the cumulative gain or loss previously recognised in Equity is recycled to Income Statement in ‘Other operating income’. Where the Company holds more than one investment in the same security, they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding Available-for- Sale financial investments is reported as ‘Interest Income’ using the EIR.

Dividends earned whilst holding Available-for-Sale financial investments are recognised in the Income Statement as ‘Other operating income’ when the right to receive the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement in ‘Impairment losses on financial investments’ and removed from the ‘Available for Sale reserve’.

3.2.5.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. 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 income in the income statement. The losses arising from impairment are recognised in the income statement in administration costs.

Loans and receivables include loans and advances to customers and other loans and advances.

3.2.5.3 Loans and Advances to Customers

Loans and advances to customers’ include non–derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and Advances to customers include Hire Purchase and Lease Receivable, Factoring and Pawning Advances.

When the company is the lessor in a lease agreement that transfers substantially all the risk and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Assets hired to customers under hire purchase agreements which transfer all the risk and rewards incidental to ownership as well as the legal tittle at the end of such contractual period are classified as Hire Purchase (HP) arrangements.

Amount receivable under finance leases net of initial rentals received, unearned lease income and provision for impairment are classified as HP and Lease receivable and are presented within Loans and Advances to customers.

After initial measurement, amounts 'Loans and Advances to Customers' are subsequently measured at amortised cost using the EIR, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation is included in 'Interest and Similar Income' in the income statement. The losses arising from impairment are recognised in the income statement in 'Impairment of Loans".

3.2.6 Cash and Cash Equivalent

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

They are brought to Financial Statements at their face values or the gross values, where appropriate. Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

For the purpose of Cash Flow Statement, cash and cash equivalents consist of cash in hand and deposits in banks and net of outstanding bank overdrafts.

3.2.7 Financial Liabilities

3.2.7.1 Classification and Subsequent Measurement of Financial Liabilities

At inception a financial liability is classified into one of the following categories:

- At fair value through profit or loss, and within this category as :
    - Held for trading; or
    - Designated at fair value through profit or loss.

- At Amortised cost

The subsequent measurement of financial liabilities depends on their classification.

3.2.7.2. Financial Liabilities at Fair Value through Profit or Loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term or holds as a part of a portfolio that is managed together for short-term profit or position taking. Gains or losses on liabilities held for trading are recognised in the Income Statement.

Financial Liabilities designated at Fair Value through Profit or Loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in "Net Gain or Loss on Financial Assets and Liabilities designated at Fair Value through Profit or Loss". The Company has not designated any financial liabilities upon initial recognition as at fair value through profit or loss.

3.2.7.3. Financial Liabilities at Amortised Cost

Financial instruments issued by the Company that are not designated at fair value through profit or loss, are classified as liabilities under 'Deposits Due to Customers ','Subordinated Term Debts' or 'Interest Bearing Borrowings' as appropriate, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial recognition, such financial liabilities are subsequently measured at amortised cost using the EIR method. 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 'Interest Expenses' in the Income Statement. Gains and losses are recognised in Income Statement when the liabilities are derecognised as well as through the EIR amortisation process.

3.2.8. Reclassification of Financial Instruments

The Company reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables', or 'held to maturity' categories as permitted by the Sri Lanka Accounting Standards - LKAS 39 on 'Financial Instruments: Recognition and Measurement'. Further, in certain circumstances, the Company is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the profit or loss when such financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity is recycled to the Income Statement.

The Company may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'loans and receivables' category if it meets the definition of loans and receivables and the Company has the intention and ability to hold the financial asset for the foreseeable future or until maturity.

If a financial asset is reclassified, and if the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument-by-instrument basis.

The Company does not reclassify any financial instrument into the fair value through profit or loss category after initial recognition. Further, the Company does not reclassify any financial instrument out of the fair value through profit or loss category if upon initial recognition it was designated as at fair value through profit or loss.

3.2.9. De recognition of Financial Assets and Financial Liabilities

3.2.9.1. Financial Assets

Financial assets (or, where applicable or a part of a financial asset or part of a group of similar financial assets) is derecognised when;

- The rights to receive cash flows from the asset have expired; or

- The Company has transferred its rights to cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass- through' arrangement; and either:

    - the Company has transferred substantially all the risks and rewards of the assets, or
    - the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flow from an asset or has entered in to a pass through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the assets nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it. In that case, the Company also recognises an associated liability. The transferred assets and the associated liabilities are measured on a basis that reflects the right and obligation that the Company has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

3.2.9.10. Financial Liabilities

A financial liability is derecognised when the obligation under liability is discharged or cancelled or expired.

3.2.9.11. Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date are not derecognised from the statement of financial position as the Company retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the statement of financial position as an asset with a corresponding obligation to return it, including accrued interest as a liability within 'repurchase agreements', reflecting the transaction's economic substance as a loan to the Company. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of agreement using the EIR.
Conversely, securities purchased under agreements to resell at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recorded in the statement of financial position, within 'reverse repurchase agreements', reflecting the transaction's economic substance as a loan by the Company. The difference between the purchase and resale prices is recorded in 'Net interest income' and is accrued over the life of the agreement using the EIR.

3.3. 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 have occurred after the initial recognition of the asset (an 'incurred loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

3.3.1 Impairment Financial assets carried at amortised cost

For financial assets carried at amortised cost (such as loans and advances to customers as well as held to maturity investments), the Company first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, 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 continues to be recognised are not included in the collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an Impairment account and the amount of impairment loss is recognized in the Statement of Comprehensive Income.

Interest income continues to be accrued on the reduced carrying amount/impaired balance 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 'Interest income'.

Loans together with the associated allowances 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 impairment account. If a write-off is later recovered, the recovery is credited to the "Other Income".

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Company has reclassified trading assets to loans and advances, the discount rate for measuring any impairment loss is the new EIR determined at the reclassification date. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

If the amount of an impairment loss decreases in a subsequent period, and the decrease can be related objectively to an event occurring after the impairment was recognised, the excess is written back by reducing the loan impairment allowance account accordingly. The write-back is recognised in the income statement.

3.3.1.1 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 is impaired.

In the case of debt instruments classified as available-for-sale, the Company assesses individually whether there is objective evidence of impairment 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 Statement of Comprehensive Income. Future interest income is based on the reduced carrying amount/impaired balance 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 on such assets too is recorded within 'Interest income'. If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the Statement of Comprehensive Income.

In the case of equity investments classified as available for sale, objective evidence would also include a 'significant' or 'prolonged' decline in the fair value of the investment below its 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 Statement of Comprehensive Income is removed from equity and recognised in the Statement of Comprehensive Income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

The Company writes-off certain Financial Investment Available-for-Sale when they are determined to be uncollectible.

3.3.1.2 Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original Effective Interest Rate (EIR) as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original EIR.

3.3.1.3 Collateral repossessed or where properties have devolved to the company

The company's policy is to determine whether a repossessed or devolved asset is best used for its internal operations or should be sold. Assets determined to be useful for internal operations are transferred to their relevant asset category at the lower of their repossessed value or the carrying value of the original secured asset. Assets that are determined better to be sold are immediately transferred to assets held for sale at their fair value at the repossession date in line with the Company's Policy. The assets held by company for temporary periods pending unexecuted auctions or any suitable recovery methods are not shown as investment properties.

3.3.1.4 OFFSETTING FINANCIAL ASSETS AND LIABILITIES

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.3.1.5 INVENTORIES

Inventories consist of stationaries purchase for the office use. Inventories are measured at lower of cost or net realizable value.

Cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

3.4. Determination of Fair Value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Level 1

When available, the Company measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price), without any deduction for transaction costs. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm’s length basis.

Level 2

If a market for a financial instrument is not active, then the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm’s length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses, credit models, option pricing models and other relevant valuation models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. 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, i.e. without modification or repackaging, or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Level 3

Certain financial instruments are recorded at fair value using valuation techniques in which current market transactions or observable market data are not available. Their fair value is determined by using valuation models that have been tested against prices or inputs to actual market transactions and also using the best estimate of the most appropriate model assumptions. Models are adjusted to reflect the spread for bid and ask prices to reflect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded (‘Day 1’ profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

3.5 NON CURRENT ASSETS

3.5.1 Property, Plant and Equipment

Property, Plant & Equipment are tangible items that are held for use in the supply of services, or for administrative purposes and are expected to be used for more than one year period.

3.5.1.1 Recognition

Property, Plant & Equipment are recognized if it is probable that future economic benefits associated with the assets will flow to the Company and cost of the asset can be reliably measured. The cost of certain items of Property, Plant and Equipment was determined by reference to a previous SLASs revaluation. The company elected to apply the optional exemption to use this previous revaluation as deemed cost at 01 April 2011, the date of transition.

3.5.1.2 Measurement

Items of property, Plant and Equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of Property, Plant and Equipment have different useful lives, they are accounted for as separate items (major components) of Property, Plant and Equipment.

Gains and losses on disposal of an item of Property, Plant and Equipment are determined by comparing the proceeds from disposal with the carrying amount of Property, Plant and Equipment, and are recognized net within other income in profit and loss.

Purchased software that is integrated to the functionality of the related equipment is capitalized as Intangible assets.

3.5.1.3 Subsequent expenditure

Expenditure incurred to replace a component of an item of Property, Plant and Equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. The cost of replacing part of an item of Property, Plant & Equipment is recognized in the carrying amount of the item, if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The cost of the day-to-day servicing of property, Plant and Equipment are recognized in profit or loss as incurred. When replaced costs are recognized in the carrying amount of an item of Property, Plant & Equipment, the remaining carrying amount of the replaced part is derecognized.

3.5.1.4 Depreciation

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful lives of each part of an item of Property, Plant and Equipment. Leased assets are depreciated over the shorter of the lease terms and other useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease period.

The estimated useful lives for the current and comparative periods are as follows.

Furniture and Fittings	4 years
Office Equipment	4 years
Computer Equipment	4 years
Motor Vehicles	4 years

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) and the date that the asset is derecognized.

Depreciation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

3.5.2 Finance and operating leases

The determination of whether an arrangement is a lease or it contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance lease

Agreements which transfer to counterparties substantially all the risks and rewards incidental to the ownership of assets but not necessarily legal title, are classified as finance leases. When the Company is a lessor under a finance lease the amounts due under the lease, after deduction of unearned charges, are included in 'Loans and Receivables from Customers'. The finance income receivable is recognised in 'Interest income' over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

When the company is a lessee under finance leases, the leased assets are capitalised and included in 'Property, Plant and Equipment' and the corresponding liability to the lessor is included in 'Other liabilities'. A finance lease and its corresponding liability are recognised initially at the fair value of the asset or, if lower, the present value of the minimum lease payments. Finance charges payable are recognised in 'Net interest income' over the period of the lease based on the interest rate implicit in the lease so as to give a constant rate of interest on the remaining balance of the liability.

Operating lease

All other leases are classified as operating leases. When acting as lessor, the Company includes the assets subject to operating leases in 'Property, Plant and Equipment' and accounts for them accordingly. Impairment losses are recognised to the extent that residual values are not fully recoverable and the carrying value of the assets is thereby impaired. When the Company is the lessee, leased assets are not recognised on the balance sheet. Rentals payable and receivable under operating leases are accounted for on a straight-line basis over the periods of the leases and are included in 'General and Administrative Expenses' and 'Other Operating Income', respectively.

3.5.3 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following the initial recognition of the intangible assets, the cost model is applied requiring the assets to be carried at cost less any accumulated amortization and accumulated impairment losses.

The useful lives of intangible assets are assessed to be finite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the Income Statement in the expense category consistent with the function/nature of the intangible asset. Amortization is commenced when the assets are available for use.

Computer Software

Computer software is amortized over four years from the date of acquisition.

3.5.4 Impairment of Non-Financial Assets

3.5.4.1 Recognition

The carrying values of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated (see below). An impairment loss is recognized whenever the carrying amount of asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

For the assets that have indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

3.5.4.2 Calculation of recoverable amount

The recoverable amount is the greater of their net selling and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using discount rate that reflects the current market assessment of their time value of money and the risk specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

3.5.4.3 Reversal of impairment

An impairment loss is reversed if there is a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3.5.5 Deposits due to Customers

These include term deposits and certificates of deposits. Subsequent to initial recognition, deposits are measured at their amortised cost using the effective interest method, except where the Company designates liabilities at fair value through profitor loss. They are stated in the Statement of Financial Position at amount payable. Interest paid / payable on these deposits based on effective interest rate is charged to the Income Statement.

3.5.6. Debt Securities Issued and Subordinated Term Debts

These represent the funds borrowed by the Company for long-term funding requirements. Subsequent to initial recognition debt securities issued are measured at their amortised cost using the effective interest method, except where the Company designates debt securities issued at fair value through profit or loss. Interest paid/payable is recognised in Income Statement.

3.5.7 Other Liabilities

Other liabilities are recorded at amounts expected to be payable at the Reporting date.

3.6 EMPLOYEE BENIFITS

3.6.1. Defined Contribution Plans

A Defined Contribution Plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Defined Contribution Plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Employees Provident Fund (EPF)

The company and employees contribute 12% & 8% respectively on the salary of each employee to the approved Provident Fund.

Employees Trust Fund (ETF)

The company contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.6.2. Defined benefit plans

Retirement Benefit Obligations

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognized past service costs are deducted.

The calculation is performed by a qualified actuary using Projected Unit Credit Method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used. The assumptions based on which the results of actuarial valuation was determined are included in Note 26 to the Financial Statements.

The company recognizes all actuarial gains and losses arising from the defined benefit plan and all expenses related to defined benefit plans in Comprehensive Income and actuarial gains and losses in Other Comprehensive Income.

This retirement benefit obligation is not externally funded.

However, according to the payment of Gratuity Act No. 12 of 1983, the liability for the gratuity payment to an employee arises only on the completion of 5 years of continued service with the Company.

3.6.3. Short Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.7 PROVISIONS

A provision is recognised in the Statement of Financial Position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the provision can be measured reliably in accordance with the Sri Lanka Accounting Standard - LKAS 37 on 'Provisions, Contingent Liabilities and Contingent Assets'.

The amount recognised is the best estimate of the consideration required to settle the present obligation at the Reporting date, taking into account the risks and uncertainties surrounding the obligation at that date. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is determined based on the present value of those cash flows.

3.8 CAPITAL COMMITMENTS AND CONTINGENCIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be reliably measured.

Capital commitment and contingent liabilities of the Company are disclosed in the respective Notes to the Financial Statements.

3.9 EVENTS OCCURING AFTER THE REPORTING DATE

All material post balance sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.10 INCOME STATEMENT

3.10.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. The following specific recognition criteria are ascertained before revenue is recognised.

3.10.1.1Interest Income and Interest Expense

For all financial instruments measured at amortised cost, interest bearing financial assets classified as available for sale and financial instruments designated at fair value through profit or loss, interest income or expense is recorded using the EIR. EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.
The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The calculation of the EIR takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes all material transaction costs and fees and points paid or received that are an integral part of the EIR. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

The carrying amount of the financial asset or financial liability is adjusted if the Company revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded in ‘Interest Income’ for financial assets and in ’Interest and similar expense’ for financial liabilities. However, for a reclassified financial asset for which the Company subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate. Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

3.10.1.2. Dividend income

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

3.10.1.3 Fees and Commission Income and Expense

Fees and commission income and expense that are integral to the EIR on a financial asset or liability are included in the measurement of the EIR. Other fees and commission income are recognised as the related services are performed.

3.10.1.4 Interest on Overdue rentals

Overdue interest is charged on Loans and Advances which are not paid on due date and accounted for on the cash basis.

3.10.1.5 Profit or Loss on disposal of Property, Plant & Equipment

Profits or losses resulting from disposal of Property, Plant & Equipment have been accounted on cash basis in the Income Statement.

3.10.2 Expenditure

All expenditure incurred in running of the business and in maintaining the property, plant & Equipment in a state of efficiency has been charged to revenue in arriving at the profit for the year.

Expenditure incurred for the purpose acquiring, expanding or improving assets of a permanent nature by means of which to carry on the business or for the purpose of increasing the earning capacity of the business has been treated as capital expenditure.

Repairs and renewals are charged to revenue in the year in which the expenditure is incurred.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability.

The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

The profit earned by the Company before taxation as shown in the Income Statement is after making provision for all known liabilities and for the depreciation of Property, Plant & Equipment.

3.10.2.1 Borrowing cost

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 asset.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss using the effective interest method.

3.11 TAXES

3.11.1 Income Tax Expense

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognized directly in the Income Statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Current Taxes

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the taxation authorities in respect of the current as well as prior years. The tax rates and tax laws used to compute the amounts are those that are enacted or substantially enacted by the Reporting date. Accordingly, provision for taxation is made on the basis of the accounting profit for the year as adjusted for taxation purposes in accordance with the provisions of the Inland Revenue Act No. 10 of 2006 and the amendments thereto, at the rates specified in Note 10. This Note also includes the major components of tax expense, the effective tax rates and a reconciliation between the profit before tax and tax expense as required by the Sri Lanka Accounting Standard – LKAS 12 on 'Income Taxes'.

Deferred Tax

Deferred tax is provided using the balance sheet liability method, providing for the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the tax base of assets and liabilities, which is the amount attributed to those assets and liabilities for tax purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted by the reporting date.

Deferred tax assets including those related to temporary tax effects of income tax losses and credits available to be carried forward, are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3.11.2 Value Added Tax on Financial Services

VAT on financial services is calculated in accordance with the amended VAT Act No.07 of 2003. The Base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on prescribed rate.

3.11.3 Withholding Tax on Dividends

Dividend distributed out of taxable profit of the local companies attracts a 10% deduction at source and is not available for set off against the tax liability of the company. Withholding Tax that arises from the distribution of dividends by the company is recognized at the same time as the liability to pay the related dividends is recognized.

3.11.4 Nation Building Tax (NBT) on Financial Services

NBT on Financial Services is calculated in accordance with Nation Building Tax (Amendment) Act No. 10 of 2014.NBT on Financial Services is payable on same base subject to Value Added Tax on Financial Services.

3.11.5 Crop Insurance Levy (CIL)

As per the provisions of the Section 14 of the Finance Act No. 12 of 2013, the CIL was introduced with effect from April 01, 2013 and is payable to the National Insurance Trust Fund. Currently, the CIL is payable at 1% of the profit after tax.

3.12 EARNINGS PER SHARE

The financial statements present basic Earnings per Share (EPS) for its ordinary shareholders. The basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.13 CASH FLOW STATEMENT

The Cash Flow Statement has been prepared using the “Indirect Method”. Interest paid are classified as operating cash flows, interest and dividend received are classified as investing cash flows while dividends paid are classified as financing cash flows for the purpose of presenting of cash flow statement.

3.14 REGULATORY PROVISIONS

3.14.1 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 “Insurance of Deposit Liabilities” issued on 27th September 2010 all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.Deposits to be insured include demand, time and savings deposit liabilities and exclude the following.

- Deposit liabilities to member institutions.
- Deposit liabilities to Government of Sri Lanka.
- Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance of Registered Finance Companies.
- Deposit liabilities held as collateral against any accommodation granted.
- Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka.

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

3.14.2 Investment Fund Account

As proposed in Budget 2011, an investment fund has been established and operated in the manner described below.

As and when taxes are paid after 1 January 2011, following funds are transferred to the Investment Fund Account and build a permanent fund in the company.

(i) 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services on dates as specified in the VAT Act for payment of VAT.

(ii) 5% of the profits before tax calculated for payment of income tax purposes on dates specified in Section 113 of the Inland Revenue Act for the self assessment payments of tax.

The funds in the Investment Fund Account are utilized as per the Guidelines on operations of the Investment Fund Account, within three months from the date of transfer to the Investment Fund Account.

However, transferring of 8% of the profits calculated for the payment of Value Added Tax (VAT) on financial services to the Investment Fund Accounts has been withdrawn by the Department of Inland Revenue with effect from 1 January 2014.

The operation of this fund was ceased with effect from 01^{st} October 2014 and the balance as at the time was transferred to retained earnings based on the regulation imposed by Central Bank of Sri Lanka

3.15 RESERVES

3.15.1 Statutory Reserve Fund

The Statutory Reserve Fund is maintained in terms of Licensed Finance Company Direction No.01 of 2003. Accordingly the company should transfer funds out of net profits of each year after due provision has been made for taxation and bad and doubtful debts.

- If capital funds are not less than twenty five percent of total deposit liabilities a sum equal to not less than five percent of the net profits;
- If capital funds are less than twenty five percent of total deposit liabilities but not less than ten percent thereof, a sum equal to not less than twenty percent of the net profits;
- If capital funds are less than ten percent of total deposit liabilities a sum equal to not less than fifty percent of the net profits.

3.15.2 Investment Fund Reserve

As per the Value Added Tax (Amended) Act No. 09 of 2011 and Inland Revenue (Amended) Act No.22 of 2011, company transfers 8% on value addition attributable to financial services and 5% of the Profit Before Tax calculated for payment of income tax purposes, from retained profits to Investment Fund Reserve with effect from 01 January 2011.

3.15.3 Available For Sale Reserve

This has been created in order to account the fair value changes of Available for Sale financial assets.

3.16 SEGMENT REPORTING

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, whose operating results are reviewed regularly by the Company's Management to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

For each of the strategic divisions, the Company's management monitors the operating results separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profits or losses which, in certain respects, are measured differently from operating profits or losses in the Financial Statements. Income taxes are managed on a Company basis and are not allocated to operating segments.

3.17 COMMITMENTS AND CONTINGENCIES

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognized in the Balance Sheet but are disclosed unless they are remote.

3.18. NEW ACCOUNTING STANDARD APPLIED EFFECTIVE FROM 01ST JANUARY 2014

• Sri Lanka Accounting Standards – SLFRS 13 "'Fair Value Measurement"

This SLFRS defines fair value, sets out in a single SLFRS a framework for measuring fair value; and disclosures about fair value measurements.

3.19 SRI LANKA ACCOUNTING STANDARDS EFFECTIVE FROM 01ST JANUARY 2014

A number of new standards and amendments to standards which have been issued but not yet effective as at Reporting date have not been applied in preparing these financial statements and company plans to apply these standards on the respective effective dates.

- SLFRS 15 – "Revenue from Contracts with Customers" establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance LKAS 18 Revenue, LKAS 11 Construction Contracts.

  SLFRS 15 is effective for reporting period beginning on or after 1st January 2017, with early adoption permitted.

- SFLRS 9 – "*Financial Instruments*" replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets.

  SLFRS 9 is effective for annual period beginning on or after 1st January 2018 with early adoption permitted.

ORIENT FINANCE PLC

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended 31 March	**2015**	2014
	Rs.	Rs.
4 INCOME		
Interest Income (Note 5)	**1,121,810,806**	992,642,060
Other Income (Note 7)	**107,713,051**	83,433,387
	1,229,523,857	1,076,075,447
5 INTEREST INCOME		
Finance Lease (Note 5.1)	**534,063,438**	561,553,121
Hire Purchase (Note 5.2)	**303,035,279**	223,236,707
Factoring (Note 5.3)	**149,937,093**	132,002,353
Loan (Note 5.4)	**78,475,241**	17,161,315
Gold Loan Interest	**3,364,622**	4,802,107
Interest Income Accrued / (Reversed) on impaired Contracts		
Finance Lease	**30,524,578**	44,898,872
Hire Purchase	**22,410,555**	8,987,585
	1,121,810,806	992,642,060
5.1 Finance Lease		
Interest Income	**485,136,018**	507,515,206
Overdue Interest	**48,927,420**	54,037,915
	534,063,438	561,553,121
5.2 Hire Purchase		
Interest Income	**280,374,163**	212,244,259
Overdue Interest	**22,661,116**	10,992,448
	303,035,279	223,236,707
5.3 Factoring		
Interest Income	**133,335,994**	120,920,988
Overdue Interest	**16,601,099**	11,081,365
	149,937,093	132,002,353
5.4 Loan		
Interest Income	**73,775,617**	14,887,371
Overdue Interest	**4,699,624**	2,273,944
	78,475,241	17,161,315
6 INTEREST EXPENSES		
Interest Expense on Borrowings	**196,221,409**	281,401,727
Interest Expense on Fixed Deposits	**264,614,962**	115,265,323
Interest Expense on Debentures	**27,075,053**	-
Interest Expense on Negotiable Instruments	**9,272,166**	73,907,938
Overdraft Interest	**3,282,651**	16,329,769
	500,466,241	486,904,757

For the Year Ended 31 March	**2015**	2014
	Rs.	Rs.

7. OTHER INCOME

Documentation Income - Lease and Hire Purchases	**22,330,981**	13,532,309
Administration Charges - Factoring	**40,095,102**	35,830,014
Insurance Commission	**12,242,341**	13,169,294
Collections from Written Off Contracts	**3,430,181**	3,826,357
Profit on Disposal of Property, Plant and Equipment	**425,603**	1,987,851
Investment Income	**21,665,417**	12,406,798
Available for Sale Financial Assets - Reclassified from OCI	**6,255,473**	2,172,140
Dividend Income	**36,000**	-
Sundry Income	**1,231,953**	508,624
	107,713,051	83,433,387

8. IMPAIREMENT CHARGES /(REVERSALS) FOR LOANS AND RECEIVABLES FROM CUSTOMERS

For the Year Ended 31 March	**2015**	2014
	Rs.	Rs.
Specific Impairment		
Lease	174,069,168	101,118,294
Hire Purchase	60,813,253	30,795,280
Factoring	1,697,187	1,037,755
Pawning	1,649,748	900,918
Collective Impairement		
Lease	10,789,353	12,069,174
Hire Purchase	3,214,338	449,818
Factoring		
	252,233,047	146,371,239

9. RESULTS FROM OPERATING ACTIVITIES

Results from operating activities is stated after charging all expenses including the following,

Directors' Emoluments	**3,210,000**	3,385,000
Audit Fees - Statutory Audit	**1,075,000**	1,030,000
- Other Audit Related Services	**400,000**	400,000
Depreciation and Amortization	**19,681,764**	19,465,728
Staff Related Cost (Note 9.1)	**203,167,074**	166,913,542

9.1 Staff Related Cost

Defined Benefit Plan - Gratuity	**2,745,794**	2,221,883
Defined Contribution Plan - EPF	**11,541,954**	10,153,472
- ETF	**2,884,960**	2,538,875
Salaries and Wages	**185,994,366**	151,999,312
	203,167,074	166,913,542

For the Year Ended 31 March	**2015**	2014
	Rs.	Rs.
10 INCOME TAX EXPENSE		
Current Tax		
On Current Year Profits (Note 10.1)	**16,468,772**	12,366,351
Under Provision in respect of previous years	**273,543**	292,702
Deferred Tax		
Deferred tax Charged to Profit and Loss (Note 10.3)	-	6,118,559
Income Tax Charged to Profit and Loss	**16,742,315**	18,777,612

10.1 ***Reconciliation between Accounting Profit and Taxable Income***

Profit Before Income Tax Expense	**66,272,535**	97,345,552
Adjustments on Disallowed Expenses	**1,342,537,859**	1,348,052,174
Adjustments on Allowed Expenses	**(1,318,322,636)**	(1,377,450,745)
Tax Losses Utilized during the Year	**(31,670,715)**	(23,781,443)
Taxable Profit for the Year	**58,817,043**	44,165,538
Tax on Current Year Profits @ 28%	**16,468,772**	12,366,351
Effective Tax Rate	**24.85%**	12.70%

10.2 ***Tax Losses***

Tax Losses Brought Forward	**339,872,557**	364,217,643
Adjustments from previous year	**102,419,037**	(563,643)
Tax Losses Utilized during the Year	**174,400,793**	(23,781,443)
Tax Losses Carried Forward	**616,692,387**	339,872,557

10.3

Deferred Tax charged to Profit and Loss	**-**	6,128,909
Deferred Tax charged to OCI	-	(10,350)
Origination and Reversal of Temporary Differences (Note 18)	-	6,118,559

10.4 ***Current Tax***

The Company is liable for tax at the rate of 28% on its taxable income in accordance with the Inland Revenue Act No 10 of 2006 and subsequent amendments made thereto.

11 EARNINGS PER SHARE

The calculation of Earnings Per Share as at 31 March 2015 is based on the profit for the year attributable to the Ordinary Shareholders and weighted average number of ordinary shares outstanding. It is calculated as follows;

For The Year Ended 31 March,	**2015**	**2014**
	Rs.	**Rs.**
Profit Attributable to Ordinary Shareholders (Rs.)	**49,530,220**	78,557,590
Weighted Average Number of Ordinary Shares	**115,625,000**	115,625,000
Earnings Per Share (Rs.)	**0.43**	0.68

11.1 **Weighted Average Number of Ordinary Shares**

At the beginning of the year (Rs.)	**115,625,000**	115,625,000
At the end of the year (Rs.)	**115,625,000**	115,625,000

11.2 **Diluted Earning Per Share**

There were no potential dilutive ordinary shares at any time during the year or previous year. Therefore, Diluted Earning Per Share is same as Basic Earnings Per Share shown above.

12 DIVIDEND PER SHARE

The Dividend Per Share is based on the dividend paid during the year and the number of ordinary shares outstanding as at that date.

For The Year Ended 31 March,	**2015**	2014
Dividend Paid		
Final Dividend (Rs.)	**11,562,500**	23,125,000
Dividend Per Share (Rs.)	**0.10**	0.20

	2015	2014
	Rs.	Rs.
13 CASH AND CASH EQUIVALENT		
Cash in Hand	**20,052,300**	16,813,511
Cash at Bank	**31,850,839**	21,251,267
	51,903,139	38,064,778
Bank Overdrafts	**(143,864,608)**	(71,085,989)
Cash and Cash Equivalents for the purpose of Cash Flow Statement	**(91,961,469)**	(33,021,211)

14 AVAILABLE FOR SALE FINANCIAL ASSETS

			2015	2014
		Face Value of the Securities	**225,000,000**	84,600,000
14.1	Add :	Cummulative Increase / (Decrease) of Fair Value as at 31 March	**(5,706)**	2,994,155
			224,994,294	87,594,155
	Less :	Unallocated Future Capital Gain	**(152,871)**	(6,259,426)
			224,841,423	81,334,729

14.1.1 Treasury Bill

	Face Value	**Date of Maturity**	**Cost of the Investment**	**Carrying Value**
			Rs.	**Rs.**
	50,000,000	15-May-15	49,228,650	49,645,809
	75,000,000	8-May-15	73,995,900	74,663,465
	25,000,000	8-May-15	24,715,525	24,828,412
	150,000,000		147,940,075	149,137,686
Treasury Bond				
	75,000,000	1-Nov-15	78,330,975	75,703,737
	225,000,000		**226,271,050**	**224,841,423**

15 LOANS AND RECEIVABLE FROM CUSTOMERS

As at 31 March	**2015**	2014
	Rs.	Rs.
Loans and Receivables	**8,445,026,568**	6,240,969,290
Less: Unearned Income	**(1,945,138,471)**	(1,524,316,831)
Gross Loans and Receivables	**6,499,888,097**	4,716,652,460
Less: Allowance for Specific Impairment	**(333,604,271)**	(175,991,268)
Allowance for Collective Impairment	**(65,398,358)**	(51,394,666)
Net Loans and Receivable	**6,100,885,468**	4,489,266,526

15.1 Product wise analysis of Net Loans and Receivables

Lease Receivable (Note 15.1.1)	**3,249,582,732**	2,162,409,107
HP Receivable (Note 15.1.2)	**1,378,737,961**	1,333,626,339
Other Loans Receivable (Note 15.1.3)	**546,961,932**	225,168,034
Factoring Receivable (Note 15.1.4)	**912,622,067**	742,907,435
Gold Loan Receivable	**12,980,776**	25,155,611
	6,100,885,468	4,489,266,526

15.2 Movement in Allowance for Specific and Collective Impairment During the Year

As At 31 March	**2015**	2014
	Rs.	Rs.
Opening Balance	**227,385,934**	131,617,052
Charge/(Write Back) to the Income Statement (Note 8)	**252,233,047**	146,371,239
(Net Write-Off) / Recoveries During the Year	**(80,616,353)**	(50,602,357)
Closing Balance	**399,002,628**	227,385,934

15.1.1 Lease Receivables

Lease Rental Receivable	**4,836,262,778**	3,181,613,543
Less : Unearned Income	**(1,280,983,880)**	(837,702,179)
Gross Lease Rental Receivable	**3,555,278,898**	2,343,911,364
Provision for Specific Impairment	**(250,032,698)**	(136,628,142)
Provision for Collective Impairment	**(55,663,468)**	(44,874,115)
Net Lease Receivable	**3,249,582,732**	2,162,409,107

Lease Rentals Receivable within one year

Lease Rentals Receivable within one year	**1,581,998,551**	1,311,704,440
Less: Unearned Income	**(580,118,895)**	(414,129,651)
Gross Lease Rentals Receivable within one year	**1,001,879,656**	897,574,789

Lease Rentals Receivable within one to five years

Lease Rentals Receivable within one to five years	**3,254,264,227**	1,869,283,987
Less: Unearned Income	**(700,864,986)**	(423,547,242)
Gross Lease Rentals Receivable within one to five years	**2,553,399,241**	1,445,736,745

Lease Rentals Receivable later than five years

Lease Rentals Receivable within one to five years	**-**	625,116
Less: Unearned Income	**-**	(25,286)
Gross Lease Rentals Receivable within one to five years	**-**	599,830
	3,555,278,897	2,343,911,364

		2015	2014
		Rs.	Rs.
15.1.2	**Hire Purchase Receivable**		
	HP Rental Receivable	**1,955,586,748**	1,964,473,115
	Less : Unearned Income	**(492,376,246)**	(592,779,563)
	Gross HP Rental Receivable	**1,463,210,502**	1,371,693,552
	Provision for Specific Impairment	**(74,737,651)**	(31,546,662)
	Provision for Collective Impairment	**(9,734,890)**	(6,520,551)
	Net HP Receivable	**1,378,737,961**	1,333,626,339
	HP Rentals Receivable within one year		
	HP Rentals Receivable within one year	**781,502,968**	644,257,669
	Less: Unearned Income	**(237,899,751)**	(262,772,305)
	Gross HP Rentals Receivable within one year	**543,603,217**	381,485,364
	HP Rentals Receivable within one to five years		
	HP Rentals Receivable within one to five years	**1,174,083,780**	1,320,215,446
	Less: Unearned Income	**(254,476,494)**	(330,007,258)
	Gross HP Rentals Receivable within one to five years	**919,607,286**	990,208,188
		1,463,210,503	1,371,693,552
15.1.3	**Other Loans Receivable**		
	Loans Receivable	**718,762,549**	319,045,793
	Less : Unearned Income	**(171,778,345)**	(93,835,088)
	Gross Loans Receivable	**546,984,204**	225,210,705
	Provision for Specific Impairment	**(22,272)**	(42,671)
	Provision for Collective Impairment	**-**	-
	Net Loans Receivable	**546,961,932**	225,168,034
	Loans Receivable within one year		
	Loans Receivable within one year	**313,812,248**	95,990,506
	Less: Unearned Income	**(74,026,163)**	(35,647,766)
	Gross Loans Receivable within one year	**239,786,085**	60,342,740
	Loans Receivable within one to five years		
	Loans Receivable within one to five years	**401,490,835**	220,839,915
	Less: Unearned Income	**(97,574,354)**	(58,000,789)
	Gross Loans Receivable within one to five years	**303,916,481**	162,839,126
	Loans Receivable later than five years		
	Loans Receivable within one to five years	**3,459,466**	2,215,372
	Less: Unearned Income	**(177,828)**	(186,533)
	Gross Loans Receivable within one to five years	**3,281,638**	2,028,839
		546,984,204	225,210,705
15.1.4	**Factoring Receivable**		
	Factoring Receivables	**921,191,857**	749,780,038
	Less : Provision for Specific Impairment	**(8,569,790)**	(6,872,603)
	Net Factoring Receivable	**912,622,067**	742,907,435
15.1.5	**Pawning Receivable**		
	Pawning Receivables	**13,222,636**	26,056,801
	Less : Provision for Specific Impairment	**(241,860)**	(901,190)
	Net Pawning Receivable	**12,980,776**	25,155,611

15.1.6 During the year the Board has written off contract receivables worth of Rs.80,616,353 (2013/14 - 50,602,359) which were fully impaired. These were already provided for in the previous year under specific impairment.

As At 31 March,	**2015**	2014
	Rs.	Rs.
16 INVESTMENT SECURITIES		
Investments in Fixed Deposits	**214,338,899**	87,936,968
Investments in Government Securities	**234,000,000**	40,000,000
Investments in Commercial Papers	**50,000,000**	-
	498,338,899	127,936,968
17 OTHER RECEIVABLES		
Advances Paid	**2,318,101**	3,015,079
Interest Receivable	**3,626,830**	6,306,576
Insurance Commissions Receivable	**8,117,173**	6,038,498
ESC & WHT Recoverable	**725,698**	281,836
Deposits & Prepayments	**52,877,239**	45,429,353
Initial Cost on Debentures	**61,686,259**	-
VAT Receivables	**-**	-
Receivable from Bartleet Finance PLC	**1,682,539**	-
	131,033,839	61,071,342
18 DEFERRED TAX ASSET		
Balance as at the Beginning of the Period	**43,793,854**	49,912,413
Origination and Reversal of Temporary Differences	**-**	(6,118,559)
Balance as at the End of the Period	**43,793,854**	43,793,854

18.1 Deferred Tax Assets

The amount recognized as deferred tax asset is as follows:

Property, Plant & Equipment and Intangible Assets	**(2,632,302)**	(3,576,228)
Leased Assets	**(100,814,790)**	(49,889,059)
Gratuity	**3,010,700**	2,094,825
Tax Loss carried forward	**144,230,246**	95,164,316
	43,793,854	43,793,854

18.2 Deferred Tax asset have not been recognised in respect of tax losses amount into Rs.101,584,364 because it is not probable that future taxable profit will be available against which the company can utilize the benefit there from.

19 NON CURRENT ASSETS HELD FOR SALE

During the financial year 2012/13 the company has acquired a land against a factoring receivable, which was classified as Non Current Assets Held for Sale.
Details of the Land is as follows,

Land	Extent	Valuation (Rs)
Tissamaharamaya (Survey Plan No.2006/62)	1A 11P	10,000,000

The valuation was carried out during the year 2012/13 by Mr. B.L.A.Padmasiri, Incorporated valuer and Associate Member - Institute of Valuers of Sri Lanka.
This asset has been sold subsequent to the reporting period.

20 INTANGIBLE ASSETS

As at 31 March	**2015**	**0**	**2014**
	Rs.		*Rs.*
Computer Software			
Cost			
Balance as at the Beginning of the Period	**9,312,960**		8,812,960
Additions during the Year	**-**		500,000
Balance as at the End of the Period	**9,312,960**		9,312,960
Accumulated Amortization			
Balance as at the Beginning of the Period	**7,545,302**		5,311,869
Amortized during the year	**625,000**		2,233,433
Balance as at the End of the Period	**8,170,302**		7,545,302
Carrying Amount as at 31 March	**1,142,658**		1,767,658

20.1 There were no capitalized borrowing costs related to the internal development of software during the year (2013/2014 - NIL).

As At 31 March,

21 PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings	Office Equipment	Computer Equipment	Motor Vehicles	Total 2015	Total 2014
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Cost						
Balance as at 01 April	22,191,385	34,972,656	41,211,263	13,843,876	**112,219,180**	111,672,206
Additions during the Year	477,384	2,892,280	2,998,000	-	**6,367,664**	18,182,449
Transfers	-	-	-	-	-	-
Disposals	-	(14,150.00)	-	(2,425,897)	**(2,440,047)**	(17,635,475)
Balance as at 31 March	**22,668,771**	**37,850,786**	**44,209,263**	**11,417,979**	**116,146,799**	112,219,180
Depreciation						
Balance as at 01 April	10,820,506	16,108,352	34,967,136	4,056,649	65,952,643	64,040,405
Charge for the Year	4,734,359	7,769,809	3,486,858	3,065,738	**19,056,764**	17,232,295
On Disposals	-	(8,264)	-	(1,576,674)	**(1,584,938)**	(15,320,057)
Balance as at 31 March	**15,554,865**	**23,869,897**	**38,453,994**	**5,545,713**	**83,424,469**	65,952,643
Carrying Amount as at 31 March 2015	**7,113,906**	**13,980,889**	**5,755,269**	**5,872,266**	**32,722,330**	
Carrying Amount as at 31 March 2014						46,266,537

21.1 Based on the assessment of potential impairment carried out internally, for Property, Plant and Equipment by the Board of Directors as at 31 March 2015, no provision was required to be made in the Financial Statements.

21.2 Property, Plant and Equipment included fully depreciated assets having a gross amount of Rs. 46,550,659 as at 31 March 2015. (Rs. 36,601,905 as of 2013/14)

21.3 There were no capitalized borrowing costs related to the acquisition of Property Plant and Equipment during the year (2013/2014 - nil).

21.4 There were no restrictions on the tittle of the Property, Plant and Equipment as at 31 March 2015.

21.5 There were no items of Property, Plant and Equipment pledged as security as at 31 March 2015.

As At 31 March,	2015 Rs.	2014 Rs.
22 DEPOSITS FROM CUSTOMERS		
Public Deposits	**2,518,425,799**	1,435,660,606
Interest Accrued	**61,302,317**	37,610,937
Public Deposits at amortized cost	**2,579,728,116**	1,473,271,543

22.1

Rs.1,959,246,292 (2013/2014 -Rs.249,728,059) of Deposits from Customers are expected to be smatured after 12 months period from the reporting date, 31 March 2015.

As At 31 March,	2015 Rs.	2014 Rs.
23 INTEREST BEARING BORROWINGS		
Institutional Borrowings (Note 23.1)	**1,952,655,903**	2,051,987,942
Commercial Papers (Note 23.2)	**-**	223,476,659
Promissory Notes	**11,058,969**	10,210,761
	1,963,714,872	2,285,675,362
23.1 Movement in Institutional Borrowings		
As at 01 April	**1,991,841,999**	1,505,694,052
Obtained During the year	**5,242,000,000**	6,315,644,620
Payments Made	**(5,314,611,976)**	(5,829,496,673)
Balance before adjusting for Amortized Interest	**1,919,230,023**	1,991,841,999
Net Effect on Amortized Interest Payable	**33,425,880**	60,145,943
As at 31 March	**1,952,655,903**	2,051,987,942
23.2 Movement in Commercial Papers		
As at 01 April	**211,177,774**	373,966,837
Obtained During the year	**98,448,566**	1,225,446,381
Payments Made	**(309,626,340)**	(1,388,235,444)
Balance before adjusting for Amortized Interest	**-**	211,177,774
Net Effect on Amortized Interest Payable	**-**	12,298,886
As at 31 March	**-**	223,476,659
23.3 Interest Bearing Borrowings - Current and Non Current		
Payable within one year	**1,605,134,527**	1,857,201,789
Payable after one year (1 Year-5 Years)	**358,580,345**	428,473,573
	1,963,714,872	2,285,675,362

23.4 Institutional Borrowings

Bank	Facility Amount Rs.	Capital Outstanding As at 31.03.2015 Rs.	Finance Cost Payable as at 31 March 2015 Rs.	Total Payable at Amortised Cost as at 31 March 2015 Rs.	Tenure of Loan (Months)	Security Offered
<u>Long Term Loans</u>						
Hatton National Bank PLC	200,000,000	36,200,000	223,061	36,423,061	47	Lease / HP Portfolio
Bank of Ceylon PLC	150,000,000	150,000,000	690,411	150,690,411	6	Lease / HP Portfolio
Sampath Bank PLC	600,000,000	156,921,000	231,379	157,152,379	36	Lease / HP Portfolio
Seylan Bank PLC		190,624,880	719,253	191,344,133		
Pan Asia Bank PLC	50,000,000	201,378,451	491,217	201,869,668	40	Lease / HP Portfolio
<u>Short Term loans - Revolving</u>						
Sampath Bank PLC		200,000,000	136,644	200,136,644		
NDB PLC	335,000,000	390,000,000	1,175,663	391,175,663	3	Lease / HP Portfolio
Union Bank PLC	110,000,000	200,000,000	564,679	200,564,679	3	Lease / HP Portfolio
Nations Trust Bank		30,000,000	29,589	30,029,589		
Pan Asia Bank PLC		200,000,000	321,103	200,321,103		
<u>Securitizations</u>						
OFSCL Trust 14	301,661,929	18,943,752	7,144,657	26,088,409	24	Lease / HP Portfolio
OFSCL Trust 15	265,482,690	145,161,940	21,698,223	166,860,163	36	Lease / HP Portfolio
		1,919,230,023	**33,425,880**	**1,952,655,903**		

24 UNSURBODINATED TERM DEBT

During the Financial year Company issued 10,000,000 Rated, Guranteed, Redeemable Debentures at the value of Rs.100/- each, accumulated to Rs.1,000,000,000/- with maturity of five years.

Interest Payment Frequency	Allotment Date	Maturity Date	Effective Annual Yield	Value of the Debenture as at 31 March 2015	Value of the Debenture as at 31 March 2015
Semi - Annually	26-Dec-14	26-Dec-19	**9.25%**	**1,000,000,000**	-
Accrued Interest				**23,595,482**	-
Amortised Cost				**1,023,595,482**	**-**

As At 31 March,	**2015**	2014
	Rs.	Rs.
25 CURRENT TAX PAYABLE		
As at 01 April	**(3,885,521)**	21,505,793
On current year profits (Note 10)	**16,468,772**	12,366,351
Adjustments in respect of Previous years (Note 10)	**273,543**	292,702
ESC & WHT Recoverable Claimed	**(545,230)**	(12,972,582)
Payments made	**(100,000)**	(25,077,786)
As at 31 March	**12,211,564**	(3,885,521)
26 TRADE AND OTHER PAYABLE		
Trade Payable	**376,744,857**	149,340,099
Insurance Payable	**19,089,586**	5,588,444
Accrued Expenses and Other Payable	**64,455,083**	43,213,547
Lease Creditor	**-**	-
VAT Payable	**4,476,435**	5,523,381
Payable to Customers	**1,150,400**	-
	465,916,361	203,665,471
27 RETIREMENT BENEFIT OBLIGATIONS		
Opening Balance as at the Beginning of the Period	**7,481,517**	6,521,171
Amount Recognized in the Total Comprehensive Income	**4,308,783**	2,258,848
Payments During the Year	**(1,037,801)**	(1,298,502)
Closing Balance as at the End of the Period	**10,752,499**	7,481,517

The amount recognised in the Total Comprehensive Income are as follows:

		2015	2014
27.1	Interest Cost	**822,967**	717,329
	Current Service Cost	**1,922,826**	1,504,184
27.1.1	Actuarial (Gain) / Loss Recognised	**1,562,990**	36,965
		4,308,783	2,258,478

27.2 An Actuarial Valuation of the retirement benefit obligation was carried out as at 31st March 2015 by Actuarial and Management Consultants (Pvt) Ltd.The Company has estimated its gratuity liability as at 31 March 2015 based on the forecast given by the atuarier using the census and assumptions as at 31 March 2015.

The principal assumptions used were as follows:

	2015	**2014**
Discount Rate	10%	11%
Future Salary Increases	10%	10%
Staff Turnover Factor	30%	25%

27.3 Sensitivity of Assumptions employed in Actuarial Valuation

The following table demonstrate the sensitivity to a reasonably possible change in the key assumptions employed with all other variables held constant in the employment benefit liability measurement.

The sensitivity of the Comprehensive Income Statement of Financial Position is the effect of the assumed changes in discount rate and salary increment rate on the profit or loss and employment benefit obligation for the year.

Increase / Decrease in discount rate	**Increase / Decrease in salary increment**	**2014/2015**
		Sensetiivty Effect on Comprehensive Income Statement Increase/ (Reduction) in results for the year
		Rs.
1%	0	(316,275)
-1%	0	337,317
0	1%	384,240
0	-1%	(366,432)

As At 31 March,		**2015**	2014
		Rs.	Rs.
28	**STATED CAPITAL**		
	Ordinary Shares (Note 28.1)	**500,000,000**	500,000,000
	No. of Shares (Note 28.2)	**115,625,000**	115,625,000
28.1	**Movement in Ordinary Shares**		
	At the Beginning of the year	**500,000,000**	500,000,000
	Issued During the year	**-**	-
	At the End of the year	**500,000,000**	500,000,000
28.2	**Movement in Number of Shares**		
	At the Beginning of the year	**115,625,000**	115,625,000
	Issued during the year	**-**	-
	Number of shares at the end of the Year	**115,625,000**	115,625,000

28.3 The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

28.4 All shares rank equally with regard to the Company's residual assets.

As At 31 March,		**2015**	**2014**
		Rs.	Rs.
29	**RESERVE FUND**		
	At the Beginning of the Year	**25,937,944**	22,010,064
	Transfer During the Year	**2,476,511**	3,927,880
	At the End of the Year	**28,414,455**	25,937,944

29.1 Statutory reserve fund is a capital reserve which contains profits transferred as required by section 3 (b) (i) of Central Bank Direction No 01 of 2003.

As At 31 March,		**2015**	**2014**
		Rs.	**Rs.**
30	**INVESTMENT FUND**		
	At the Beginning of the Year	**27,795,752**	**20,772,000**
	Transfers During the Year	**(27,795,752)**	**7,023,752**
	As at the End of the Year	**-**	**27,795,752**

30.1 Investment Fund Account is a Capital Reserve which contains profits transferred as per the proposal made in the Government Budget 2011. Guidelines have also been issued by the Central Bank on utilization of funds in this account.

During the year under review available funds residing in the Investment Fund Account were transferred to the Retained Earnings as advised by the CBSL as the above fund ceased to operate.

		2015	**2014**
		Rs.	**Rs.**
31	**AVAILABLE FOR SALE RESERVE**		
	At the Beginning of the Year	**2,994,156**	**2,234,291**
	Transfers During the Year	**(2,999,862)**	**759,865**
	As at the End of the Year	**(5,706)**	**2,994,156**

31.1 Available for Sale Reserve consist of Unrealised gains and losses on Available For Sale Financial Assets, are recognised directly in equity (Other Comprehensive Income).

32 FIANANCIAL REPORTING BY SEGMENTS

Business Segments

The Company has two reportable segments, as described below, which are the Company's strategic divisions. The strategic divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic divisions, the Company's management reviews internal management reports on at least a monthly basis. The following summary describes the operations in each of the Company's reportable segments.

Hire Purchase & Leasing - Provision of Hire Purchase and Leasing Facilities to customers
Factoring - Debt Factoring

	Lease & Hire purchase		Factoring		Unallocated		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014
	Rs.	Rs.	**Rs.**	Rs.	**Rs.**	Rs.	**Rs.**	Rs.
Interest Income	**968,509,091**	860,639,708	**149,937,093**	132,002,352	**3,364,622**	-	**1,121,810,806**	992,642,060
Other Income	**25,761,162**	30,527,960	**40,095,102**	35,830,014	**41,856,787**	17,075,413	**107,713,051**	83,433,387
Total Segmental Income	**994,270,253**	891,167,668	**190,032,195**	167,832,366	**45,221,409**	17,075,413	**1,229,523,857**	1,076,075,447
Less: Interest expense	**(431,040,241)**	(409,074,244)	**(67,081,000)**	(77,830,513)	**(2,345,000)**	-	**(500,466,241)**	(486,904,757)
Segmental Results	**563,230,012**	482,093,424	**122,951,195**	90,001,853	**42,876,409**	17,075,413	**729,057,616**	589,170,690
Depreciation and Amortization	**(9,021,223)**	(8,922,202)	**(299,674)**	(296,384)	**(10,360,868)**	(10,247,142)	**(19,681,764)**	(19,465,728)
Impairment Charge / (Reversal)	**(248,886,112)**	(145,333,484)	**(1,697,187)**	(1,037,755)	**(1,649,748)**	-	**(252,233,047)**	(146,371,239)
Unallocated Company expenses	**(314,147,751)**	(167,129,831)	**(37,513,944)**	(18,867,663)	**(39,208,575)**	(139,990,677)	**(390,870,270)**	(325,988,171)
Income Tax	**-**	-	**-**	-	**(16,742,315)**	(18,787,962)	**(16,742,315)**	(18,787,962)
Profit After Tax	**(8,825,074)**	160,707,907	**83,440,390**	69,800,051	**(25,085,097)**	(151,950,368)	**49,530,220**	78,557,590
Segmental Assets	**5,175,282,625**	3,746,359,092	**912,622,067**	742,907,435	**1,006,787,518**	414,151,987	**7,094,692,210**	4,903,418,513
Segmental Liabilities	**376,744,857**	149,340,099	**-**	-	**5,825,851,334**	3,895,387,263	**6,202,596,191**	4,044,727,362

As At 31 March,

33 MATURITY ANALYSIS OF ASSETS AND LIABILITIES

	Less than 3 Months Rs.	3-12 Months Rs.	1-3 Years Rs.	3-5 Years Rs.	Over 5 Years Rs.	Total 2015 Rs.	Total 2014 Rs.
ASSETS							
Cash and Cash Equivalent	51,903,139	-	-	-	-	**51,903,139**	38,064,778
Available for Sale Financial Assets	50,000,000	-	-	-	174,841,423	**224,841,423**	81,334,729
Loans and Receivables from Customers	1,424,011,239	882,239,124	2,383,991,019	1,407,362,448	3,281,638	**6,100,885,468**	4,489,266,526
Investment Securities	498,338,899	-	-	-	-	**498,338,899**	127,936,968
Tax Recoverable	-	-	-	-	-	-	3,885,521
Trade and Other Receivable	18,595,106	14,155,946	4,481,878	93,800,909	-	**131,033,839**	61,071,342
Other Equity Investments - CRIB Shares	-	-	-	-	30,600	**30,600**	30,600
Deferred Tax Asset	-	-	-	43,793,854	-	**43,793,854**	43,793,854
Non Current Assets held for Sale	10,000,000	-	-	-	-	**10,000,000**	10,000,000
Intangible Assets	-	-	-	1,142,658	-	**1,142,658**	1,767,658
Property, Plant and Equipment	-	-	-	32,722,330	-	**32,722,330**	46,266,537
Total Assets	2,052,848,383	896,395,070	2,388,472,897	1,578,822,199	178,153,661	**7,094,692,210**	4,903,418,513
Percentage	29%	13%	34%	22%	3%	100%	
LIABILITIES							
Bank Overdrafts	143,864,608	-	-	-	-	**143,864,608**	71,085,989
Deposits from Customers	630,446,914	1,328,799,378	460,832,913	159,648,911	-	**2,579,728,116**	1,473,271,543
Interest Bearing Borrowings	1,307,083,370	298,051,157	295,080,898	63,499,447	-	**1,963,714,872**	2,285,675,362
Unsurbodinated Term Debt	23,595,482	-	-	1,000,000,000	-	**1,023,595,482**	-
Current Tax Payables	12,211,564	-	-	-	-	**12,211,564**	-
Trade and Other Payables	465,916,361	-	-	-	-	**465,916,361**	203,665,471
Non Interest Bearing Security Margins	-	-	251,601	2,561,088	-	**2,812,689**	3,547,480
Retirement Benefit Obligations	-	-	-	-	10,752,499	**10,752,499**	7,481,517
	2,583,118,299	1,626,850,535	756,165,412	1,225,709,446	10,752,499	**6,202,596,191**	4,044,727,362
Percentage	42%	26%	12%	20%	0.2%	100%	

34 RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of the business with parties who are defined as related parties in Sri Lanka Accounting Standard, LKAS 24 " Related Party Disclosures",the details of which are reported below.The pricing applicable to such transactions is based on the assesment of risk and pricing model of the company and is comparable with what is applied to transactions between the company and its unrelated custmers.

34.1 *Parent and Ultimate Controlling Party*

The parent of the company is Orient Capital Limited and ultimate parent of the company is Janashakthi PLC. The Company had not carried out any trasaction with Janashakthi PLC or Orient Capital Limited During the Financial Year.

34.2 *Transactions with Key Management Personnel*

According to LKAS 24, "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (Including executive and non executive directors) and their immediate family members have been classified as Key Management Personnel of the Company.

The Company has paid Rs.3,210,000 (2013/2014 - Rs.3,385,000) to the directors as emoluments, of which all comprised of short term employment benefits and no post-employment benefits has been paid during the year (2013/2014 – NIL). There are no direct transactions, arrangements and agreements involving key management personnel of the company other than disclosed in Other Related Party Transactions.

Company accepts and held fixed deposits from key management personnel and their relatives in the normal course of its business and the amount outstanding on such deposits as at 31 March 2015 is Rs.67,242,771 (2013/2014 - Rs.12,220,000).

34.3 *Other Related Party Transactions*

Company	Relationship	Nature of Transactions	Amount Rs.	Balance as at 31-Mar-15 Rs.	Balance as at 31-Mar-14 Rs.
Janashakthi	Affiliate	Insurance Commission Received	8,441,352		
Insurance PLC		Insurance Premium Paid	10,778,100		
		Insurance Claims Received	3,154,965		
		Factoring client payments	(200,000,000)		
		Interest and Charges on Factoring Facility	(21,480,218)		
		Factoring Collections	223,867,863		
		Investments in Fixed Deposit	110,000,000		
		Interest on Fixed Deposit	15,993,698		
		Paid for Gurantee on Debenture Issue	(47,023,743)		
		Rent Paid for Window Offices	(673,200)	21,788,962	8,624,112
Real Entertainment	Affiliate	Factoring Facility	-		
(Pvt) Limited		Interest and Charges on Factoring Facility	-	-	(19,495)
Bartleet Finance PLC		Fixed Deposit Investment	50,000,000		
		Repayment of Capital and Interest	(50,514,046)	-	-

35 CAPITAL COMMITMENTS

The Company has no material capital commitments outstanding as at the Balance Sheet date.

36 CONTINGENT LIABILITIES

There were no material contingent liabilities for the Company as at the Balance Sheet date.

37 ASSETS PLEDGED AS SECURITIES

The following assets have been pledged as securities against the long-term and short- term borrowings that have been disclosed under the Note No.23 to the Financial Statements.

Funding Institution	Nature of Assets	Nature of Liability	Value of Assets Pledged (Rs.)	Included Under
Hatton National Bank	Leases and Hire Purchases Receivable.	Long- term Borrowings	45,250,000	Future Rental Receivables
Sampath Bank	Leases and Hire Purchases Receivable.	Long- term Borrowings	208,704,930	Future Rental Receivables
Seylan Bank	Leases and Hire Purchases Receivable.	Long- term Borrowings	228,749,856	Future Rental Receivables
NDB Bank	Leases and Hire Purchases Receivable.	Short Term loans - Revolving	468,000,000	Future Rental Receivables
Union Bank	Leases and Hire Purchases Receivable.	Short Term loans - Revolving	240,000,000	Future Rental Receivables
BOC	Leases and Hire Purchases Receivable.	Short Term loans - Revolving	199,500,000	Future Rental Receivables
Nations Trust Bank	Leases and Hire Purchases Receivable.	Short Term loans - Revolving	45,000,000	Future Rental Receivables
Pan Asia Bank	Leases and Hire Purchases Receivable.	Medium- Term Borrowings	251,723,064	Future Rental Receivables
Deutsche Bank	Leases and Hire Purchases Receivable.	Securitizations	33,512,148	Future Rental Receivables
Bank Of Ceylon	Leases and Hire Purchases Receivable.	Securitizations	238,037,586	Future Rental Receivables
Commercial Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	27,500,000	Future Rental Receivables
Hatton National Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	32,500,000	Future Rental Receivables
Sampath Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	99,750,000	Future Rental Receivables
Peoples Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	93,750,000	Future Rental Receivables
NDB Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	30,000,000	Future Rental Receivables
Union Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	60,000,000	Future Rental Receivables
Bank of Ceylon	Leases and Hire Purchases Receivable.	Bank Overdraft	66,500,000	Future Rental Receivables
Nations Trust Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	30,000,000	Future Rental Receivables
Seylan Bank	Leases and Hire Purchases Receivable.	Bank Overdraft	30,000,000	Future Rental Receivables
	Leases and Hire Purchases Receivable.	Debenture	1,309,023,374	Future Rental Receivables

37.1 In the ordinary course of business the company enters into transactions that result in the transfer of financial assets to third parties. The information above sets out the extent of such transfers and retained interest in transferred assets.

37.2 The company has transferred future rental receivable of Leases & Hire purchases, but has retained substantially all of the credit risks associated with the transferred assets. Due to the retention of substantially all the risk and rewards on these assets the company continues to recognise these assets within Lease Rental Receivable and Stock out on Hire.

38 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the date of the Balance Sheet, no circumstances have been arisen which would require adjustments to or disclosure in the financial statements other than disclosed below;

Board of directors of Bartleet Finance PLC (BFP) and Orient Finance PLC (OFP) have decided, after due consideration, that it would be in the best interest of both Companies, their shareholders and other stakeholders to amalgamate the OFP and BFP which are subsidiaries of Janashakthi PLC in terms of part VIII of section 239 of Companies act No. 07 of 2007. Company has obtained the shareholders approval for the said matter at the Extraordinary General Meeting held on 25th June 2015.

Further BFP shall be the surviving entity upon the completion of the amalgamation and continue its activities as a single legal entity which is a licensed finance Company. The amalgamation shall be effective from the date as may be approved by the Register General of companies.

39 COMPARATIVE INFORMATION

The previous year's figures have been re-arranged wherever necessary to conform to the current year's presentation and disclosure.

40 DIRECTORS' RESPONSIBILITY

Board of Directors is responsible for the preparation and presentation of these financial statements.

41 NUMBER OF EMPLOYEES OF THE COMPANY AS AT THE YEAR END

Number of Employees of the Company as at 31 March 2015 is 203 (2014-189).

42 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

For all financial instruments where fair values are determined by referring to externally quoted prices or observable pricing inputs to models, independent price determination or validation is obtained. In an inactive market, direct observation of a traded price may not be possible. In these circumstances, the Company uses alternative market information to validate the financial instrument’s fair value, with greater weight given to information that is considered to be more relevant and reliable.

Fair values are determined according to the following hierarchy:-

Level 1:- Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2:- Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3:- Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument’s valuation.

The following table shows an analysis of financial instruments recorded at fair value by the level of the fair value hierarchy.

	Level 1 Rs	Level 2 Rs	Level 3 Rs	Total Rs
Financial Investments - Available for Sale				
Government Securities	224,841,423			

43 FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The following table summarises the carrying amounts and the company's estimate of fair values of those financial assets and liabilities not presented on the company's statement of financial position at fair value.Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair values in the table below may be different from the actual amounts that will be received/ paid on the settlement or maturity of the financial instrument. For certain instruments, the fair value may be determined using assumptions which are not observable in the market.

As at 31 March	2015		2014	
	Carrying Value (Rs)	Fair Value	Carrying Value (Rs)	Fair Value
ASSETS				
Cash and Cash Equivalent	**51,903,139**	**51,903,139**	38,064,778	38,064,778
Loans and Receivables from Customers	**6,100,885,468**	**6,100,885,468**	4,489,266,526	4,489,266,526
Investment Securities	**498,338,899**	**498,338,899**	127,936,968	127,936,968
	6,651,127,506	**6,651,127,506**	4,655,268,272	4,655,268,272
LIABILITIES				
Bank Overdrafts	**143,864,608**	**143,864,608**	71,085,989	71,085,989
Deposits from Customers	**2,579,728,116**	**2,579,728,116**	1,473,271,543	1,473,271,543
Interest Bearing Borrowings	**1,963,714,872**	**1,963,714,872**	2,285,675,362	2,285,675,362
	4,687,307,596	**4,687,307,596**	3,830,032,894	3,830,032,894

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

Cash and cash equivalents

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

Investment Securities

The carrying amounts of Fixed Deposits with banks and other Reverse Repurchase Agreements ,approximate their fair value as those are short-term in nature. Almost all of these balances have a remaining maturity of less than six months from the reporting date.

Loans and Receivables to Other Customers

Fair value of the Loans and Receivables to Other Customers is the present value of future cash flows expected to be received from such loans and receivables calculated based on interest rates at the reporting date for similar types of loans and receivables. The Company calculated the fair value of the Loans and Receivables to Other Customers based on interest rates at the reporting date for similar types of loans and receivables. Accordingly fair value of such loans are not materially defer from its carrying value amounted to Rs.6,100,885,467.

Bank Overdrafts

The carrying amounts of bank overdrafts, approximate their fair value as those are short-term in nature.

Deposits from Customers

More than 76% of the customer deposits have a remaining contractual maturity of less than one year. Customer deposits with a contractual maturity of more than one year are subject to pre-mature upliftment.Amounts paid to customers in the event of pre-mature 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.

Interest Bearing Borrowings

Interest bearing borrowings include both fixed rate and floating rate borrowings. Floating rate borrowings represent nearly 91% of the portfolio. Accordingly carrying value of the floating rate borrowings approximate to their fair values as at the reporting date. Rest of the borrowings have a remaining contractual maturity of less than one year. Therefore fair value of interest bearing borrowings approximate to the carrying value as at the reporting date.

44 FINANCIAL RISK MANAGEMENT

Risk is the most important factor considered in strategic decision making process at Orient Finance PLC.Therefore all possible risks are properly evaluated before taking any strategic or operational decision and decide the best options which minimize the risk. Risk management frame work of the company is discussed in detail in this report. The major categories of Financial Risks are;

1. Credit Risk
2. Market Risk
3. Liquidity Risk
4. Operational Risk
5. Compliance and Regulatory Risk

44.1 Credit Risk

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 advances to customers. For risk management reporting purposes the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to its Company Credit Committee. Company's Credit department, reporting to the Company's Credit Committee, is responsible for management of the Company's credit risk, including:

I Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

II Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Company Credit Committee or the board of directors as appropriate.

III Reviewing and assessing credit risk - Company's Credit division 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.

IV Limiting concentrations of exposure to counterparties, geographies and industries.

V 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 evaluated by Internal Audit.

Loans and Advance to Customers

Carrying amount at amortized cost	**31.03.2015**	**31.03.2014**
Individual significant Impaired Loans and Advances (Note 43.1.1)	217,760,254	990,757,042
Carrying amount of unimpaired Loans Advances (Note 43.1.2)	5,883,125,214	3,498,509,484
	6,100,885,468	4,489,266,526

44.1.1 Individually significant Loans and Advances	**31.03.2015**	**31.03.2014**
Gross receivable	551,364,525	1,166,748,311
Allowance for impairment	(333,604,271)	(175,991,269)
Individually significant Impaired Loans and Advances	217,760,254	990,757,042

44.1.2

Individually significant unimpaired and individually not significant (Collective Impairment)	**31.03.2015**	**31.03.2014**
Gross receivable	5,948,523,572	3,549,904,150
Allowance for impairment	(65,398,358)	(51,394,666)
Carrying amount of unimpaired Loans Advances	5,883,125,214	3,498,509,484

44.1.3 Age analysis of Individually significant unimpaired and individually not significant loans and advances

	31.03.2015	31.03.2014
0 days	1,717,057,662	1,122,678,518
1-30 days	1,024,472,568	740,424,148
31-60 days	1,042,506,877	687,803,154
61-90 days	976,333,245	421,333,400
91-120 days	596,638,132	240,429,464
121-150 days	327,311,970	112,506,160
151-180 days	124,907,914	108,022,224
Above 180 days	73,896,848	65,312,416
	5,883,125,215	**3,498,509,484**

Write-off policy

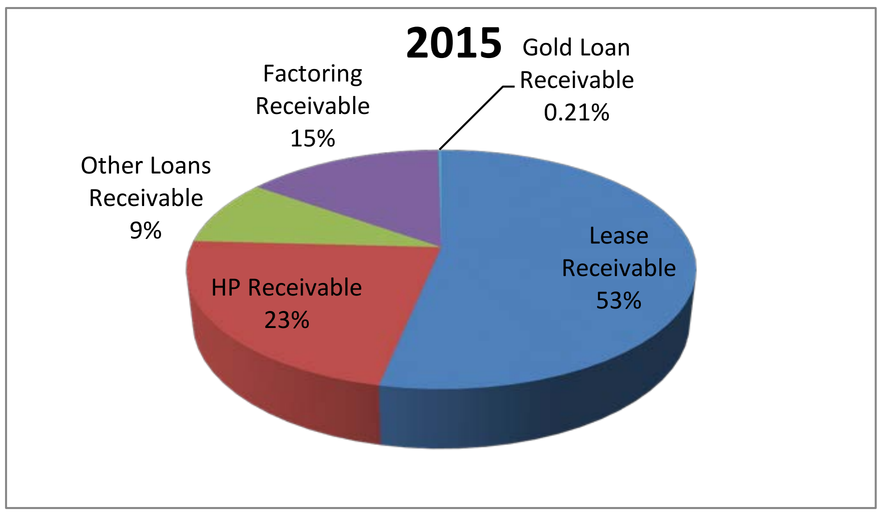
The Company writes off a loan or an investment debt security balance, and any related allowances for impairment losses, when Company Credit division determines that the loan or security is uncollectible. This determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardized loans, write-off decisions generally are based on a product-specific past due status.

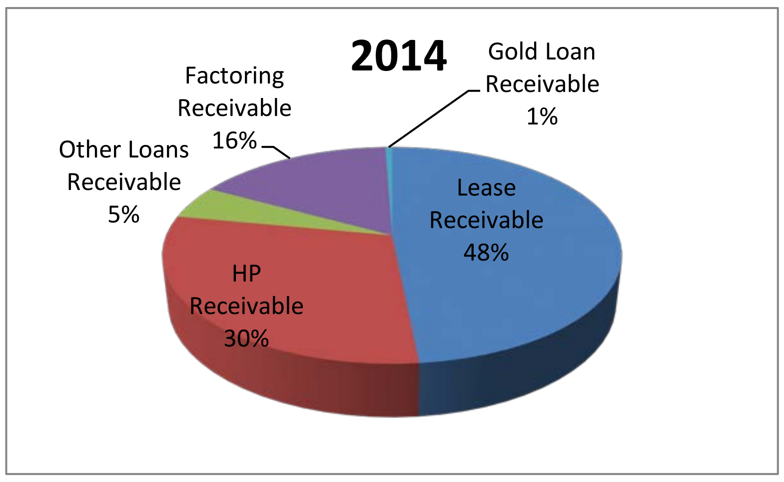
Concentrations of credit risk

The Company monitors concentrations of credit risk by sector and by geographic location.

An analysis of concentrations of credit risk from loans and advances and investment securities at the reporting date is shown below.

PRODUCT CONCENTRATION





44.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Company’s approach to managing liquidity 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.

Company treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities to ensure that sufficient liquidity is maintained within the Company as a whole.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Company and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO which in turn submit monthly summary to the Board.

The Company relies on deposits from customers and banks borrowing as its primary sources of funding. While the Company’s debt securities and subordinated liabilities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the Company’s liquidity risk and the Company actively manages this risk through maintaining competitive pricing and constant monitoring of market trends and maintaining unutilized credit lines.

Exposure to liquidity risk

The key measure used by the Company for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. A similar, but not identical, calculation is used to measure the Company’s compliance with the liquidity limit established by the Company’s lead regulator, CBSL. Details of the reported Company ratio of net liquid assets to deposits from customers at the reporting date and during the year were as follows:

	31.03.2015
Total Deposit Liabilities	**3,752,794,116**
Time Deposits	2,579,728,116
Unsecured Borrowings	1,173,066,000
Total Liquid Assets	**550,242,038**
Cash in Hand	20,052,300
Balances in Current Accounts (Favorable)	31,850,839
Deposits in Commercial Banks	214,338,899
Approved Securities	284,000,000
Average Month End Deposit Liabilities	**2,850,387,000**
Required Minimum Amount of Liquid Assets	**375,279,412**
(10% of Total Deposit Liabilities)	
Required Minimum Amount of Approved Securities 7.5%	**213,779,000**

Maturity analysis for financial liabilities

Please refer note number 33 for the contractual maturity of the assets and the liabilities of the company.

To manage the liquidity risk arising from financial liabilities, the Company holds liquid assets comprising cash and cash equivalents and investment grade investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

44.3 Market risks

The Company does not perceive any quantifiable significant market risk which specifically impact to the Company except any risk that might impact to the industry as a whole. However the Company does not see such a risk at the time of this report.

Management of market risks

Overall authority for managing market risk is vested with ALCO. Treasury is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

44.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

Compliance with Company standards is periodically reviews by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Company.

Capital Management

The Company manages it's capital base to comply with regulatory capital requirements and to maintain solid fund base.

CBSL has set minimum capital requirements for the finance companies as discussed below.

Tier 1 Capital, which includes stated capital, perpetual bonds (which are classified as innovative tier 1 securities), retained earnings, translation reserve and non-controlling interests after deductions for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and

Tier 2 Capital, which includes qualifying subordinated liabilities, collective impairment allowances (limited to those credit portfolios where the standardized approach is used under Basel II) and the element of the fair value reserve relating to unrealized gains/losses on equity instruments measured at fair value through other comprehensive income.

According to these regulations the minimum capital requirement under Tier 1 is 5% of the total risk weighted assets and Tier 2 is 10% of the total risk weighted assets.

The Company and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

Assets	Principal Amount of On-Balance Sheet Items	Risk Weight %	Risk Weighted Assets Amount
Cash & Current Accounts with Banks	51,903,139	-	-
Deposits with Banks	214,338,899	20%	42,867,780
Sri Lanka Govt Treasury Bills	234,000,000	-	-
Sri Lanka Govt/Central Bank Securities	224,841,423	-	-
Loans and Advances :			-
Against Deposits with the Company	9,957,446	-	-
Loans against Gold and gold Jewellery		-	-
Less than 10% in Total Advances	12,980,776	-	-
Other Loans and Advances	6,077,947,246	100%	6,077,947,246
Other Investments (excluding items deducted from the total Capital)	50,030,600	100%	50,030,600
Fixed Assets	33,864,988	100%	33,864,988
Other Assets	141,033,839	100%	141,033,839
On-Balance Sheet - Total Assets	**7,050,898,356**		**6,345,744,453**

Constituents of Capital	Amount
Issued and Paid-up Ordinary Shares/Common Stock (Cash)	500,000,000
Statutory Reserve Fund	28,414,455
Published Retained Profits/(Accumulated Losses)	363,687,270
Tier I : Core Capital	**892,101,725**
Supplementary Capital	
Eligible General Provisions (Within the meaning of Limit iii)	-
Eligible Tier 2 Capital	**-**
Total Capital	**892,101,725**
CAPITAL BASE	**892,101,725**

		Amount
1	Total Tier I Core Capital	892,101,725
2	Total Capital Base	892,101,725
3	Total Risk Weighted Assets	6,345,744,453
	Core Capital Ratio(1/3) (Minimum 5%)	**14.06%**
	Total Risk Weighted Capital Ratio (2/3) (Minimum 10%)	**14.06%**

44.5 Compliance & Regulatory Risk

Failure to comply with company’s business principles, regulatory laws and standards that are relevant to the company are considered under this category.

The Company has complied with all these laws and regulations and compliance is periodically reviewed by both the IRMC and Internal Auditors.