



COLOMBO TRUST FINANCE PLC



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# Vision

To be a force in the financial services industry by providing dependable and innovative total financial solutions.

# Mission

To provide innovative financial solutions with differentiated value added customer services whilst maintaining service excellence.

# Core Values

The age-old traditions based on trust still prevail in our country. They give us the strength and stability to progress, ensuring security, success and prosperity. These are also the core values of Colombo Trust Finance PLC.

# About Us

Colombo Trust Finance PLC, founded in 1981 is a subsidiary of Dialog Axiata PLC, and is registered by the Monetary Board of the Central Bank of Sri Lanka under the Finance Companies Act 78 of 1988 and is primarily involved in the business of accepting deposits and offers finance loans and short term working capital financing products, namely factoring, cheque discounting and trade financing facilities as part of its product diversification strategy. The company is one of the few players in the industry who offer margin trading facilities.

# Financial Highlights

	2018 Rs.	2017 Rs.	Change %
<b>Financial performance</b>			
Interest income	204,820,574	172,194,811	19
Net interest income	111,045,767	96,714,183	15
Profit/(loss) for the year	(22,524,854)	4,745,085	(575)
<b>Financial position</b>			
Loan and advances	850,937,026	1,127,385,511	(25)
Total assets	1,260,603,480	1,283,589,347	(2)
Shareholders' funds	410,016,390	432,998,489	(5)
Total deposits	830,564,725	577,660,468	44
<b>Information per ordinary share</b>			
EPS (Rs.)	(0.48)	0.10	(580)
Net assets (Rs.)	8.81	9.31	(5)
Market value as of end (Rs.)	25.00	10.00	150
Price earning (P/E) ratio	-	95.92	(100)
<b>Ratios</b>			
Return on average assets	(1.8%)	0.4%	(550)
Return on equity	(5.5%)	1%	(650)
Net interest margin (NIM) on average assets	9%	8%	12.5
<b>Compliance ratios</b>			
Core capital to risk weighted assets (minimum 5%)	41%	37%	11
Total capital to risk weighted assets (minimum 10%)	41%	37%	11
Liquid assets to deposits	14%	11%	27
Equity to total assets	32%	34%	(6)



## Chairman's Message

Our focus remains enabling universal/plural affordable accessibility to Sri Lankans, through investments in digital infrastructure of the future, while closely working with the Digital Services arm of the Dialog Group. This will enable us to leverage Dialog's subscriber base and its extensive distribution network to deliver meaningful FinTech solutions to enrich Sri Lankan lives.

The business and financial performance of your Company is discussed in greater detail in the Management Discussion and Analysis Section of the Annual Report.

In 2018, we embraced change under a new management with Mr. Asanga Priyadarshana's appointment as the Chief Executive Officer/Director for your Company following the resignation of the former Chief Executive Officer on 2 April 2018. Asanga brings in a gamut of skills and experience having worked at Dialog for over 17 years.

I would like to place on record my sincere gratitude to the previous management of the Company including the former Chief Executive Officer, Mr. Lohika S. Fonseka and the former parent company, Cargills Bank Limited for the support extended in facilitating a seamless transition.

I take this opportunity to express my sincere gratitude to the Government of Sri Lanka, the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka, the Colombo Stock Exchange and other agencies who have encouraged, enabled and facilitated the development of our Company and its operations, and to our valued shareholders, customers and business partners for their continued support.

I would also like to thank our dedicated staff for their efforts and contribution and look forward to their continued support as we embark on a new journey in delivering FinTech solutions to a wide spectrum of consumers and businesses in Sri Lanka.

**Dr. Hans Wijayasuriya**  
Chairman

25 June 2018

### **My dear shareholders,**

It gives me pleasure to present the annual report and financial statements for the year ended 31 March 2018 of Colombo Trust Finance PLC ("your Company"), particularly as I am doing it for the first time since being appointed as your new Chairman.

Your Company experienced a challenging year in a difficult operating environment amidst broader challenges that hindered economic growth. A tight monetary environment, weather related disruptions and weak consumer demand characterised the challenging macro environment during the year under review. The financial services vertical witnessed several macro-prudential measures initiated by the Central Bank of Sri Lanka and other regulatory agencies, which had a significant impact on operating companies within the non-bank financial sector.

During the year under review, a 98.87% stake of your Company was acquired by Dialog Axiata PLC ("Dialog"), Sri Lanka's largest mobile operating entity and premier connectivity services provider with 12.8 million subscribers. With the approval of the Monetary Board of the Central Bank of Sri Lanka, Dialog envisages that the acquisition will facilitate the expansion of the scope of operations of the Dialog Group into the sphere of mainstream Digital Financial Services and bring together the realms of advanced digital connectivity and cutting edge Financial Technology ("FinTech") to deliver a revolutionary suite of products and services which will expand the vistas of financial inclusion in Sri Lanka. We are certain that the execution of the Company's vision to deliver innovative and inclusive FinTech solutions will be leveraged by focusing on operational efficiencies between your Company and Dialog in future.

During the year under review, your Company's revenue grew by 19% Year on Year ("YoY") to Rs. 215Mn and Profit After Tax ("PAT") posted a loss of Rs. 22Mn stemming primarily from the specific loan loss provision of Rs. 54Mn. We are confident in the strategic direction we set during the acquisition in 2017, and that our efforts will see fruition.



## Chief Executive Officer's Review

the scope and scale of operations into mainstream digital financial services. We remain steadfast in our vision to ensure these services are designed and delivered with innovative and inclusive business principles in mind.

Sri Lanka is in transition from conventional connectivity channels to digital platform driven ecosystems that have the potential to transform and positively impact businesses and the communities alike. Our focus on new products and solutions will enable us to shape Sri Lanka's digital economy and its future. Significant within the envisaged inclusion drive, will be a focus on financial services aimed at increasing the affordability and accelerating the adoption by unbanked and underbanked segments of the society.

### My dear shareholders,

I am truly honoured to be appointed to the position of Chief Executive Officer of your Company under a new management. During the year under review, a 98.87% stake of Colombo Trust Finance PLC ("your Company") was acquired by Dialog Axiata PLC ("Dialog"), Sri Lanka's premier converged connectivity provider.

The transaction, approved by the Monetary Board of the Central Bank of Sri Lanka was completed via a crossing on the Colombo Stock Exchange on 12 September 2017 at a transaction value of LKR 1,072 Million. Subsequent to the acquisition of your Company by Dialog, it has made significant progress and aims to bring together the realms of advanced digital connectivity and cutting edge Financial Technology ("FinTech") to deliver a revolutionary suite of products and services in Sri Lanka.

### Performance in 2017/18

During the year under review, despite the changing business model and structure, your Company's revenue grew by 19% Year on Year ("YoY") to Rs. 215Mn due to an increase in market interest rates. However, Profit After Tax ("PAT") posted a loss of Rs. 22Mn stemming primarily from specific loan loss provision of Rs. 54Mn.

I am happy to note that your Company's deposit base grew by 43.70% to LKR 830Mn, owing to customers who have opted for investments in the short and medium term. This greatly mitigates tenor risks of the Company's lending and borrowing portfolios in the short to medium term. While we continue to invest in FinTech platforms and solutions, we will pursue portfolio rationalisation and operational efficiencies to improve profitability of traditional businesses.

### Next Phase

Your Company will transform to a Digital Financial services provider enabling universal/plural affordable accessibility to financial services leveraging on technology platforms, an extensive distribution network and customer base. By exploring the vistas of digital financial inclusion, your Company will provide a platform for Dialog to enhance

### Appreciation

As I complete a 17 year tenure at Dialog to take over your Company, I look forward to the guidance and counsel of Chairman, Dr. Hans Wijayasuriya and the Board members as we embark on a challenging yet exciting journey of financial inclusion and digital transformation.

I would like to express my appreciation to the previous leadership team including Lohika S. Fonseka, former Chief Executive Officer of the Company, current Leadership team and former parent company Cargills Bank Limited, for their support during the transition.

Together with my team I would like to take this opportunity to extend our sincere appreciation and gratitude to our customers, business partners and other stakeholders for their valued patronage and business contribution in 2017/18. I would also like to thank you, our valued shareholders, for the steadfast support extended to us at all times.

Our business cannot succeed without the support of many stakeholders including the Government of Sri Lanka, the Governor and staff of the Central Bank of Sri Lanka, the Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange. While extending my sincere gratitude for their contributions over the last two decades, I look forward to their continued support and guidance as we embark to deliver a digital and financially inclusive Sri Lanka.

**Asanga Priyadarshana**

Director/Chief Executive Officer

25 June 2018

# Board of Directors



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01

**Dr. Hans Wijayasuriya**

Chairman / Non-Independent, Non-Executive Director

Dr. Hans Wijayasuriya was appointed to the Board on 9 November 2017.

Dr. Wijayasuriya is currently the Corporate Executive Vice President and Regional Chief Executive for the South Asia Region of Axiata Group Berhad (“Axiata”) of Malaysia, of which Dialog Axiata PLC is a subsidiary. Dr Wijayasuriya also serves on the Board of Directors of Dialog Axiata PLC (“Dialog”).

Up to and including the year 2016, Dr. Wijayasuriya additionally functioned as the Group Chief Executive of Dialog. Over the course of Dr. Wijayasuriya’s tenure of leadership spanning close to two decades, Dialog progressed from being the 4th entrant to Sri Lanka’s mobile market to become the country’s leading multi-play connectivity provider, and one of the highest valued companies on the Colombo Stock Exchange.

Dr. Wijayasuriya serves on the Boards of several Axiata Group Companies and also represents the Axiata Group on the Board of the Global TM Forum. He also serves on the Board of John Keells Holdings PLC as an Independent Director. Dr. Wijayasuriya is presently the Vice Chairman of the Ceylon Chamber of Commerce and is also a past Chairman of GSM Asia Pacific – the regional interest group of the GSM Association.

In 2016, the GSMA, the worldwide association governing the Global Mobile Industry, honoured Dr. Wijayasuriya with the ‘Outstanding Contribution to Asian Mobile Industry’ Award – the highest honour at the Asia Mobile Awards. In 2008, Dr. Hans Wijayasuriya was named the ‘Sri Lankan of the Year’ by Sri Lanka’s premier business journal the LMD.

Dr. Wijayasuriya holds a degree in Electrical and Electronic Engineering from the University of Cambridge, UK, an MBA from the University of Warwick UK and a PhD in Digital Mobile Communications from the University of Bristol, UK. Dr. Wijayasuriya is a Fellow of the Institute of Engineering Technology of the UK (IET), and a Chartered Professional Engineer.

02

**Mr. Supun Weerasinghe**

Non-Independent, Non-Executive Director

Mr. Supun Weerasinghe was appointed to the Board on 9 November 2017.

Mr. Weerasinghe currently serves as the Group Chief Executive and as a Member of the Board of Dialog Axiata PLC (“Dialog”).

Mr. Weerasinghe commenced his career in Telecommunications at Dialog in 1999 and held multiple roles, such as Head of Strategy and CEO of the Mobile Business before being appointed as Group Chief Operating Officer of Dialog in 2010.

In 2013, he was seconded to Axiata Group Berhad (“Axiata”), in Malaysia as its Group Chief Strategy Officer. At Axiata, he also served as the Head of Network Transformation Strategic Business Unit under which he led Group Technology, Carrier Collaboration and the Axiata Intelligence Unit. From January 2014 to October 2016, Mr. Weerasinghe functioned as the CEO and Managing Director of Robi Axiata Limited in Bangladesh, the second largest mobile network provider in Bangladesh with 33 million subscribers.

Mr. Weerasinghe is a Fellow Member of the Chartered Institute of Management Accountants, UK and holds a Bachelor of Science in Accountancy and Financial Management from the University of Sri Jayewardenepura, Sri Lanka. He also holds a MBA from the University of Western Sydney, Australia and is an alumnus of the Harvard Business School.

## Board of Directors (Contd...)

03

### Mr. Priyan Edirisinghe

Independent, Non-Executive Director

Mr. Priyan Edirisinghe was appointed to the Board on 19 January 2016.

Mr. Edirisinghe is a Chartered Accountant with over 20 years experience in the private sector and in the professional practice. He is presently a Partner of Baker Tilly Edirisinghe & Co., Chartered Accountants, one of the top ten audit, tax and consulting firms in Sri Lanka.

He is a Fellow Member of Chartered Accountants of Sri Lanka (FCA), and Associate Member of the Chartered Institute of Marketing UK (ACIM). He also holds an MBA from the University of Southern Queensland, Australia.

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### Mr. Sheyantha Abeykoon

Non-Independent, Non-Executive Director

Mr. Sheyantha Abeykoon was appointed to the Board on 9 November 2017.

Mr. Abeykoon currently serves as the Chief Financial Officer of Axiata Digital Services Sdn Bhd, a wholly owned subsidiary of the Axiata Group Bhd, based out of Kuala Lumpur in Malaysia. Prior to taking on this role Mr. Abeykoon served as the Chief Executive Officer of Digital Commerce Lanka (Private) Limited, the operator of wow.lk, the largest e-commerce portal in Sri Lanka and a subsidiary of Dialog Axiata PLC. He has over 17 years of work experience spanning various industries including financial services, retail, ICTA, the last 10 of which have been in senior management positions.

Mr. Abeykoon is a former President of CFA Sri Lanka, a member of the Rules Committee of the Colombo Stock Exchange and a member of the National Council for Economic Development in Sri Lanka.

Mr. Abeykoon holds a BSc in Information Systems and Management from the University of London, is a Chartered Management Accountant (CIMA - UK) and a Chartered Financial Analyst (CFA - US). He holds a MBA in Finance from the Wharton School, University of Pennsylvania in the USA.

04

### Mr. Roshaan Hettiaratchi

Independent, Non-Executive Director

Mr. Roshaan Hettiaratchi was appointed to the Board on 9 February 2016.

Mr. Hettiaratchi is an Attorney-at-Law by profession, having a wide practice in the Original Courts as well as the Appellate Courts, specialized in commercial law, business law and intellectual property law for which he counts over 16 years of experience. He holds a Master's degree in Intellectual Property Law and Information Technology. He also serves as an Independent Director at State Mortgage & Investment Bank as well as a Director in several other unlisted companies.

06

### Mr. Asanga Priyadarshana

Chief Executive Officer/Non-Independent, Executive Director

Mr. Asanga Priyadarshana was appointed as the Chief Executive Officer and as a member of the Board of the Company on 6 April 2018.

Mr. Priyadarshana started his career in telecommunications at Dialog Axiata PLC ("Dialog") in 2001 and held multiple roles in Dialog's Corporate Planning function, till May 2015 when he was appointed as Senior General Manager - Group Corporate Planning & Operational Strategy. From June 2015 to April 2018 he functioned as the Head of Mobile Telecommunications Business Unit, the largest Business Unit of the Dialog Group. He also served as Assistant Vice President - Regional Development, Axiata Group Berhad in Malaysia from October 2011 to March 2012.

Mr. Priyadarshana is a Fellow Member of the Chartered Institute of Management Accountants (CIMA), United Kingdom and the Association of Chartered Certified Accountants (ACCA), United Kingdom. He holds a BSc (Engineering) (Hons) from the University of Moratuwa, Sri Lanka, a Post Graduate Diploma from the Chartered Institute of Marketing (CIM), UK and MBA from The Australian National University, Australia

# Management Discussion and Analysis

## INDUSTRY OVERVIEW

### Performance of Non-Banking Financial Institutions/ Licensed Finance Companies (LFC) and Specialised Leasing Companies (SLC) sector

The LFC and SLC sector performance during the year was impacted with low credit growth, declining profitability and an increase in non-performing loans.

The sector expanded in 2017, with an asset growth of 11.8 per cent, representing 7.9 per cent of Sri Lanka's financial sector. The sector remained resilient, with capital maintained at healthy levels along with adequate liquidity buffers well above the regulatory minimum levels. The sector saw a shift in the funding mix, with the increase in assets mainly being funded by deposits instead of borrowings as witnessed in the previous year. The Central Bank of Sri Lanka continued to take prudent measures to maintain the stability of the sector with much consideration on reviving the companies with weak financial positions.

#### Business Expansion

##### a) Outreach:

By the end of 2017, the sector comprised of 45 LFCs and 6 SLCs.

##### (b) Assets:

The total asset base of the sector grew moderately by Rs. 143Bn during the year, reaching Rs. 1,355Bn by end 2017, achieving a growth rate of 11.8 per cent, compared to the 21.7 per cent growth reported in 2016.

The overall credit expansion indicated clear signs of slowing down during the year 2017. The slowdown of credit growth witnessed during the year, compared to 2016 can be attributed to fiscal and macro policy measures taken to curtail the importation of motor vehicles and lending towards used vehicles - the moderate economic growth witnessed during the year and high interest rates that prevailed in the market. Credit growth of the sector decelerated to 9.8 per cent (Rs. 94Bn) amounting to Rs. 1,057.1Bn, compared to 21.0 per cent experienced during 2016.

##### (c) Liabilities:

Customer deposits became the major portion of liabilities in 2017 and accounted for 50.7 per cent of the total liabilities of the sector. Sector borrowings and capital accounted for 29.2 per cent and 12.5 per cent, respectively.

The sector exhibited a shift in the funding mix as the expansion was largely funded through the customer deposit mobilisation. Deposits grew by 29.4 per cent to

Rs. 686.7Bn in 2017, compared to the growth of 10.4 per cent in 2016. Time deposits grew by 29.2 per cent compared to a growth of 11.1 per cent in 2016, and savings deposits grew by 35.3 per cent compared to the negative growth of 1.7 per cent recorded in the previous year. Nevertheless, time deposits accounted for a major share of total deposits, representing 95.5 per cent. The sector borrowings indicated a negative growth of 9.7 per cent to Rs. 396.0Bn in 2017, compared with the high growth of borrowings of 39.6 per cent experienced during 2016. The increasing reliance on deposits were mainly attributed to the declining trend of deposit interest rates.

The capital elements of the sector increased by 16.1 per cent to Rs. 169.7Bn as at end 2017, primarily on the account of steps taken by companies to enhance the minimum core capital to meet the Rs. 1Bn requirement by 1 January 2018, as well as through internally generated profits for the financial year 2016/17.

#### Profitability and Capital Resources

##### (a) Profitability:

The net interest income of the sector increased at a slower rate than in 2016, recording a growth of 11.5 per cent to Rs. 102.7Bn. This was mainly due to the increase in interest expenses by 33.1 per cent, compared to the growth of interest income by 22.6 per cent. As a result, net interest margin of the sector (net interest income as a percentage of average assets) declined marginally to 7.7 per cent in 2017 from 7.9 per cent in 2016. Non-interest income increased by 20.3 per cent, mainly due to the increase in default charges and other service charges, while non-interest expenses also increased by 21.9 per cent, adversely affecting sector profitability, mainly due to the increase in staff costs. The loan loss provisions made against Non Performing Loans ("NPL"), was Rs. 13.5Bn, increased by Rs. 6Bn during 2017, when compared to the provision of Rs. 7.6Bn made in 2016, which also affected profitability in 2017. Accordingly, the sector posted a Profit After Tax of Rs. 25.8Bn, an 18.0 per cent decline compared to the profit of Rs. 31.5Bn recorded in the year 2016, mainly due to increased funding cost and higher loan loss provisions. ROA (Return on Assets) decreased by 80 basis points during the year, reporting a ratio of 3.2 per cent and ROE (Return on Equity) declined nearly by 700 basis points, reporting a ratio of 16.1 per cent, which showed sign of stress towards the profitability of the sector.

##### (b) Capital:

The sector maintained its overall capital level well above the minimum requirement during the year, enhancing the resilience to any perceived adverse shocks. The total regulatory capital improved by 25.1 per cent to Rs. 145.3Bn,

# Management Discussion and Analysis (Contd...)

mainly due to efforts taken by the companies to enhance the minimum capital requirement up to Rs. 1Bn by 01 January 2018 as required, coupled with increase in retained profits.

## Supervisory and Regulatory Developments

During the year 2017, the Central Bank of Sri Lanka initiated several prudential policy measures to strengthen the supervisory and regulatory framework of LFCs and SLCs with the aim of enhancing the stability and soundness of the sector and increasing customer confidence in the sector. A new prudential direction was issued to revise the Loan to Value ("LTV") ratio for credit facilities in line with the national budget proposal for year 2017. Further, the minimum core capital requirement for LFCs was increased to be completed on a staggered basis, in view of strengthening the capital position of the sector and increasing capacity to absorb unexpected internal and external shocks. Accordingly, the minimum core capital requirement was increased to Rs. 1.0Bn by 1 January 2018, Rs. 1.5Bn by 1 January 2019, Rs. 2.0Bn by 1 January 2020 and to Rs. 2.5Bn by 1 January 2021.

## Operations Review

During the year under review, a 98.87% stake of Colombo Trust Finance PLC ("the Company") was acquired by Dialog Axiata PLC ("Dialog"). Subsequent to the acquisition of the Company by Dialog, it made notable advancements in all areas of its operations and, is in the midst of implementing new systems to facilitate the overall business strategy of the Company and restructuring the Management Team to ensure it possesses the skills, experience and knowledge to implement the overall business strategy.

## Financial Achievements

The Company is fully compliant with Sri Lanka Financial Reporting Standards ("SLFRS") and Sri Lanka Accounting Standards ("LKAS"). During the year under review, the Company has incurred a loss amounting to Rs. 22Mn. Despite the deceleration in conventional finance businesses of the Company subsequent to the acquisition, the Company's revenue grew by 18% YoY to record at Rs. 215Mn due to an upward trend in market interest rates. The average Fixed Deposit ("FD") and borrowing base grew by 15% during the year under review. However, Profit After Tax (PAT) was severely impacted mainly due to loan loss provisions amounting to Rs. 54Mn. Relevant recovery actions are being taken at present.

## Operating Expenses

Our operating expenses increased by 7.6% of which salaries and wages increased by 5.01% due to annual increments of salaries and the other benefits, to retain current employees. Furthermore, Value Added Tax on financial services decreased by 57.09% during the year under review. Income tax expense have not increased during the year under review since the Company has a taxable loss.

## Deposits

The Company's deposit base increased from Rs. 577Mn to Rs. 831Mn, which is a growth of 43.70%. The portfolio consists of institutional investors, high net worth investors as well as senior citizens.

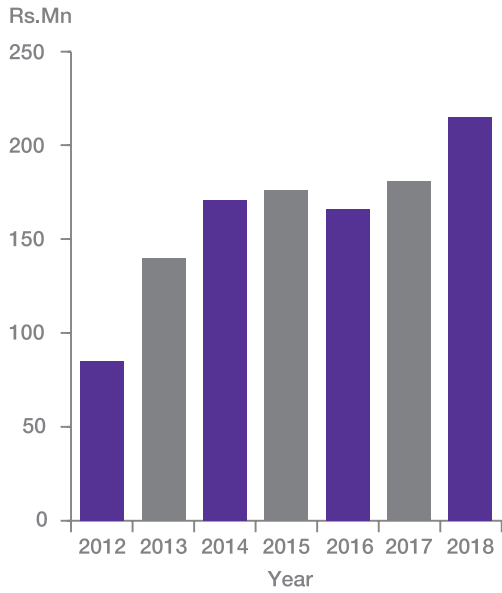
## Shareholders' Funds

The shareholders' funds have decreased from Rs. 433Mn to Rs. 410Mn, due to the net loss made during the year under review.

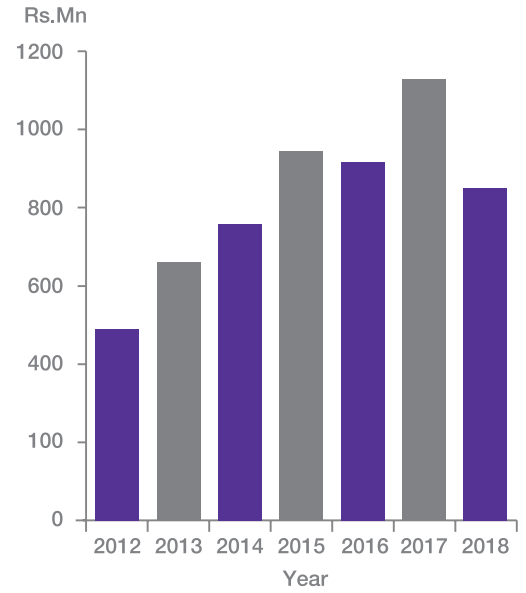
## Information Technology

The Company is in the process of implementing new systems to facilitate the overall business strategy of the Company to be the leader in FinTech (Financial Technology), hence the Company has intensified its investments to the advancement of its digital infrastructure to cater to the dynamic needs of the market and the growth of the industry. In this context, the Business Continuity plan, Disaster Recovery and Backup Strategy were strengthened and are reviewed on a routine basis to increase the Company's digital footprint and ensure business continuation.

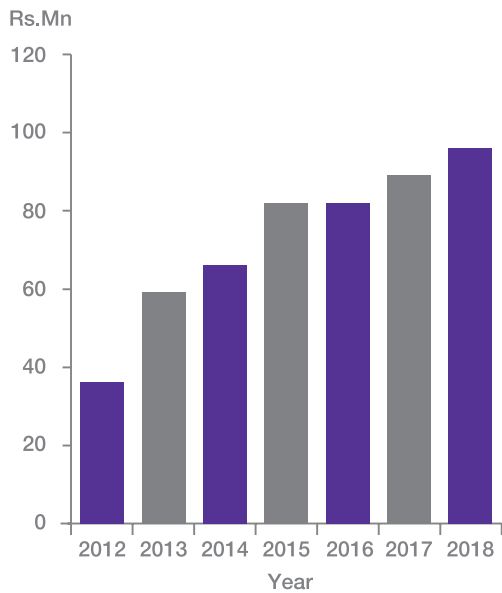
### Total Income/Turnover



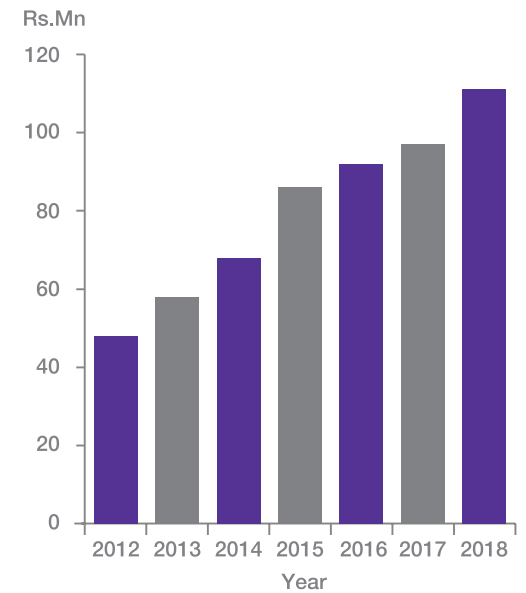
### Total Advances



### Operating Expenses

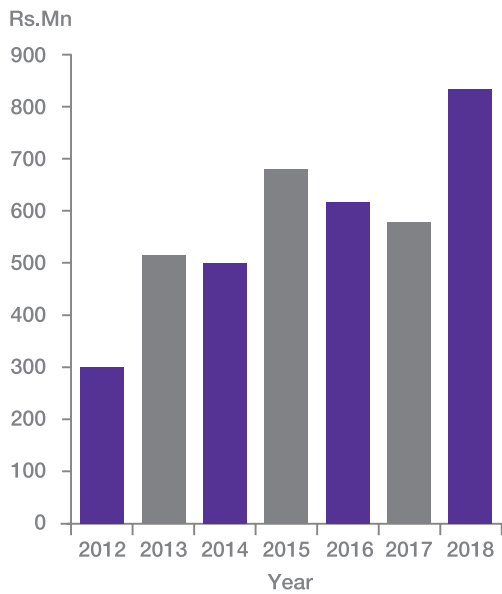


### Net Interest Income

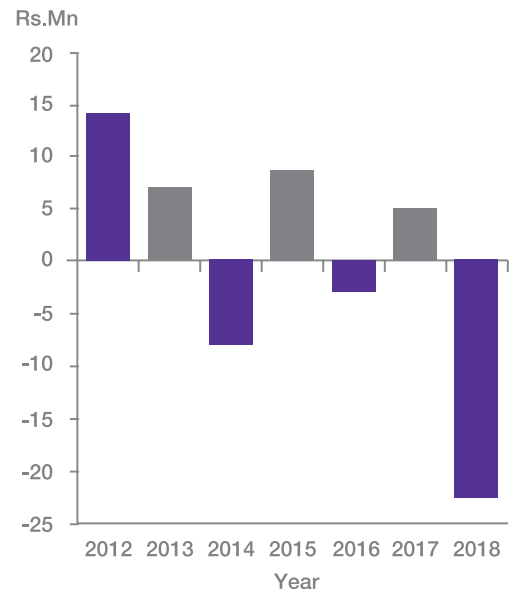


# Management Discussion and Analysis (Contd...)

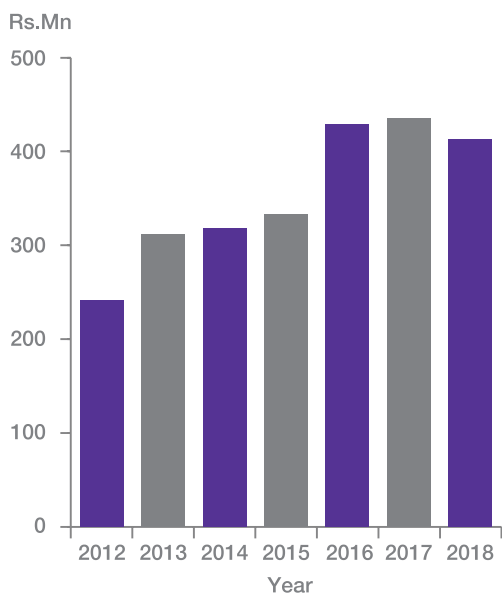
## Total Deposit



## Net Profit



## Shareholder's Fund



# Corporate Governance

## Introduction

Corporate Governance is the mechanism by which Companies are directed and controlled. The Board of Directors is responsible for the governance of the Company and has placed considerable emphasis on developing rules, structures and processes to ensure integrity and transparency in all dealings of the Company.

This statement describes the application of the Corporate Governance practices within the Company during the year under review.

The Company in compliance with the requirements set out the Rules on Corporate Governance contained in the Listing Rules of the Colombo Stock Exchange, the Finance Companies (Corporate Governance) Direction No. 3 of 2008 as amended, the requirements stipulated in the Companies Act No. 7 of 2007 and the Group Code of Corporate Governance.

## Board of Directors

The Company's business and operations are managed under the supervision of the Board. The responsibilities of the Board include providing strategic guidance and evaluating, reviewing and approving corporate strategy and the performance objectives for the Company; effectively reviewing and constructively challenging management performance in meeting the agreed goals, monitoring the reporting of performance and ensuring that the necessary financial and human resources are in place for the Company to meet its objectives, approving and monitoring financial and other reporting practices adopted by the Company; and ensuring good governance and overseeing the risk management of the Company.

## Composition

The composition of the Board of Directors as at 31 March 2018 was as follows:-

Name of Director	Non-Executive / Independent / Non-Executive	Date of Appointment
Dr. Hans Wijayasuriya [Chairman]	Non-Independent, Non-Executive / Chairman	9 November 2017
Mr. Supun Weerasinghe	Non-Independent, Non-Executive	9 November 2017
Mr. Priyan Edirisinghe	Independent Non-Executive	19 January 2016
Mr. Roshaan Hettiaratchi	Independent Non-Executive	9 February 2016
Mr. Sheyantha Abeykoon	Non-Independent, Non-Executive	9 November 2017

During the year under review, the following Directors resigned from Board:-

- Mr. Rajendra Theagarajah (Chairman) -with effect from 9 November 2017
- Mr. Prabakaran Mathavan - with effect from 9 November 2017
- Ms. Kamalini de Silva - with effect from 9 November 2017
- Mr. Mangala Boyagoda - with effect from 5 June 2017

Mr. Asanga Priyadarshana was appointed to the Board as an Executive Director and the Chief Executive Officer on 6 April 2018.

The profiles of each Director are given on pages 06 to 08.

As at 31 March 2018, the Board comprised of five (5) Directors, who are Non-Executive Directors. The Non-Executive Directors collectively provide a considerable depth of knowledge gained from their experiences and have necessary skills to bring an objective judgment to bear on issues of strategy, performance and resources.

The Board has determined that two (2) of the Non-Executive Directors are 'independent' as per the criteria set out in the Listing Rules of the Colombo Stock Exchange. The other three (3) Non-Executive Directors are considered Non-Independent as they are nominees of Dialog Axiata PLC, the major shareholder of the Company. The composition satisfies the requirements of the Listing Rules of the Colombo Stock Exchange.

## Board Meeting and Attendance

The Board meets once a month unless the business exigencies demand the convening of Special Board Meetings. Accordingly, twelve (12) Board meetings were held during the year under review. Members of the management and external advisors are invited as and when required to attend Board meetings to present proposals and provide further clarity to the Board.

The attendance of Directors at the aforesaid meetings is set out in the table below:

Name of Director	Attendance
Dr. Hans Wijayasuriya*	3/3
Mr. Supun Weerasinghe*	3/3
Mr. Roshaan Hettiaratchi	11/12
Mr. Priyan Edirisinghe	11/12

# Corporate Governance (Contd...)

Name of Director	Attendance
Mr. Sheyantha Abeykoon*	3/3
Mr. Rajendra Theagarajah**	7/9
Mr. Mangala Boyagoda***	1/2
Mr. Prabakaran Mathavan**	8/9
Ms. Kamalini de Silva**	7/9

\* Appointed with effect from 9 November 2017

\*\* Resigned with effect from 9 November 2017

\*\*\* Resigned with effect from 5 June 2017

## Delegation of Authority and Board Committees

The Board has delegated authority to its Board Committees and management.

In compliance with the Finance Companies (Corporate Governance) Direction No. 3 of 2008 as amended issued by the Central Bank of Sri Lanka, the Board is supported by the following Board Committees:-

- Audit Committee
- Integrated Risk Management Committee
- Remuneration Committee
- Related Party Transactions Review Committee
- Nomination Committee.

All Board Committees have written Terms of Reference approved by the Board, and the Board receives reports of their proceedings and deliberations. In instances where Committees have no authority to make decisions on matters reserved for the Board, recommendations are highlighted for approval by the Board.

The reports of the above Committees for the year under review is set out in pages 22, 23, 24 and 25.

In addition to the aforesaid Committees, the Company has established management committees for recoveries, credit, assets and liability management to regulate the relevant areas thereby ensuring that decision-making is on a participatory basis.

## The Management

The day-to-day operations of the Company are entrusted to the Corporate and Senior Management Team headed by the Chief Executive Officer. The Team ensures that risks and opportunities are identified and steps are taken to achieve targets within defined time frame and budgets.

## Access to Information

To enable the Board to make informed decisions, the Board is supplied with complete and adequate information in advance of each meeting, which includes an agenda, minutes, board papers with background or explanatory information, financial and operational performance reports. Any additional information may be requested by any Director as and when required. All Directors have access to the advice and services of the Company Secretary, who is responsible to the Board for ensuring that Board procedures and applicable rules and regulations are complied with. The Directors have access to independent professional advice in the course of fulfilling their responsibilities, at the Company's expense.

## Financial Disclosure and Transparency

Financial Statements are prepared in accordance with the Sri Lanka Accounting Standards, the Companies Act, the Finance Business Act and the directions and rules issued thereunder. The unaudited provisional quarterly statements of accounts are released to the Colombo Stock Exchange (CSE) in compliance with the Listing Rules of the CSE. Messrs. KPMG Chartered Accountants served as the External Auditors of the Company for the year under review. The Auditors act independently without intervention from the Management or the Board of the Company with regard to the Financial Statements of the Company. All the required information is provided for examination to the Auditors.

## Ethical Standards

The Company requires that all its employees maintain the highest standards of integrity in the performance of their duties and dealings on behalf of the Company.

## Statutory Payments

To the best of their knowledge and belief, the Directors are satisfied that all statutory payments due to the government, other regulatory institutions and in relation to the employees have been made.

## Compliance with Central Bank Regulations

To the best of the knowledge and belief of the Directors, the Company has not engaged in any activity contravening any laws and regulations.

The Compliance Officer of the Company ensures the Company is in compliance with the Directions, Rules, Determination, Notices and Guidelines issued to the Licensed Finance Companies, Public Listed Companies and generally in business activities undertaken by the Company.



### **Accountability and Disclosure**

In the year under review, the members of the Board of Directors have reviewed in detail the Annual Financial Statements in order to satisfy themselves that they present a true and fair view of the Company's affairs. A summary of Directors' Responsibilities in respect of Finance Statements are given on page 31.

### **Respect for the Rights of Shareholders**

The Company is bound to safeguard the rights of all shareholders and secure equal treatment to all shareholders. The Company provides its Annual Financial Statements within the mandatory period to all shareholders and the unaudited provisional Financial Statements are released to the Colombo Stock Exchange (CSE) in accordance with the Listing Rules of CSE. All shares carry equal voting rights and the shareholders are informed of the Annual General Meeting before the mandatory period.

The Company communicates with the shareholders through the following means of communication:-

#### **1. Annual General Meeting (AGM)**

The AGM is the main event for the shareholders to meet with the Board which allows reasonable opportunity for informed shareholders to communicate their views on various matters affecting the Company and the forthcoming AGM will be used to effectively communicate with shareholders. The AGM is also attended by the Senior Management and External Auditors.

#### **2. Announcements to the Colombo Stock Exchange (CSE)**

Announcements of quarterly interim financial results and various announcements on corporate actions are disclosed to the CSE in a prompt and timely manner in compliance with the Listing Rules of the CSE.

#### **4. Company Website**

Information on the Company's performance, financial information, latest news, and other corporate information is made available on the Company's website at <https://www.ctf.lk/>

#### **5. Major Transactions**

There were no transactions during the year deemed as a "major transaction" in terms of the definition stipulated in the Companies Act, No. 7 of 2007 which required Shareholder approval.

## Corporate Governance (Contd...)

Adherence with the principles of Finance Companies (Corporate Governance) Direction No. 03 of 2008, No. 04 of 2008 and No. 06 of 2013 issued under Finance Business Act No. 42 of 2011 is tabulated below.

Rule Reference	Rule Description	Compliance Status
<b>2. The Responsibilities of The Board of Directors</b>		
2. (1) a) to m)	Strengthening the safety and soundness of the Company	Complied. The Board formulates the business strategy and ensures that the Chief Executive Officer ("CEO") and management team possesses the skills, experience and knowledge to implement the strategy. It also ensures that effective systems are in place to secure the integrity of the information, internal controls and risk management and compliance with all applicable Laws and regulations.
2. (2)	Chairman and CEO	Complied The Chairman and the CEO of the Company have been appointed by the Board to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.
2. (3)	Independent professional advice to Board Members	Complied The members of the Board are permitted to obtain independent professional advice from a third party, including the Company's external auditors and lawyers, at the expense of the Company since the Board collectively, and Directors individually, must act in accordance with the Laws of the Country, as applicable to the business enterprise.
2. (4)	Conflict of Interests	Complied The Company Secretary obtained disclosures of Related Party Transactions from Directors annually and conflict of interest (if any) is managed based on this statement.
2. (5)	Formal schedule of matters	Complied The Board has a formal schedule of matters reserved to it.
2. (6)	Situation of Insolvency	Complied No such situation has arisen during the year under review.
2. (7)	Corporate Governance Report	Complied This report addresses this requirement.
2. (8)	Annual self-assessment by the Directors	Complied
<b>3. Meeting of the Board</b>		
3. (1)	Board Meeting	Complied Board Meetings were held at monthly intervals. The Company held 12 Board meetings during the year under review.
3. (2)	Inclusion of proposals by all Directors in the agenda	Complied The Company Secretary facilitates any requests made by the Directors at the meetings or otherwise and ensures that the said matters and proposals are included in the agenda for the next meeting for discussion.
3. (3)	Notice of Meetings	Complied

Rule Reference	Rule Description	Compliance Status
3. (4)	Attendance to Meetings	Complied The attendance of Directors at Board meetings is given on pages 13 and 14 of this Report.
3. (5)	Board Secretary	Complied Messrs. S S P Corporate Services (Private) Limited serves as the Company Secretary.
3. (6)	Agenda and Minutes of the Meetings	Complied The Company Secretary prepares the agenda for the meetings.
3. (7)	Access to Secretary by Directors	Complied All the Directors have access to the Company Secretary.
3. (8)	The Company Secretary shall maintain the minutes of Board Meetings and such minutes shall be open for inspection at any reasonable time, on reasonable notice by any Director	Complied The Company Secretary maintains the minutes of Board Meetings, which are available for inspection by any Director.
3. (9)	Minutes of Board Meetings shall be recorded in sufficient detail so that it is possible to gather from the minutes, as to whether the Board acted with due care and prudence in performing its duties.	Complied The Company Secretary records the proceedings of the meetings and the decisions taken thereon in sufficient detail.
<b>4. The Board's Composition</b>		
4. (1)	Number of Directors	Complied The Board comprised of five (5) Directors as at 31 March 2018.
4. (2)	Period of service of a Director	Complied None of the Directors have exceeded 9 years of service on the Board
4. (3)	Appointment of an employee as a Director	Complied The Company did not have any Executive Directors during the year under review.
4. (4)	Independent Non-Executive Director	Complied 2 out of 5 Directors are Independent Non-Executive Directors.
4. (5)	Alternate Director	Complied No Alternate Directors were appointed during the year under review.
4. (6)	Skills and experience of Non-Executive Directors	Complied All five Non-Executive Directors possess adequate skills and experience to contribute to the Board in effectively discharging its obligations. The profiles of each Non-Executive Director have been set out on pages 06 to 08.
4. (7)	Non-Executive Directors in the Quorum of the Meetings	Complied All Directors of the Company during the year under review were Non-Executive Directors.
4. (8)	Directors Information	Complied The composition of the Board by category of directors, including the names of the Chairman, executive directors, non-executive directors and independent non-executive directors are disclosed in their Annual Report under Directors' profiles on pages 06 to 08.

## Corporate Governance (Contd...)

Rule Reference	Rule Description	Compliance Status
4. (9)	Appointment of new Directors	Complied The Board collectively assesses the composition of the Board and makes appointments as necessary.
4. (10)	Appointment to fill a casual vacancy	Complied All Directors appointed by the Board to fill casual vacancies, namely Dr. Hans Wijayasuriya, Mr. Supun Weerasinghe, Mr Sheyantha Abeykoon and Mr Asanga Priyadarshana will subject themselves for election by shareholders at the forthcoming Annual General Meeting.
4. (11)	Resignation/removal of a Director	Complied. There were 4 resignations during the year under review and formal notification was given to the Central Bank of Sri Lanka and the Colombo Stock Exchange.
<b>5. Criteria to assess the fitness and propriety of Directors</b>		
5. (1)	Directors over 70 years of age	Complied All Directors are below the age of 70 years.
5. (2)	Holding in office in more than 20 companies	Complied
<b>6. Management function delegated by the Board</b>		
6. (1) & 6. (2)	Delegation of work to the management and review of delegation process	Complied The Board evaluates the delegated authority process to ensure that the delegation of work does not materially affect the ability of the Board as a whole in discharging its functions.
<b>7. The Chairman and Chief Executive Officer</b>		
7. (1)	Division of responsibilities of the Chairman and CEO	Complied The posts of the Chairman and the CEO of the Company are separated and ensured the balance of power and authority.
7. (2)	Chairman shall be an Independent Non-Executive Director and if not designate a Senior Director.	Complied Chairman is a Non-Independent Non-Executive Director. Therefore Independent, Non-Executive Director, Mr. Priyan Edirisinghe has been designated as the Senior Director
7. (3)	Relationship between Chairman and CEO and other Directors	Complied There are no material relationships between the Chairman / CEO and other members of the Board which will impair their respective roles.

Rule Reference	Rule Description	Compliance Status
7. (4)	Role of the Chairman	Complied The Chairman provides leadership to the Board and ensures the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner
7. (5)	Meeting Agenda	Complied The Chairman has delegated the function of preparing the Agenda to the Company Secretary.
7. (6)	Meeting Minutes	Complied All Directors were provided adequate notice of the issues arising at each Board meeting.
7. (7)	Board Members' Responsibility	Complied The Chairman encourages each director to actively contribute at the meetings and ensures that the Board acts in the best interest of the Company.
7. (8)	Contribution of Non-Executive Directors	Complied The Chairman facilitated the effective contribution of Non-Executive Directors.
7. (9)	Refrain from direct supervision of Key Management Personal or Executive Directors by Chairman	Complied The Chairman has not engaged in activities involving direct supervision of Key Management Personnel or any other executive duties whatsoever.
7. (10)	Communication with Shareholders	Complied The Chairman ensures that appropriate steps are taken to maintain effective communication with shareholders and that the views of shareholders are communicated to the Board.
7. (11)	CEO's Role	Complied The CEO functioned as the apex Executive- In-Charge of the day-to-day-management of the Company.
<b>8. Board Appointed Committees</b>		
8. (1)	Board appointed five Sub Committees	Complied Audit Committee, Remuneration Committee, Nomination Committee, Related Party Transaction Review Committee and Integrated Risk Management Committee have been appointed as required by the direction.
<b>8. (2) Audit Committee</b>		
8.2.a	The Chairman of the Committee shall be a Non-Executive Director who possesses qualifications and experience in accountancy and/or audit.	Complied Mr Priyan Edirisinghe, an Independent Non-Executive Director of the Company acts as the Chairman of the Audit Committee. He is a Chartered Accountant and a Fellow Member of Chartered Accountants of Sri Lanka (FCA).
8.2.b	The Board members appointed to the Committee shall be Non-Executive Directors.	Complied All other members of the Committee are Non-Executive Directors.

## Corporate Governance (Contd...)

Rule Reference	Rule Description	Compliance Status
8.2.c	Committee Recommendations	Complied
8.2. d, e, f, g, h, i, j, k, l	External and Internal Auditors	Not Complied The committee has met only once during the year under review.
8.2.m	Power of Committee	Complied The committee shall have: (i) explicit authority to investigate into any matter within its terms of reference; (ii) the resources which it needs to do so; (iii) full access to information; and (iv) the authority to obtain external professional advice and to invite outsiders with relevant experience to attend, if necessary.
8.2.n	Meeting of Committee	Not Complied The Committee met only once during the year under review.
8.2.o	Disclosure of Audit Committee in Annual Report	Complied
8.2.p	Meeting Minutes of the Audit Committee	Complied
8.2.q	Whistle Blowing Policy	Complied The Dialog Axiata PLC has implemented a groupwide whistle Blower and Whistle Blower Protection Policy that is applicable to the Company.
<b>8.3 Integrated Risk Management Committee</b>		
8.3. a, b, c, d, f, h	Integrated Risk Management Committee	Complied
8.3.e	Risk Committee meetings	Not Complied The Committee met only once during the year under review.
8.3.g	Risk Report	Partially Complied A Risk Matrix is submitted to Board on a monthly basis since January 2018.
<b>9. Related Party Transactions</b>		
9. (2) to 9. (4)	Avoiding conflict of interest in related party transactions and favourable treatment	Complied The Board has taken steps to avoid any conflict of interests and favourable treatment when transacting with related parties as defined in this Direction.
Rule Reference	Rule Description	Compliance Status
<b>10. Disclosures</b>		
10. (1)	Financial reporting, statutory and regulatory reporting	Complied
10. (2)	Minimum disclosure in the Annual Report	Complied

# Risk Management

The Company's Risk Management Policies are designed to identify and minimize any circumstance that would adversely affect the ultimate goals/achievements of activities carried out by the Company. It further enhances the ability of the Company to accept, manage and mitigate unavoidable risks and also ensure that surprise events or situations are minimized.

As a measurement of minimizing Sector or Industry specific Risk, the Company maintains a diversified product portfolio spanning over different sectors and industries. An array of products to suit different customer needs have been developed and in operation. This enables the Company to identify opportunities even under challenging market conditions. Competitor analysis and threats to prevailing and future business opportunities are evaluated on an ongoing basis.

Products and Services are evaluated against competitor offerings and revised periodically to retain competitiveness. Performance of each Business Division is monitored continuously through Key Performance Indicators [KPI's] and communicated via regular business reviews.

## Operational Risk

Operational Risks include the possibility of breakdown in operational process [due to human error or employee misconduct], malfunction of systems or any external events beyond the control of the Company such as natural disasters.

- A Business Continuity Plan has been developed in the event of such major crisis. This plan was formulated under the direct supervision of Risk Management Committee of the Company and an external site equipped with necessary infrastructure is already in place in the event of crisis situation.
- An IT Security system is in operation and the Company plans to implement further improvements in the next financial year.
- Internal Audits are conducted by an Independent Audit Firm M/S Ernst & Young Chartered Accountants, at regular intervals. The scope of internal audits extends to efficiency of operations in compliance with stipulated laws and regulations.
- A disaster recovery plan has been developed with data backups stored in external locations.

## Compliance Risk

Regulatory changes could significantly impact the Company's business including costs, capital requirements and products.

The Board of Directors of the Company closely monitors the regulatory developments and ensures compliance of all requirements. The Audit Committee supplements this function by reviewing and discussing compliance declarations and related matters at length.

## Legal Risk

Legal Risks arise when the Company enters into transactions which are non-compliant with the legal/governance framework set out by regulators. Such risks may lead the Company to financial and reputational risks if not managed promptly.

- When entering into new transactions, contractual documentation is thoroughly evaluated for compliance with the requirements by the Legal/Compliance Division of the Company.
- Adoption of changes in Laws and Regulations on a periodic basis is also implemented by the Legal/Compliance Division of the Company.

## Credit Risk

Company has re-visited its Risk Policies and Guidelines and introduced a new comprehensive Risk Policy during the year under review.

# Audit Committee Report

The Audit Committee has been established by the Board of Directors to assist with the oversight of financial reporting, internal controls and functions relating to internal and external audit.

## Composition of the Committee

The Audit Committee comprises Two Independent Non-Executive Directors and One Non Independent Non-Executive Director. The Chairman of the Audit Committee is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka.

## Meetings

The Audit Committee met on one (01) occasion during the year under review. The attendance of Committee members at meetings were as follows

Member	Number of Meetings Held	Number of Meetings Attended
Mr. Priyan Edirisinghe Chairman	1	1
Mr. Supun Weerasinghe	1	1
Mr. Roshan Hettiaratchi	1	1

The Chief Executive Officer, Manager-Finance and Internal Auditor / External Auditor attend the meetings of the Committee by invitation when necessary. Proceedings of the Committee meetings are reported regularly to the Board of Directors.

## Terms of Reference

The Audit Committee has written terms of reference and is empowered to examine any matters relating to the financial affairs of the Company and its internal and external audits. Its duties include detailed reviews of Financial Statements, internal control procedures and risk management, accounting policies and compliance with Sri Lanka accounting standards. It also reviews the adequacy of systems for compliance with the Companies Act No. 07 of 2007, Central Bank Directions and other relevant legal, regulatory and ethical requirements and company policies. The Committee endeavours to assist the Directors to discharge their duties and responsibilities in respect of regulatory compliance and risk management.

## The following activities were carried out by the Committee

### Financial Reporting and Internal Control System

- The Committee reviewed the Interim and Annual Financial Statements of the Company and has recommended same to the Board for approval and publication.

- Reviewed of the preparation of the Annual Report to ensure the reliability of the process, consistency of the accounting policies and methods and compliance with Sri Lanka Accounting Standards.
- The Committee was satisfied that the control environment prevailing in the Company provides reasonable assurance.
- The Committee also monitored the timely payments of all statutory obligations.

## Internal Audit

The Committee also monitors the effectiveness of the Internal and Financial Control procedures on the basis of the reports and findings submitted by the Internal Auditors of the Company.

## External Audit

- The Committee held meetings with the External Auditors to review their report on audit results.
- The Committee has reviewed the other services provided by the External Auditors to the Company to ensure their independence as Auditors has not been compromised.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an Auditor) with the Company other than those disclosed above. The Auditors also do not have any interest in the Company. For the said reasons that the Committee determined that Auditors are independent.

Having reviewed the effectiveness of the external audit, the Audit Committee appreciates the work carried out by Messr. KPMG. However as recommended by the Company's holding company, Dialog Axiata PLC, the Company proposes to engage the services of the External Auditors of its holding company, Messrs PricewaterhouseCoopers, Chartered Accountants, as the External Auditors of the Company for the year ending 31 March 2019, subject to approval by the Shareholders at the forthcoming Annual General Meeting



**Mr. Priyan Edirisinghe**

Chairman - Audit Committee

08 August 2018



# Remuneration Committee Report

The Remuneration Committee has been established to ensure that remuneration arrangements support the strategic aims of the business and enabling recruitment, motivation and retention of staff while complying with the requirements of governance bodies, satisfying the expectations of shareholders and remaining consistent with the expectations of the employees.

The Remuneration Committee comprised of the following members as at 31 March 2018;

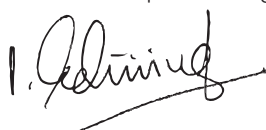
Name of the Member	Directorship status	Membership status
Mr. Priyan Edirisinghe	Independent-Non-Executive	Chairman
Mr. Supun Weerasinghe	Non-Independent Non-Executive Director	Member
Mr. Roshaan Hettiaratchi	Independent-Non-Executive	Member

## Remuneration Policy

The Company remuneration policy aims to attract, motivate and retain talent with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company. The Company remuneration framework for the Executive Directors and Corporate Management Team is designed to ensure alignment between short and long term interests of the Company and thereby create and enhance value for all stakeholders of the Company.

The Committee reviews all significant Human Resource policies and initiatives. The Committee deliberates and recommends to the Board of Directors annual increments and bonuses of the Members of the Corporate Management based on individual and corporate performance. The Committee also reviews salary structures and terms and conditions of services to ensure compatibility with the market.

The CEO and Senior Manager Operations who are responsible for the overall management of the Company attend meetings by invitation and participated in the deliberations except when their own interest, performance and compensation are discussed. The Committee met as and when required during the financial year.



**Mr. Priyan Edirisinghe**

Chairman - Remuneration Committee

25 June 2018

# Related Party Transactions Review Committee Report

With effect from 1 April 2016, all proposed related party transactions have been placed before the Related Party Transactions Review Committee formed under the listing rules of the Colombo Stock Exchange, for its review and recommendations.

The Directors have also disclosed transactions, if any, that could be classified as related party transactions in terms of LKAS 24.

## Composition of the Committee

The Related Party Transactions Review Committee is appointed by the Board of Directors of the Company. As at 31 March 2018 it comprised of the following Directors.

Name of the Member	Directorship Status	Membership Status
Mr. Roshaan Hettiaratchi	Independent Non-Executive Director	Chairman
Mr. Priyan Edirisinghe	Independent Non-Executive Director	Member
Mr. Supun Weerasinghe	Non-Executive Director	Member

## Policies and Procedures

The Company has in place a Board approved Related Party Transaction (RPT) policy whereby the categories of persons who shall be considered as “related parties” has been identified.

RPT policy provides for the procedure to ensure that the Company does not engage in transactions with related parties in a manner that would grant such parties “more favourable treatment.”

In accordance with the RPT policy, self-declarations are obtained from each Director and Key Management Personnel of the Company for the purpose of identifying parties related to them.

## Terms of Reference

The primary objective of Related Party Transaction Review Committee is to ensure a Good Corporate Governance within the Company through;

- Avoiding favourable treatments to related parties in granting credit facilities and offering favourable interest rates for deposits.
- Implementing regulations relating to related parties issued by the Central Bank of Sri Lanka and the Securities and Exchange Commission of Sri Lanka.
- Ensure that the interests of shareholders as a whole are taken into account by a listed entity when entering into Related Party Transactions.
- Ensure that there is a safeguard to prevent taking advantage of their positions by Directors, Chief Executives or Substantial Shareholders.

## Related Party Transactions during 2017/18

Transactions of related parties (as defined in LKAS 24 - ‘Related parties Disclosures’) with the Company are set out in Note 33 to the Financial Statements on pages 68 and 69.



## Mr. Roshaan Hettiaratchi

Chairman  
Related Party Transactions Review Committee

25 June 2018

# Integrated Risk Management Committee Report

The Integrated Risk Management Committee was formed in order to assess the overall risk faced by the Company, mainly credit, market liquidity, operational, strategy and other statutory and regulatory risks.

## Composition of the Committee

The Integrated Risk Management Committee as at 31 March 2018 comprised of the following members.

Name of the Member	Directorship Status	Membership Status
Mr. Roshaan Hettiaratchi	Independent Non-Executive Director	Chairman
Mr. Supun Weerasinghe	Non- Executive Director	Member
Chief Executive Officer	Executive Director/ Chief Executive Officer	Member

## By Invitation

Sulochana Munasinghe  
(Senior Manager - Business Development & Credit)  
Ashok Vitanachy  
(Senior Manager - Operations)

## Terms of Reference

The terms of reference set out by the Board of Directors include the following.

- Examine the principal risks in achieving the business strategy of the Company and its Business Plan.
- Establish and communicate the risk management framework including responsibilities, authorities and key controls throughout the Company.
- Agree and implement measurement and reporting standards and methodologies.
- Assess all risks i.e. credit, market, liquidity, operational and strategic risks to the Company through appropriate risk indicators and management information.
- Ensure that Risk Management practices and conditions are appropriate for the changing environment.
- Review and oversee the risk and compliance profile of the Company within the context of the Board determined risk parameters.

- Make recommendations to the Board concerning the Company's risk appetite and particular risk or compliance management practice of the Company.
- Review and oversee the management's plan for mitigating the material risks faced by the various business units of the Company.

## Meetings

The Committee met once during the year under review and conclusions reached at the meetings are recorded in minutes and circulated to the Board of Directors for information and advice. Risk Matrix covering Credit, Operations, IT, HR and Market Risks is submitted to Board on a monthly basis.



## Mr. Roshaan Hettiaratchi

Chairman  
Integrated Risk Management Committee

25 June 2018

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

The Directors of Colombo Trust Finance PLC are pleased to present their Report and the Audited Financial Statements of the Company for the year ended 31 March 2018.

## 1. General

Colombo Trust Finance PLC is a public limited liability Company and a Licensed Financial Institution, that was incorporated in Sri Lanka on 25 November 1981 as Silverreen Finance Company Limited under the Companies Act No. 07 of 2007 and Finance Business Act No. 42 of 2011.

## 2. Review of the Year

Review of the Company business and its performance during the year, with comments on financial results and future strategic developments, are contained in the Chairman's statement on page 04.

## 3. The Principal Activity

The Company is continuing its finance business.

## 4. Financial Statements

The Financial Statements of the Company are given on pages 32 to 80 of this Annual Report.

## 5. Going Concern

The Directors are satisfied that the Company has adequate resources to continue its operations in the foreseeable future. The Financial Statements of the Company have accordingly been prepared on a going concern basis.

## 6. Auditor's Report

The Auditors of the Company are KPMG, Chartered Accountants and their report on the Financial Statements is given on pages 32 to 35.

## 7. Accounting Policy

The significant accounting policies adopted in the preparation of the Financial Statements are given in Note 04 on pages 42 to 52.

## 8. Taxation

Provision for taxation has been computed in accordance with income tax legislations and applicable tax rates are given in Note 15 to the Financial Statements.

## 9. Dividends

The Directors have not recommended a dividend on ordinary shares for the year ended 31 March 2018.

## 10. Board of Directors

The Directors of the Company as at 31 March 2018 were:-

Dr. Hans Wijayasuriya (Chairman)  
Mr. Supun Weerasinghe  
Mr. Priyan Edirisinghe  
Mr. Roshaan Hettiaratchi  
Mr. Sheyantha Abeykoon

During the year under review, the following changes took place on the Board:-

### Resignations from the Board:

- Mr. Mangala Boyagoda with effect from 5 June 2017
- Mr. Rajendra Theagarajah with effect from 9 November 2017
- Mr. Prabaharan Mathavan with effect from 9 November 2017
- Ms. Kamalini de Silva with effect from 9 November 2017

### Appointments to the Board:

- Dr. Hans Wijayasuriya (Chairman) with effect from 9 November 2017
- Mr. Supun Weerasinghe with effect from 9 November 2017
- Mr. Sheyantha Abeykoon with effect from 9 November 2017

Mr. Asanga Priyadarshana was appointed to the Board as an Executive Director and the Chief Executive Officer on 6 April 2018.

In accordance with the Articles of Association of the Company and the requirements under the Finance Companies (Corporate Governance) Directions, Dr. Hans Wijayasuriya, Mr. Supun Weerasinghe, Mr. Sheyantha Abeykoon and Mr Asanga Priyadarshana will offer themselves for re-appointment at the forthcoming Annual General Meeting of the Company.

### 11. Directors' Interest in Contracts

The Directors have no direct or indirect interest or proposed contracts other than those specified in Note 33 to the Financial Statements.

### 12. Corporate Governance

The Company has complied with the recommendations of the code of Best Practices on Corporate Governance issued jointly by the Securities and Exchange Commission of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka, the Listing Rules of the Colombo Stock Exchange (CSE) and the Finance Companies (Corporate Governance) Directions No. 03 of 2008, No. 04 of 2008 and No. 06 of 2013.

### **13. Audit Committee**

The Audit Committee of the Company during the year comprised the following members:

Mr. Priyan Edirisinghe - Chairman  
Mr. Supun Weerasinghe  
Mr. Roshaan Hettiaratchi

The report of the Audit Committee is given on page 22 of the Annual Report.

### **14. Directors' Remuneration**

Directors' remuneration and other benefit of the Directors are given in Note 33.1 to the Financial Statements.

### **15. Internal Controls**

The Board of Directors have put in place an effective and comprehensive system of internal controls covering financial operations, compliance and risk management which are required to carry on the business of financing prudently and ensure as far as possible, accuracy and reliability of records.

### **16. Capital Expenditure**

The Company's expenditure on Property, Plant & Equipment at cost amounted to Rs. 962,115/- during 2017/18, details of which are given in Note 23 to the Financial Statements. Expenditure on Intangible Assets at cost amounted to Rs. 150,000 during 2017/18, details of which are given in Note 24 to the Financial Statements.

### **17. Donations**

During the year, the Company made donations amounting to Rs. 10,100.

### **18. Stated Capital**

The Stated Capital of the Company as at 31 March 2018 was Rs. 309,888,671, representing 46,519,243 ordinary shares.

### **19. Reserves General Reserve**

The General Reserve is created after provisioning for a statutory reserve fund. This reserve will be used for the future capitalisation purpose of the Company.

### **Statutory Reserve Fund**

Statutory Reserve Fund is a capital reserve which contains profits transferred as required by Section 3 (b) (ii) of Central Bank Direction No. 1 of 2003.

### **20. Shareholdings**

An analysis of the distribution of ordinary shareholders and 20 largest ordinary shareholders of the Company is given on pages 81 and 82 of this Annual Report.

**21. Directors' Holdings of Securities of the Company** Details of Directors' shareholdings in the Company are given on page 82 of the Annual Report.

### **22. Directors' Responsibility for Financial Reporting**

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of its state of affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with requirements of the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. Further, these Financial Statements also comply with requirements of the Finance Business Act No 42 of 2011 and amendments thereto and mandatory Corporate Governance code for Licensed Financial Institutions by CBSL and SEC. The Directors are accordingly satisfied that the Financial Statements presented herein give a true and fair view of the state of affairs of the Company as at 31 March 2018 and the profit/(loss) for the year then ended.

### **23. Statutory Payments**

The Directors are satisfied that to the best of their knowledge and belief, all statutory payments due to the Government and to the employees of the Company have been paid up to date, on timely basis.

### **24. Event occurring after the Reporting Period**

No events have occurred after the reporting date which would require adjustments to or disclosure in the Financial Statements, other than those given in Note 42 to the Financial Statements.

### **25. Auditors**

Messrs. KPMG, Chartered Accountants served as the Company's Auditors during the period under review. A sum of Rs. 565,000 was payable as professional fee for the year under review and Rs. 850,000 was payable for non-audit related work such as agreed upon engagements. Based on the declaration made by Messrs. KPMG, and as far as the Directors are aware, the Auditors do not have any relationship or interest other than statutory audit.

As explained in the Audit Committee Report, as recommended by the Company's holding company, Dialog Axiata PLC, the Company proposes to engage the services of the External Auditors of its holding company, Messrs PricewaterhouseCoopers, Chartered Accountants, as the External Auditors of the Company for the year

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

ending 31 March 2019. A resolution to appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as the Auditors of the Company for the ensuing year will be proposed at the forthcoming Annual General Meeting. Messrs PricewaterhouseCoopers have expressed their willingness to be appointed as Auditors of the Company.

## **26. Employment Policy**

Modern Human Resources Management practices are adopted respecting each and every individual and providing equitable opportunity for career advancement for all employees. The Company complies with its policy of non-discrimination in terms of gender, race or religion in the matter of employment.

## **27. Notice of Meeting**

Notice of Meeting relating to the 37th Annual General Meeting of the Company is given on page 84.

For and on behalf of the Board,



**Mr Asanga Priyadarshana**

Director/Chief Executive Officer



**Dr. Hans Wijayasuriya**

Chairman



**S S P Corporate Services (Private) Limited**

Secretaries

08 August 2018

# Directors' Statement on Internal Controls over Financial Reporting

## Responsibility

In line with Finance Companies (Corporate Governance) Direction No.03 of 2008, Section 10 (2) (b), as amended by the Direction No. 06 of 2013, the Board of Directors ("Board") present this Report on Internal Control.

The Board is fully committed to ensure the existence of an effective system of internal control and risk management within the Company, and continuously reviews and evaluates the adequacy and integrity of those systems. However, the Board recognises that such systems are designed to manage, rather than eliminate, the risks identified to acceptable levels. Therefore, the systems implemented can provide only reasonable and not absolute assurance against the occurrence of any material misstatement and loss.

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

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes enhancing the system of internal controls as and when there are changes to the business environment or regulatory guidelines. The process is regularly reviewed by the Board and Board-appointed sub committees. The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

## Key Features of the Process Adopted in Applying and Reviewing the Design and Effectiveness of the Internal Control System on Financial Reporting

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

Various management committees have been established by the Board to assist the Board in ensuring the effectiveness

of the Company's daily operations and that the Company's operations are in accordance with the corporate objectives, strategies and the annual budget as well as the policies and business directions that have been approved.

The Internal Auditors of the Company check for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Audits are carried out on all units and branches, the frequency of which is determined by the level of risk assessed, to provide an independent and objective report. The annual audit plan is reviewed and approved by the Audit Committee. Findings of the internal audit are submitted to the Board Audit Committee for review at their periodic meetings.

The Audit Committee of the Company reviews internal control issues identified by the Internal Auditors, External Auditors, regulatory authorities and management, and evaluates the adequacy and effectiveness of the risk management and internal control systems. They also review the internal audit functions with particular emphasis on the scope of audits and quality of internal audits. In assessing the Internal control system, identified officers of the Company continued to review and update all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company.

The Company is in the process of reviewing policies/procedures manually for the key processes and other recommendations made by the Auditors on the internal controls of the Company and those will be dealt with in the future.

The Board is of the view that the system of internal controls may be improved further with new system development and introducing various systems for new products. However, the relevant accounting principles and regulatory requirements are met in preparation of General purpose Financial Statements.

## Confirmation

Based on the above processes, the Board confirms that the financial reporting system of the Company has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purposes and has been

# Directors' Statement on Internal Controls over Financial Reporting (Contd...)

done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

## **Review of the Statement by External Auditors**

The External Auditors, Messrs KPMG Chartered Accountants, has reviewed the above Directors' Statement on Internal Control over Financial Reporting included in the Annual Report of the Company for the year ended 31 March 2018 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in the review of the design and effectiveness of the internal controls over financial reporting of the Company.



**Mr. Priyan Edirisinghe**

Chairman  
Audit Committee

25 June 2018



# Directors' Responsibility for Financial Reporting

The responsibility of Directors in relation to the Financial Statements of the Colombo Trust Finance PLC ("the Company") prepared in accordance with provisions of the Companies Act No. 7 of 2007 ("Companies Act") is set out in the following statements.

The Directors of the Company are responsible for the preparation and presentation of the Financial Statements to the shareholders in accordance with the relevant provisions of the Companies Act other statutes which are applicable for the preparation of the Financial Statements. Financial Statements for the financial year gives a true and fair view of the state of affairs of the Company and of the profit or loss for that period.

In preparing the Financial Statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- Prepare the Financial Statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

Accordingly, the Directors confirm that the Financial Statements of the Company for the year ended 31 March 2018 incorporated in this Annual Report have been prepared in accordance with the Sri Lanka Accounting Standards and comply with the requirements of Companies Act and Finance Business Act No.42 of 2011 and other applicable standards and statutes. The Financial Statements of the Company have been certified by the Chief Executive Officer, the person responsible for its preparation as required by the Companies Act. Financial Statements of the Company have been signed by two Directors of the Company on 25 June 2018, after being approved by the Board of Directors as required by the Companies Act.

In terms of the provisions of the Companies Act, the Directors are also responsible to keep accounting records which correctly record and explain the Company's transactions.

In preparing these Financial Statements, the Directors have also ensured that appropriate accounting policies have been applied in a consistent manner and material departures, if any, have been disclosed and explained.

The Directors are also satisfied that the Company possesses adequate resources to continue its operations and the Financial Statements are continued to be prepared on that basis.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting possible frauds and other irregularities.

The Directors are required to prepare the Financial Statements and provide the Auditors with every opportunity to take whatever steps and undertake whatever inspections they may consider to be appropriate to enable them to give their audit opinion. The Directors are of the view that they have discharged their responsibilities as set out in this statement.

The Directors are satisfied that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory payments by the Company as at the reporting date have been paid or where relevant provided for in the Financial Statements.

On behalf of the Board,



**Dr. Hans Wijayasuriya**  
Chairman

25 June 2018

# Independent Auditor's Report



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  
Internet : www.kpmg.com/lk

## TO THE SHAREHOLDERS OF COLOMBO TRUST FINANCE PLC

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Colombo Trust Finance PLC ("the Company"), which comprise the statement of financial position as at 31st March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information set out on pages 36 to 80 on the Annual Report.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31st March 2018, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

#### Recoverability of loans and advances

**Key audit matter description** Refer to Note 4.2.1.(V) (accounting policy), Note 20 (financial statements disclosures) to these financial statements.

As at 31st March 2018, the Company's gross loans and advances balance amounted to Rs. 850,937,026/- and the corresponding allowance for impairment losses was Rs.123,177,544/-.

The Company's loans and advances portfolio represents 68% of the total assets of the Company as at the reporting date.

#### Risks Description

The recoverability of loans and advances held at amortised cost may be materially misstated if impairment is not appropriately identified and estimated.

The individual provision model utilizes arrears as the primary impairment trigger. There is a risk that other impairment triggers are not identified on a timely basis. The other key assumptions used in the calculation of the individual provision include the quantum and timing of future cash flows on impaired loans. In the estimation of future cash flows, the Company considers past payment behavior, the expected collections approach, including net rental income from the receiver and the value of the collaterals held by the Company.

For the purposes of the collective provision assessment, the Company calculates an emergence provision based on the previous losses. There is a risk that the overall provision is not reflective of the incurred losses at the end of the period, due to the assumed period of time taken for the incurred losses to emerge, changes in customer credit quality or other market factors which are not sufficiently incorporated into the model.

Due to materiality in the context of the financial statements as a whole and subjective nature of the management assumptions used for the estimate, this is considered to be an area which had the most significant effect on the financial statements.

M.R. Mihular FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne FCA  
R.H. Rajan ACA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne FCA  
R.M.D.B. Rajapakse FCA  
M.N.M. Shameel ACA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA  
Ms. B.K.D.T.N. Rodrigo FCA  
Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA  
Ms. C.T.K.N. Perera ACA

**Our responses***Our audit procedures included:*

- Documenting and testing the design, implementation and operating effectiveness of the impairment computation processes and related key controls;
- Challenging the methodology applied in the calculation of allowance for impairment losses by comparing it to the requirements of relevant Accounting Standard and testing the mathematical accuracy of management's model used to calculate impairment provision;
- Challenging the management on key assumptions used to estimate probabilities of default (PD) and loss given to default (LGD); and
- Assessing the adequacy of disclosures in the financial statements.

**Our responses***Our audit procedures included:*

Use of our own internal IT specialists to perform audit procedures to assess IT systems and controls over financial reporting, which included:

- Testing the design, implementation and operating effectiveness of key controls relating to the flow of data from source systems into the EIR models. This procedure included an assessment of the automated controls by our own IT specialists, to determine whether the input data within the EIR models was complete and accurate;
- Testing of the Company's control over the review and approval of calculation and the arithmetical accuracy of the EIR models to assess whether they were working as intended and in compliance with the requirements of relevant Accounting Standards;
- Performing analytical review procedures to assess whether the recognized revenue was in line with the expected level; and
- Assessing the adequacy of the disclosures in the financial statements.

**Revenue Recognition****Key audit matter description**

*Refer to Note 4.2 (accounting policy), Note 6 (financial statement disclosure) to these financial statements*

The Company generates revenue from its lending activities by charging fees (Interest) from the customers. Management maintains Effective Interest Rate (EIR) models to determine revenue recognition in accordance with the requirements of relevant Accounting Standards. The Company's interest income for the year ended 31st March 2018, amounted to Rs.204.8 Mn.

**Risks Description**

The EIR models are complex and heavily reliant on the quality of the underlying data flowing into the models. We have identified revenue recognition as a key audit matter as there is a risk of revenue being inaccurately recognized due to errors in integrity of the underlying data. The amount of revenue recognized in the financial year is dependent on the occurrence of the underlying loan transactions, accuracy of the loan portfolio and the appropriateness of the significant assumptions applied to the EIR models in relation to the expected maturity of each loan and the timing of expected future cash flows.

# Independent Auditor's Report (Contd...)

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report there on.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it

exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 3029.



**Chartered Accountants**

Colombo, Sri Lanka

25 June 2018

# Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March	Notes	2018 Rs.	2017 Rs. (Restated)
Interest income	6	204,820,574	172,194,811
Interest expense	7	(93,774,807)	(75,480,628)
<b>Net interest income</b>		<b>111,045,767</b>	<b>96,714,183</b>
Fee and commission income	8	1,811,448	1,922,942
Fee and commission expenses	9	(25,000)	(343,450)
<b>Net fee and commission income</b>		<b>1,786,448</b>	<b>1,579,492</b>
Net gains/(losses) from trading	10	225,016	143,141
Other operating income	11	8,250,965	6,637,766
<b>Total operating income</b>		<b>121,308,196</b>	<b>105,074,582</b>
Impairment charge for loans and advances	12	(54,117,863)	(143,461)
<b>Net operating income</b>		<b>67,190,333</b>	<b>104,931,121</b>
<b>Operating expenses</b>			
Personnel expenses	13	(53,454,684)	(50,905,408)
Depreciation and amortization		(5,464,833)	(6,904,381)
Other expenses		(37,167,906)	(31,445,783)
<b>Operating profit/(loss) before Value Added Tax (VAT) on financial services</b>	14	<b>(28,897,090)</b>	<b>15,675,549</b>
Value Added Tax (VAT) on financial services		(2,865,821)	(6,678,184)
<b>Profit/(Loss) before income tax</b>		<b>(31,762,911)</b>	<b>8,997,365</b>
Income tax reversal/(expense)	15	9,238,057	(4,252,280)
<b>Profit/ (loss) for the year</b>		<b>(22,524,854)</b>	<b>4,745,085</b>
<b>Other comprehensive income/(expense), net of income tax</b>			
<b><i>Items that will never be reclassified to profit or loss</i></b>			
Actuarial gains/(loss) on defined benefit obligation	28	(635,062)	132,634
Deferred tax charge/(reversal) on actuarial gain/(loss)		177,817	(37,138)
<b>Other comprehensive income/(expense), net of tax</b>		<b>(457,245)</b>	<b>95,496</b>
<b>Total comprehensive income/ (expense) for the year</b>		<b>(22,982,099)</b>	<b>4,840,581</b>
<b>Basic Earnings / (Loss) per Share</b>	16	<b>(0.48)</b>	<b>0.10</b>

Figures in brackets indicate deductions.

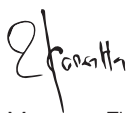
The annexed notes to the financial statements form an integral part of these financial statements.

# Statement of Financial Position

	Notes	31 March 2018 Rs.	31 March 2017 Rs. (Restated)	1 April 2016 Rs. (Restated)
<b>Assets</b>				
Cash and cash equivalents	17	33,074,004	16,557,401	19,506,639
Placements with Banks and Financial Institutions		207,706,325	-	
Securities purchased under repurchase agreements		26,609,192	31,536,017	51,888,311
Assets held for sale	18	-	696,056	1,722,506
Financial assets at fair value through profit or loss	19	1,568,234	1,343,218	1,908,354
Loans and advances	20	850,937,026	1,127,385,511	916,688,860
Financial investments available for sale	21	345,775	345,775	345,775
Financial investments held to maturity	22	60,468,036	43,534,435	40,136,637
Property, plant and equipment	23	27,677,460	30,461,946	32,608,546
Intangible assets	24	6,335,371	7,903,604	8,477,993
Other assets	25	26,426,889	16,876,445	22,072,418
Deferred tax assets	26	19,455,168	6,948,939	9,054,732
<b>Total assets</b>		<b>1,260,603,480</b>	<b>1,283,589,347</b>	<b>1,104,410,771</b>
<b>Liabilities</b>				
Bank overdraft	17	-	254,143,054	25,658,498
Deposits from customers	27	830,564,725	577,660,468	617,229,310
Employee benefits	28	6,797,372	4,380,076	3,288,532
Other liabilities	29	13,224,993	14,407,260	30,076,523
<b>Total liabilities</b>		<b>850,587,090</b>	<b>850,590,858</b>	<b>676,252,863</b>
<b>Equity</b>				
Stated capital	30	309,888,671	309,888,671	309,888,671
Statutory reserve fund	31	11,360,719	11,360,719	11,123,465
Other reserves	32	60,000,000	60,000,000	60,000,000
Retained earnings		28,767,000	51,749,099	47,145,772
<b>Total equity</b>		<b>410,016,390</b>	<b>432,998,489</b>	<b>428,157,908</b>
<b>Total equity and liabilities</b>		<b>1,260,603,480</b>	<b>1,283,589,347</b>	<b>1,104,410,771</b>

The annexed notes to the financial statements form an integral part of these financial statements.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.



Manager-Finance  
Udeshika Koswatta

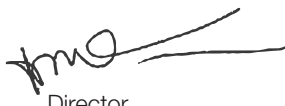


Director/Chief Executive Officer  
Asanga Priyadarshana

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.



Director  
Priyan Edirisinghe



Director  
Supun Weerasinghe

Colombo  
25 June 2018

# Statement of Changes in Equity

	For the year ended 31 March 2018					
	Stated capital	Statutory reserve fund	Other Reserves			Total
			Revaluation reserve	General reserve	Retained earnings	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Balance as at 1 April 2016 as previously stated	309,888,671	11,123,465	14,187,500	60,000,000	47,145,772	442,345,408
Prior year adjustment relating to changes in accounting policy for measurement of Property, Plant and Equipment	-	-	(14,187,500)	-	-	(14,187,500)
Restated balance as at 1 April 2016	309,888,671	11,123,465	-	60,000,000	47,145,772	428,157,908
<b>Comprehensive income for the year</b>						
Profit for the year	-	-	-	-	4,745,085	4,745,085
Other comprehensive income, net of tax	-	-	-	-	95,496	95,496
Total comprehensive income for the year	-	-	-	-	4,840,581	4,840,581
Transferred to Statutory Reserve Fund	-	237,254	-	-	(237,254)	-
<b>Restated balance as at 31 March 2017</b>	<b>309,888,671</b>	<b>11,360,719</b>	<b>-</b>	<b>60,000,000</b>	<b>51,749,099</b>	<b>432,998,489</b>
Restated balance as at 1 April 2017	309,888,671	11,360,719	-	60,000,000	51,749,099	432,998,489
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	-	-	(22,524,854)	(22,524,854)
Other comprehensive income, net of tax	-	-	-	-	(457,245)	(457,245)
Total comprehensive income for the year	-	-	-	-	(22,982,099)	(22,982,099)
<b>Balance as at 31 March 2018</b>	<b>309,888,671</b>	<b>11,360,719</b>	<b>-</b>	<b>60,000,000</b>	<b>28,767,000</b>	<b>410,016,390</b>

## Note - Revaluation reserve

The reserve relates to revaluation surplus recorded as at 28 October 2014.

As explained in Note 4.1, the Company has changed its accounting policy for measurement of property, plant and equipment from fair value to cost model during the current financial year, to be in conformity with the group accounting policy for property, plant and equipment.

As per LKAS 8, para 19, when an entity changes its accounting policy from the fair value to the cost model of accounting for property, plant and equipment, all previous revaluations, including subsequent depreciation charges, are reversed. Accordingly, comparative figure of these financial statements have been restated with retrospective application.

*Figures in brackets indicate deductions.*

The annexed notes to the financial statements form an integral part of these financial statements.



# Statement of Cash Flows

For the year ended 31 March	2018 Rs.	2017 Rs. (Restated)
<b>Cash flow from operating activities</b>		
Profit/ (Loss) before income tax	(31,762,911)	8,997,365
<b>Adjustments For,</b>		
Depreciation and amortization	5,464,836	6,904,381
Provision for retirement benefits obligation	1,782,234	1,224,178
Profit on Assets held for sale	(878,944)	(12,550)
Gains from disposal of fixed assets	(200,000)	-
Impairment charges for loans and advance	54,117,863	143,461
Net (gains)/losses from trading	(225,016)	(143,141)
<b>Operating profit before working capital changes</b>	<b>28,298,062</b>	<b>17,113,694</b>
Decrease/ (increase) in loans and advances	222,330,622	(210,840,112)
Decrease/ (increase) in other assets	(12,640,798)	3,024,898
Increase/ (decrease) in deposits from customers	252,904,257	(39,568,842)
Decrease in other liabilities	(1,182,268)	(15,669,263)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>489,709,875</b>	<b>(245,939,625)</b>
<b>Cash flows from investing activities</b>		
Acquisition of property, plant & equipment and intangible assets	(1,112,117)	(4,183,392)
Proceeds from Sale of Property Plant & Equipment	200,000	-
Proceeds from Sale of Assets held for sale	1,575,000	1,026,450
Maturity/(purchase) of treasury bills	(16,933,601)	(3,397,798)
Investment/sale of other financial assets	(207,706,325)	-
Proceeds from disposal of trading investments	-	708,277
Net cash flow from Securities purchased under repurchased agreement	4,926,825	20,352,294
<b>Net cash flows (used in)/from investing activities</b>	<b>(219,050,218)</b>	<b>14,505,831</b>
Net increase/(decrease) in cash and cash equivalents	270,659,657	(231,433,794)
Cash and cash equivalents at the beginning of the year	(237,585,653)	(6,151,859)
<b>Cash and cash equivalents at the end of the year (Note 17)</b>	<b>33,074,004</b>	<b>(237,585,653)</b>

Figures in brackets indicate deductions.

The annexed notes to the financial statements form an integral part of these financial statements.

# Notes to the Financial Statements

## 1. CORPORATE INFORMATION

### 1.1 General

Colombo Trust Finance PLC (formerly known as Capital Alliance Finance PLC) ('the Company') is a public limited liability company incorporated and domiciled in Sri Lanka, incorporated under the Companies Act No 07 of 2007 and Finance Business Act No 42 of 2011.

The registered office of the Company is located at No 21, Kumara Veediya, Kandy.

### 1.2 Principal Activities

During the year, the principal activities of the Company were acceptance of Deposits, granting Lease facilities, Hire Purchase, Margin Trading, Mortgage Loans, Demand Loans, Revolving loan, Cheque discounting, Factoring and other credit facilities.

There were no significant changes in the nature of the principal activities of the Company during the financial year under review.

### 1.3 Parent Entity and Ultimate Parent Entity

The Company's immediate and ultimate parent undertaking is Dialog Axiata PLC.

### 1.4 No of Employees

The staff strength of the Company as at 31 March 2018 is 38 (2017 - 39).

### 1.5 Date of Authorization of Issue

The financial statements of the Company, for the year ended 31 March 2018 were authorized for issue in accordance with a resolution of the Board of Directors on 25 June 2018.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

The Financial Statements of the Company are prepared in accordance with Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka. and the requirements of the Companies Act, No. 7 of 2007, and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of the Colombo Stock Exchange.

### 2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the financial statements of the Company as per the provisions of the Companies Act No. 07 of 2007, the Sri Lanka Accounting Standards, the requirements of the Companies Act, No. 7 of 2007, and provide appropriate disclosures as required by the Central Bank of Sri Lanka and the listing rules of the Colombo Stock Exchange. The

responsibility of the Directors in relation to the financial statements is set out in detail in the Statement of Directors' Responsibility report in the annual report.

### 2.3 Materiality and Aggregation

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 on 'Presentation of financial statements'.

### 2.4 Going Concern

The Directors have made an assessment of the Company's ability to continue 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 a going concern basis.

### 2.5 Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for following material items in the statement of financial position;

- Available-for-sale financial assets are measured at fair value.
- Non derivative financial assets and liabilities designated at fair value through profit or loss are measured at fair value.
- Freehold lands are measured at cost at the time of acquisition and subsequently at revalued amounts.
- Defined benefit liability is measured at present value based on actuarial valuation.

### 2.6 Comparative Information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation.

### 2.7 Functional and Presentation Currency

Items included in the Financial Statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the Functional Currency).

These Financial Statements are presented in Sri Lankan Rupees, the Company's Functional and Presentation Currency.

There was no change in the Company's Presentation and Functional Currency during the year under review.

### 3. USE OF JUDGMENTS AND ESTIMATES

In the process of applying the Company's accounting policies, management has exercised judgment and estimates in determining the amounts recognized in the financial statements. The most significant uses of judgment and estimates are as follows:

#### 3.1 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, judgment is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities.

#### 3.2 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 recorded in the profit or loss. In particular, management 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 a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found to be impaired have been provide for impairment. All individually not insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, credit utilization, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

#### 3.3 Impairment of Available-for-Sale Investments

The Company 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 judgment, 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.

#### 3.4 Deferred Tax Assets

Deferred tax assets are recognized in respect of tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

#### 3.5 Taxation

The Company is subject to income taxes and other taxes including VAT on financial services. Significant judgment is required to determine the total provision for current, deferred and other taxes in the financial statements and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, at the time of the preparation of these financial statements.

The Company recognized assets and liabilities for current, deferred and other taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the profit.

#### 3.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined by using an actuarial valuation. The actuarial valuation involves making assumptions about discount rates, Salary Increment Rate, Age of Retirement, and Mortality Rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

#### 3.7 Useful life-time of the Property, Plant and Equipment

The Company reviews the residual values, useful lives and methods of depreciation of assets as at each reporting date. Judgment of the management is exercised in the estimation of these values, rates, methods and hence they are subject to uncertainty.

#### 3.8 Provisions and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgment as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in respective legal jurisdictions.

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

## 4 SIGNIFICANT ACCOUNTING POLICIES

### 4.1 Changes in Accounting Policies

The Company has changed its accounting policy from fair value to cost model of accounting for property, plant and equipment during the year to be in conformity with the Group policy for measurement of property, plant and equipment.

Except for the above, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

### 4.2 Financial Instruments

#### 4.2.1 Initial recognition and subsequent measurement

##### (a) Date of Recognition

All financial assets and liabilities are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. This includes "regular way trades": purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

##### (b) Initial Measurement of Financial Instruments

The classification of financial instruments at initial recognition depends on the purpose and the management's intention for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

##### (c) Subsequent Measurement

The subsequent measurement of financial assets depends on their classification as described below:

##### (i) Financial Assets or Financial Liabilities Held-for-Trading

Financial assets or financial liabilities held-for-trading are recorded in the statement of financial position at fair value. Changes in fair value are recognized in 'Net operating income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established. Included in this classification are debt securities, equities and short positions.

##### (ii) Financial Assets and Financial Liabilities Designated at Fair Value Through Profit or Loss

Financial assets and financial liabilities classified in this category are those that have been designated by management on initial recognition. Management designates an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and

designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis.
- The assets and liabilities are part of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets and financial liabilities 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 losses. Interest is earned or incurred is accrued in 'Interest Income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is Recorded in 'Other operating income' when the right to the payment has been established.

The Company has not designated any financial assets and liabilities upon initial recognition as at fair value through profit or loss.

##### (iii) '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 immediately recognizes the difference between the transaction price and fair value ('Day 1' profit or loss) in 'Net operating income'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the profit or loss when the inputs become observable, or when the instrument is derecognized.

##### (iv) 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 amortized cost using the EIR, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment of such investments are recognized in

the income statement line 'Impairment for loans and other losses'. 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. Included in this classification is Government securities - Treasury Bills and Treasury Bonds

**(v) Loans and Advances to Customers (Loans and Receivables)**

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

- Those that the Company intends to sell immediately or in the near term and those that the Company upon initial recognition designates as at fair value through profit or loss.
- Those that the Company, upon initial recognition, designates as available for sale.
- Those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration.

After initial measurement, amounts 'Loans and advances to customers' are subsequently measured at amortized cost using the EIR, less allowance for impairment. Amortized 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 amortization is included in 'Interest income' in the comprehensive income. The losses arising from impairment are recognized in the comprehensive income in 'Impairment expenses for loans and advances and other losses'.

Included in this classification are Leases, Hire purchase, Margin trading receivable, Factoring & other loans and advances.

**(vi) Debt Issued and Other Borrowed Funds**

Financial instruments issued by the Company, that are not designated at fair value through profit or loss, are classified as liabilities under 'Deposits from customers and Other borrowings', 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 measurement, debt issued and other borrowings are subsequently measured at amortized cost using the EIR. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

**(vii) Available-for-Sale Financial Investments**

Available-for-sale investments include equity 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. The Company has not designated any loans or receivables as available-for-sale. After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the investment is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in the profit or loss under '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. Dividends earned whilst holding available-for-sale financial investments are recognized in the profit or loss as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the profit or loss in 'Impairment losses on financial investments' and removed from the 'Available-for-sale reserve'.

**4.2.2 Determination of Fair Value**

The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models, credit models and other relevant valuation models.

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 using a valuation model that has been tested against prices or inputs to actual market transactions and using the Company's 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

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

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 recognized only when the inputs become observable or on de recognition of the instrument.

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

#### (a) Financial Assets Carried at Amortized Cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash

flows for the purpose of measuring the impairment loss. The interest income is recorded as part of 'Interest Income'. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized 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 recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

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 collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's credit risk characteristics such as asset type, industry, geographical location, 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 credit risk characteristics similar to those in the group. 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. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

### **(b) 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 amortized cost.

However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortized cost and the current fair value, less any impairment loss on that investment previously recognized in the profit or loss. Future profit income is based on the reduced carrying amount and is accrued using the rate of return used to discount the future cash flows for the purpose of measuring the impairment loss.

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 recognized in the profit or loss is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss; increases in the fair value after impairment are recognized in other comprehensive income.

### **(c) 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 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.

### **(d) Collateral valuation**

The Company seeks to use collateral, where possible, to mitigate its risks on financial assets. The collateral comes in various forms such as cash, securities, letters of credit/

guarantees, real estate, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Non-financial collateral, such as real estate, is valued based on data provided by third parties such as Independent valuers, audited financial statements.

## **4.2.4 De recognition of financial assets and financial liabilities**

### **(a) Financial Assets**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive 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 asset, 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 flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations 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.

### **(b) Financial Liabilities**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

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

## 4.2.5 Offsetting financial instruments

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 recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, therefore, the related assets and liabilities are presented gross in statement of financial position.

## 4.3 Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date are not derecognized from the statement of financial position as the Company retains substantially all the risks and rewards of ownership. The corresponding cash received is recognized 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. When the counterparty has the right to sell or re-pledge the securities, the Company reclassifies those securities in its statement of financial position to 'Financial assets held-for-trading pledged as collateral' or to 'Financial investments available-for-sale pledged as collateral', as appropriate. Conversely, securities purchased under agreements to resell at a specified future date are not recognized 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.

## 4.4 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement at the inception date 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.

### 4.4.1 Finance Leases

#### Finance Leases - Company as a Lessee

Finance leases that transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on

the remaining balance of the liability. Finance charges are recognised in finance cost in the Statement of Profit or Loss and Other Comprehensive Income.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

### Finance Leases - Company as a Lessor

When the Company is the lessor under finance leases the amounts due under the leases, after deduction of unearned charges, are included in 'loans and advances to banks' or 'loans and advances to other customers', as appropriate. 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.

### 4.4.2 Operating Leases

#### Operating Leases - Company as a Lessor

Leases that do not transfer to the Company substantially all the risks and benefits incidental to ownership of the leased items are operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

Contingent rents are recognised as revenue in the period in which they are earned.

#### Operating Leases - Company as a Lessee

Leases that do not transfer to the Company substantially all risks and benefits incidental to ownership of the leased assets are operating leases. Operating lease payments are recognised as an expense in the profit or loss on a straight line basis over the lease term.

Contingent rental payable is recognized as an expense in the period in which they are incurred.

## 4.5 Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand with a maturity of three months or less.

For the purpose of the cashflow statement, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

## 4.6 Property, Plant and Equipment



#### 4.6.1 Recognition and Measurement

The Company applies the requirements of the Sri Lanka Accounting Standard - LKAS 16 on 'Property, Plant and Equipment' in accounting for its owned assets which are held for and use in the provision of services or for administrative purposes and are expected to be used for more than one year.

#### 4.6.2 Basis of Recognition

Property, plant and equipment are recognised if it is probable that future economic benefits associated with the asset will flow to the Company and cost of the asset can be reliably measured.

#### 4.6.3 Basis of Measurement

An item of property, plant and equipment that qualifies for recognition as an asset is initially measured at its cost. Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. 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.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in "other income" in the Income Statement.

#### 4.6.4 Subsequent Costs

The cost of replacing a component of an item of property or equipment is recognised 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 derecognised. The costs of the day to day servicing

of property and equipment are recognised in Income Statement as incurred.

#### 4.6.5 Repairs and Maintenance

Repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the assets when it is probable that future economic benefits in excess of the most recently assessed standard of performance of the existing assets will flow to the Company and the renovation replaces an identifiable part of the asset. Major renovations are depreciated during the remaining useful life of the related asset.

#### 4.6.6 Change in Accounting Policy

As explained in Note 4.1, the Company has changed its accounting policy to account for measurement of property, plant and equipment from fair value to cost model from the current financial year, to be in conformity with the Group accounting policy for measurement of property, plant and equipment.

#### 4.6.7 Depreciation

Depreciation is recognised in the Income Statement on a straight line basis over the estimated useful lives of each part of an item of property and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Land is not depreciated.

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

Building	-	25 Years
Air Conditioner	-	4 Years
Office Equipment	-	12.5 Years
Office Furniture and Fittings	-	8 Years
Plant & Machinery	-	4 Years
Motor Vehicles	-	4 Years
Computer equipment	-	4 Years

Depreciation methods, useful lives and residual values are reassessed at each reporting date and adjusted if appropriate.

The depreciation rates are determined separately for each significant part of an item of Property, Plant and Equipment and depreciation commences when it is available for use, i.e. when it is in the location and in the condition necessary for it to be capable of operating in the manner intended by the management. Depreciation of an asset ceases at the earlier

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

of the date that the asset is classified as held for sale or the date that the asset is derecognised.

All classes of property, plant and equipment together with the reconciliation of carrying amounts and accumulated depreciation at the beginning and at the end of the year are given in Notes to the Financial Statements.

## 4.7 Intangible Assets

All computer software costs incurred, licensed for use by the Company, which are not integrally related to associate hardware, and can be clearly identified, reliably measured and it is probable that they will lead to future economic benefits are included in the statement of financial position under the category intangible assets and carried at cost less accumulated amortization and accumulated impairment losses if any.

### 4.7.1 Subsequent Expenditure

Expenditure incurred on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

### 4.7.2 Amortisation

Intangible assets are amortized on a straight line basis over a period of 4-8 years in the statement of comprehensive income from the date when the asset is available for use, over the best estimate of its useful economic life.

### 4.7.3 Computer Software

Software acquired by the Company is measured at cost less accumulated amortisation and any accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software and capitalised borrowing costs, and are amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

## 4.8 Assets Held for Sale

The Company intends to recover the value of Assets classified as held for sale as at reporting date principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition, Management has committed to the sale and the sale is expected to be completed within one year from the date of classification.

As per the Sri Lanka Accounting Standard - SLFRS 5 on 'Non-current Assets held for Sale and Discontinued Operations', these assets are measured at the lower of the carrying amount and fair value, less costs to sell. Thereafter, the Company assesses at each reporting date or more frequently if events or changes in circumstances indicate that the investment or a group of investment is impaired. The Company recognizes an impairment loss for any initial or subsequent write down of the assets to fair value less costs to sell and also recognises a gain for any subsequent increase in fair value less costs to sell of an asset only to the extent to the cumulative impairment losses that has been recognised previously. As a result once classified, the Company neither amortised nor depreciate the assets classified as held for sale.

## 4.9 Impairment of Non-Financial Assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased.

If such indication exists, the Company estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in

the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the profit or loss.

#### 4.10 Equity movements

##### 4.10.1 Ordinary shares

The Company has issued ordinary shares that are classified as equity instruments. Incremental external costs that are directly attributable to the issue of these shares are recognised in equity, net of tax.

##### 4.10.2 Dividends on Ordinary Shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Company's Board of Directors in accordance with the Articles of Association.

Dividends for the year that are approved after the reporting date are dealt with as an event after the reporting date.

##### 4.10.3 Share Issue Costs

Share issue related expenses are charged against the retained earnings in the statement of equity.

#### 4.11 Employee Benefits

##### 4.11.1 Short term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

##### 4.11.2 Defined Contribution Plans

A defined contribution plan is a postemployment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the profit or loss in the periods during which related services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan and which are due more than 12 months after the end of the period in

which the employees render the service are discounted to their present value.

##### Employees' Provident Fund

All employees of the Company are members of the Employees' Provident Fund (EPF). The Company and employees contribute 12% and 8% respectively of the salary, monthly to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

##### Employees' Trust Fund

All employees of the Company are members of the Employees' Trust Fund (ETF). The Company contributes at the rate of 3% of the salaries of each employee, monthly to the Employees' Trust Fund managed by the Central Bank of Sri Lanka.

##### 4.11.3 Defined Benefit Plans

A defined benefit plan is a postemployment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit 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 and discounting that amount to determine its present value. The calculation is performed annually by a qualified independent actuary using the projected unit credit method.

With the adoption of LKAS 19 - "Employee Benefits", which became effective from 1 March 2013, the re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, are recognised immediately under Other Comprehensive Income.

Under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

The obligation is not externally funded

Actuarial gains or losses are recognised in the OCI in the period in which they arise.

#### 4.12 Recognition of Income and Expenses

##### 4.12.1 Interest Income and Interest Expense

Interest income and expense are recognized in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Company

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

estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all transaction costs and fees paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Profit or Loss and Other Comprehensive Income includes the interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis.

#### 4.12.2 Income from Leases, Hire purchases and Term loans

The excess of aggregated contract receivable over the cost of the assets constitutes the total unearned income at the commencement of a contract. The unearned income is recognized as income over the term of the facility commencing with the month that the facility is executed in proportion to the declining receivable balance, so as to produce a constant periodic rate of return on the net investment.

#### 4.12.3 Factoring

Revenue is derived from two sources, funding and providing Sales Ledger Related Services.

Funding - Discount income relating to factoring transactions is recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the Client's Current Account.

Sales Ledger Related Services - A service charge is levied as stipulated in the Factoring Agreement.

Income is accounted for on an accrual basis and deemed earned on disbursement of advances for invoices factored.

#### 4.12.4 Fees, Commission and Other Income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees are recognized as the related services are performed.

Profit or loss on contracts terminated, collections on contracts written off, interest on overdue rentals, interest on revolving loans, interest earned on property sale and buy back agreements are accounted for on cash basis.

#### 4.12.5 Dividends

Dividend income is recognized when the right to receive income is established.

#### 4.12.6 Expenditure Recognition

Expenses are recognized in the Statement of Profit or Loss and Other Comprehensive Income on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year.

#### 4.12.7 Value Added Tax (VAT) on Financial Services

The base for the computation of Value Added Tax on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees computed on the prescribed rate.

The VAT on Financial service is recognized as expense in the period it becomes due.

#### 4.12.8 Lease Payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

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.

#### 4.12.9 Income Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

#### 4.12.10 Current Tax Expense

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

#### 4.12.11 Deferred Tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for temporary differences on the initial recognition of assets or

liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

#### 4.12.12 Withholding Tax on Dividends

Withholding Tax on Dividends Distributed by the Company that arises from the distribution of dividends by the Company is recognised at the time the liability to pay the related dividend is recognised.

#### 4.12.13 Economic Service Charge (ESC)

As per the provisions of the Finance Act No. 11 of 2004, and amendments thereto, the ESC was introduced with effect from 1st April 2004. Currently, the ESC is payable at 0.25% on 'Exempt Turnover' and is deductible from the income tax payments. Unclaimed ESC, if any, can be carried forward and set-off against the income tax payable in the five subsequent years.

#### 4.12.14 Value Added Tax on Financial Services

The value base for the computation of value added tax on financial services is calculated by adjusting the depreciation computed on rates prescribed by the Department of Inland Revenue to the accounting profit before Income Tax and emoluments payable. Emoluments payable include benefits in money and not in money including contribution or provision relating to terminal benefits.

#### 4.12.15 Nation Building Tax on Financial Services (NBT)

With effect from 1st January 2014, NBT of 2% was introduced on supply of financial services via an amendment to the NBT Act No. 09 of 2009. NBT is chargeable on the same base used for calculation of VAT on financial services.

#### 4.13 Earnings Per Share

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. 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, which comprise share options granted to employees.

#### 4.14 Operating Segments

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 Board of Directors (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

The Company has four reportable segments, Leases, Hire Purchases, Loans and Treasury, which are the Company's strategic products / divisions. Those offer different products and services, and are managed separately based on the Company's management and internal reporting structure. For each of the strategic divisions, the Company's Board of Directors reviews internal management reports on a monthly basis.

Information regarding the results of each reportable segment is included in Note 36. Performance is measured based on segment profit before tax. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### 4.15 Events After Reporting Period

Events after the reporting period are those events, favourable and unfavourable, that occur between the Reporting date and the date when the financial statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective notes to the financial statements.

#### 4.16 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

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

reliably measured. Contingent Liabilities are not recognized in the Statement of Financial Position but are disclosed unless they are remote.

## 4.17 Statement of Cash Flows

The Cash Flow Statement has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Cash Flow Statements.

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

## 5 STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and amendments to standards which have been issued but not yet effective as at the reporting date have not been applied in preparing these Financial Statements. An analysis of the possible effect from those standards are given below.

### SLFRS 9 - 'FINANCIAL INSTRUMENTS'

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 - Financial Instruments: Recognition and Measurement is effective for annual reporting periods beginning on or after 1 January 2018. The key aspects of SLFRS 9 are;

#### 1. Classification - Financial Assets

SLFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cashflow characteristics.

SLFRS 9 includes three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). It eliminates the existing LKAS 39 categories of Held-to-maturity, Loans and receivables and Available-for-sale.

#### 2. Impairment - Financial assets, Loan Commitment and Financial Guarantee Contracts

SLFRS 9 replaces the 'Incurred Loss Model' in LKAS 39 with forward looking "Expected Loss Model" (ECL). This will require considerable judgement over how changes in economic factors affect ECL, which will be determined in a probability weighted basis.

SLFRS 9 requires loan loss to be recognised at an amount equal to either 12 month ECL or life time ECL. Lifetime ECLs are the ECLs that result from possible default events over the expected life of a financial instrument, whereas 12 months ECLs are the portion of the ECLs that results from default events that are possible within 12 months after the reporting date.

#### 3. Inputs into Measurement of ECLs

The key inputs into measurement of ECLs are likely to be the term structures of the following variables which will be derived from internally developed statistical models and other historical data that leverage regulatory models. They will be adjusted to reflect forward looking information.

- Probability of default (PD) are estimates at a certain date which will be calculated based on statistical models and assessed using rating tools tailored to the various categories of counterparties and exposures
- Loss Given Default (LGD) is the magnitude to the likely loss if there is default. The Company estimates LGD parameters based on history of recovery rates of claims against defaulted counter parties
- Exposure at Default (EAD) represents the expected exposure in the event of a default. The Company will derive the EAD from the current exposure to the counter party and potential chances to the current amount allowed under the contract

The most significant impact on the Company's financial statements from the implementation of SLFRS 9 is expected to result from the new impairment requirements. Impairment losses will increase and become more volatile for financial instruments within the scope of SLFRS 9.

The Company has employed statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposure and how these are expected to change as a result of the passage of time. This analysis include the identification and celebration of relationship between changes in default rates and changes in key macro-economic factors as well as analysis of the impact of certain other factors on the risk of default.

The Company has is computing the LGD using own data for the last 5 years, based on the history of recovery rates of claims against defaulted counter parties.

EAD for lending commitments and financial guarantees, include the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which has been estimated based on historical observations and forward looking forecasts

Under SLFRS 9, the Company has incorporated forward looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Company has completed the initial high level assessment of the potential impact on its Financial Statements for the year ended 31 March 2018, resulting from the application of SLFRS 9 with the assistance of an external consultant.

Based on the preliminary assessments undertaken to date, which is yet to be audited, the total estimated additional loan loss provision on the financial statements for the year ended 31 March 2018 on adoption of SLFRS 9 is expected to be in the range of 35% to 42%. It will also have an impact on capital adequacy of - 400 basis points on Tier 1.

The above assessment which is yet to be audited, is preliminary because not all transition work has been finalised. The actual impact of adopting SLFRS 9 on 1 January 2018 may change because;

- SLFRS 9 will require the Company to revise accounting process and internal controls and these changes are not yet complete;
- The Company is refining and finalising its models for ECL calculations; and
- The new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until the Company finalises its first financial statements for the year 31 March 2019 that include the date of initial application.

The Company is in the process of assessing the additional loan loss provision impact on the Financial Statements for the year ended 31 March 2018, resulting from the application of SLFRS 9.

#### OTHER STANDARDS

New or Amended Standards	Summary of the Requirements	Possible Impact on Financial Statements
SLFRS 15 Revenue from Contracts with Customers	<p>SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including LKAS 18, Revenue, LKAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.</p> <p>SLFRS 15 is effective from 1 January 2018, with early adoption permitted.</p>	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 15.
SLFRS 16 Leases	<p>SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet finance leases and Off-Balance Sheet operating leases. Instead, there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting.</p> <p>SLFRS 16 is effective for annual Reporting periods beginning on or after 1 January 2019.</p>	The Company is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

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

For the year ended 31 March,	2018 Rs.	2017 Rs. (Restated)
<b>6 Interest income</b>		
Money market	444,455	469,904
Placements with banks and financial Institutions	7,099,813	-
Securities purchased under repurchase agreements	2,059,244	2,823,512
Sri Lanka government securities	5,864,356	3,641,934
Fixed deposits loan	3,366,852	3,064,601
Margin trading	24,654,294	23,305,721
cheque discounting	36,782,551	21,234,069
Factoring loan	6,515,844	4,667,001
Hire purchase	6,089,837	14,238,541
Finance leases	49,746,422	46,404,734
Mortgage loan	20,596,643	16,339,557
Demand loan	11,481,684	8,440,249
Revolving loan	30,118,579	27,564,988
<b>Total interest income</b>	<b>204,820,574</b>	<b>172,194,811</b>

### 6.1 Notional Tax Credit for Withholding Tax on Government Securities on Secondary Market Transactions

The Inland Revenue Act No.10 of 2007, provided that a company which derives interest income from the secondary market transactions in Government Securities ( on or after April 1, 2002 ) would be entitled to a notional tax credit (being one ninth of the net interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

Accordingly the net interest income earned from the secondary market transactions in Government Securities for the year, has been grossed up in the financial statements and the resulting notional Tax credit amounts to Rs. 792,360/- for the year ended 31 March 2018 (2017 - Rs. 602,580/-).

<b>7 Interest expense</b>		
Deposits from customers	79,721,792	56,938,535
Other borrowings	14,053,015	18,542,093
<b>Total interest expense</b>	<b>93,774,807</b>	<b>75,480,628</b>
<b>8 Fee and commission income</b>		
Commission received	426,822	497,960
Finance charges - Hire purchase	-	2,149
Finance charges - Lease	209,445	743,513
Finance charges - Demand loan	100,769	143,304
Finance charges - Mortgage loan	68,376	211,490
Transfer fees	851,448	192,468
Other charges- Cheque discounting	154,588	132,058
	<b>1,811,448</b>	<b>1,922,942</b>



For the year ended 31 March,	2018 Rs.	2017 Rs. (Restated)
<b>9 Fee and commission expenses</b>		
Commission expenses	25,000	343,450
	<b>25,000</b>	<b>343,450</b>
<b>10 Net gains/(losses) from trading</b>		
<b>Equities</b>		
Net market to - market - gains	225,016	143,141
	<b>225,016</b>	<b>143,141</b>
<b>11 Other operating income</b>		
Default charges	5,767,384	5,350,012
Bad debt recoveries	659,677	345,601
Sundry income	20,350	29,446
Cheque return charges	101,811	75,423
Dividend income	218,296	87,339
Building rent income	391,304	659,700
Early settlement charges - Lease	11,897	65,487
Early settlement charges - Hire purchase	1,302	12,208
Gains from disposal of fixed assets	200,000	-
Gains from assets held for sale	878,944	12,550
	<b>8,250,965</b>	<b>6,637,766</b>
<b>12 Impairment charge for loans and advances</b>		
Impairment charge on individual impairment	55,341,924	494,082
Impairment reversal on collective impairment	(1,224,061)	(350,621)
	<b>54,117,863</b>	<b>143,461</b>
<b>13 Personnel expenses</b>		
Salaries	32,834,188	31,004,119
Directors' emoluments	2,343,133	2,587,614
Contributions to defined contribution plans	4,891,699	4,649,140
Contributions to defined benefit plans	1,782,234	1,224,178
Bonus expense	2,778,650	2,500,650
Vehicle Allowance	6,343,825	6,319,559
Others	2,480,955	2,620,148
	<b>53,454,684</b>	<b>50,905,408</b>

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

For the year ended 31 March,	2018 Rs.	2017 Rs.
<b>14 Profit/(Loss) from operations</b>		
Profit/(Loss) from operations is stated after charging all the expenses including the following,		
Directors' emoluments	2,343,133	2,587,614
Audit fees and expenses - Audit services	565,000	525,000
- Audit related services	1,377,995	775,000
Professional and legal expenses	3,349,672	1,422,033
Depreciation on property, plant and equipment	3,746,600	5,207,792
Amortization on intangible assets	1,718,233	1,696,589
Impairment charge for loans and advances (Note 12)	54,117,863	143,461
Personnel expenses (Note 13)	53,454,684	50,905,408
<b>15 Income tax expense</b>		
The major components of income tax expense for the year are as follows:		
<b>Current tax expense</b>		
Current tax expense for the year	(3,810,002)	(2,009,552)
Over provision in respect of prior years	719,647	(174,073)
	<b>(3,090,355)</b>	<b>(2,183,625)</b>
<b>Deferred tax expense</b>		
Origination of deferred tax assets	8,514,905	5,245,473
Origination of deferred tax liabilities	3,813,507	(7,314,128)
<b>Net Deferred tax charge/(reversal)</b>	<b>12,328,412</b>	<b>(2,068,655)</b>
<b>Income tax expenses</b>	<b>9,238,057</b>	<b>(4,252,280)</b>

For the year ended 31 March,		2018 Rs.		2017 Rs.
<b>15.1 Reconciliation of effective tax rate</b>				
A reconciliation between tax expense and the product of accounting profit/(loss).				
Profit/(Loss) for the year		(22,524,854)		4,745,085
Income tax expense		9,238,057		(4,252,280)
Profit/(loss) before tax		<b>(31,762,911)</b>		<b>8,997,365</b>
Tax using the Company's domestic tax rate	28%	(8,893,615)	28%	2,519,262
Aggregate allowable expenses	-50%	15,817,236	-74%	(6,690,352)
Tax-exempt income	1%	(429,927)	-1%	(89,803)
Profit/(Loss) from lease business during the year	8%	(2,683,692)	70%	6,270,445
Over provision in respect of prior years	2%	(719,647)	2%	174,073
	-10%	<b>3,090,355</b>	24%	<b>2,183,625</b>
<b>15.2 Amount recognized in other comprehensive income</b>				
Reassessment of defined benefit obligation		177,817		(37,138)
		<b>177,817</b>		<b>(37,138)</b>

## 16 Earnings/(loss) Per Share

### 16.1 Basic earnings/(loss) per share

Basic earnings/(loss) per share have been calculated by dividing the net profit/(loss) for the period attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2018	2017
<b>Amount used as the numerator:</b>		
Profit/(loss) attributable to the equity holders of the Company (Rs.)	(22,524,854)	4,745,085
Weighted average number of ordinary shares	46,519,243	46,519,243
<b>Basic earnings/(loss) per share (Rs.)</b>	<b>(0.48)</b>	<b>0.10</b>

### 16.2 Diluted earnings per share

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earning per share as shown above.

	2018	2017
<b>17 Cash and cash equivalents</b>		
Cash in hand	125,000	125,000
Balances with banks	32,949,004	16,432,401
	<b>33,074,004</b>	<b>16,557,401</b>
Bank overdraft	-	(254,143,054)
<b>Cash &amp; cash equivalents for the purpose of statement of cash flow</b>	<b>33,074,004</b>	<b>(237,585,653)</b>

## 18 Asset Held for Sale

	As at 31 March 2018		As at 31 March 2017	
	Carrying value Rs.	Fair Value Rs.	Carrying value Rs.	Fair Value Rs.
Land at Kadugannawa (67.43 Perches)	-	-	696,056	1,085,925
	-	-	696,056	1,085,925

18.1 The Company has acquired the land in 2008, as part of a settlement arrangement with a customer. Accordingly, the land was presented as an asset held for sale. The land has been sold during the Year.

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

### 18.2 Movement of Asset Held for Sale

	2018 Rs.	2017 Rs.
Opening balance	696,056	1,722,506
Sold during the Year	(696,056)	(1,026,450)
Closing Balance	-	696,056

### 18.4 Cumulative Income or Expenses Included in OCI

There are no cumulative income or expenses included in OCI relating to the assets held for sale.

As at 31 March,	2018 Rs.	2017 Rs.
<b>19 Financial assets at fair value through profit or loss</b>		
Quoted equity shares (Note 19.1)	1,568,234	1,343,218
	1,568,234	1,343,218

### 19.1 Quoted Equity Shares

	2018		2017	
	No of shares	Carrying/Fair value Rs.	No of shares	Carrying/Fair value Rs.
Balangoda Plantations PLC	22,000	484,000	22,000	283,800
Tokyo Cement Company (Lanka) PLC	8,157	440,878	6,798	414,678
Ceylon Hotels Corporation PLC.	4,715	70,725	4,500	86,400
The Kingsbury PLC	15,000	270,000	15,000	232,500
John Keells Hotels- PLC	32,584	303,031	32,584	325,840
Total market value		<b>1,568,634</b>		<b>1,343,218</b>

As at 31 March,	Notes	2018 Rs.	2017 Rs.
<b>20</b>	<b>Loans and Advances</b>		
	Leases	224,445,936	301,128,960
	Hire purchase	15,209,436	47,534,446
	Other loans and advances	482,646,625	607,292,525
	Margin trading receivable	128,635,029	171,429,580
		<b>850,937,026</b>	<b>1,127,385,511</b>
<b>20.1</b>	<b>Lease Receivables</b>		
	Lease rental receivable within one year	125,122,860	183,149,009
	Lease rental receivable between one to five years	134,603,639	154,305,445
	Net investment in finance leases	<b>259,726,499</b>	<b>337,454,454</b>
	Less: Provision for individual impairment	(33,481,870)	(33,980,051)
	Less: Provision for collective impairment	(1,798,693)	(2,345,443)
	Net investment in finance leases after impairment	<b>224,445,936</b>	<b>301,128,960</b>
<b>20.1.1</b>	<b>Leases rental receivable within one year</b>		
	Lease rental receivable	154,139,473	224,032,630
	Unearned lease income	(29,016,613)	(40,883,621)
		<b>125,122,860</b>	<b>183,149,009</b>
<b>20.1.2</b>	<b>Leases rental receivable between one to five years</b>		
	Lease rental receivable	164,891,443	203,897,853
	Unearned lease income	(30,287,804)	(49,592,408)
		<b>134,603,639</b>	<b>154,305,445</b>
<b>20.2</b>	<b>Hire purchase receivable</b>		
	Hire purchase receivable within one year	34,284,914	56,219,857
	Hire purchase receivable between one to five years	3,318,067	16,345,251
	Net investment in hire purchase	<b>37,602,981</b>	<b>72,565,108</b>
	Less: Provision for individual impairment	(21,664,180)	(22,564,279)
	Less: Provision for collective impairment	(729,365)	(2,466,383)
	Net investment in hire purchase after impairment	<b>15,209,436</b>	<b>47,534,446</b>
<b>20.2.1</b>	<b>Hire purchase receivable within one year</b>		
	Hire purchase receivable	35,826,650	61,748,061
	Unearned lease income	(1,541,736)	(5,528,204)
	Net receivable within one year	<b>34,284,914</b>	<b>56,219,857</b>
<b>20.2.2</b>	<b>Hire purchase receivable between one to five years</b>		
	Hire purchase rental receivable	3,578,131	18,551,315
	Unearned lease income	(260,064)	(2,206,064)
	Net receivable between one to five years	<b>3,318,067</b>	<b>16,345,251</b>

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

As at 31 March,	Notes	2018 Rs.	2017 Rs.
20.3	Other loans and advances		
	Gross investment in other loans and advances	197,174,109	289,787,548
	Other loans and advances in arrears	24,305,455	11,475,710
		<b>221,479,564</b>	<b>301,263,258</b>
	Unearned loan income	(39,596,561)	(52,511,027)
		<b>181,883,003</b>	<b>248,752,231</b>
	Revolving loan	175,165,816	179,002,863
	Cheque discounting	148,756,002	158,533,264
	Factoring	39,954,724	26,204,082
	Net investment in other loans and advances	<b>545,759,545</b>	<b>612,492,440</b>
	Less: Provision for individual impairment	(59,624,564)	(2,884,359)
	Less: Provision for collective impairment	(3,488,356)	(2,315,556)
	Net investment in other loans and advances after impairment	<b>482,646,625</b>	<b>607,292,525</b>
20.4	Margin trading receivables		
	Opening balance	173,933,190	115,687,423
	Decrease in net position	(116,466,809)	(3,768,820)
	Net payment and receipts	73,559,164	62,014,587
		<b>131,025,545</b>	<b>173,933,190</b>
	Less: Provision for individual impairment	(2,327,077)	(2,327,078)
	Less: Provision for collective impairment	(63,439)	(176,532)
	Closing balance	<b>128,635,029</b>	<b>171,429,580</b>

20.5 Movements in Individual and Collective Impairment During the Year

	Individual impairment Rs.	Collective impairment Rs.	Total impairment Rs.
<b>As at 1 April 2016</b>	93,221,675	7,654,535	100,876,210
Reversal of provision during the year	494,082	(350,621)	143,461
Write off during the year	(31,959,990)	-	(31,959,990)
<b>As at 31 March 2017</b>	<b>61,755,767</b>	<b>7,303,914</b>	<b>69,059,681</b>
<b>As at 1 April 2017</b>	61,755,767	7,303,914	69,059,681
Provision during the year	55,341,924	(1,224,061)	54,117,863
<b>As at 31 March 2018</b>	<b>117,097,691</b>	<b>6,079,853</b>	<b>123,177,544</b>

20.5 Product wise individual and collective impairment

**As at 31 March 2017**

Leases	33,980,051	2,345,443	36,325,494
Hire purchase	22,564,279	2,466,383	25,030,662
Other loans and advances	2,884,359	2,315,556	5,199,915
Margin trading receivable	2,327,078	176,532	2,503,610
	<b>61,755,767</b>	<b>7,303,914</b>	<b>69,059,681</b>

**As at 31 March 2018**

Leases	33,481,870	1,798,693	35,280,563
Hire purchase	21,664,180	729,365	22,393,545
Other loans and advances	59,624,564	3,488,356	63,112,920
Margin trading receivable	2,327,077	63,439	2,390,516
	<b>117,097,691</b>	<b>6,079,853</b>	<b>123,177,544</b>

As at 31 March,		2018 Rs.	2017 Rs.
<b>21</b>	<b>Financial Investments-Available-for-Sale</b>		
	Credit Information Bureau	345,775	345,775
		<b>345,775</b>	<b>345,775</b>
<b>22</b>	<b>Financial investments held to maturity</b>		
	Government securities - Treasury bills	58,472,715	41,564,920
	Government securities - Treasury bonds	1,995,321	1,969,515
		<b>60,468,036</b>	<b>43,534,435</b>

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

## 23 Property, Plant and Equipment

	Land	Buildings	Computer hardware	Machinery and equipment	Furniture and fittings	Office equipment	Moto Vehicles	Total 2018	Total 2017 Restated	Total 2016 Restated
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>23.1 Cost</b>										
<b>Balance as at 01 April</b>	8,312,500	15,856,213	11,854,764	2,234,537	4,467,349	7,214,600	708,945	50,648,908	47,587,716	50,313,109
Additions	-	-	751,895	206,219	-	4,000	-	962,114	3,061,192	1,240,231
Disposal during the period	-	-	-	-	-	-	(468,500)	(468,500)	-	(3,965,624)
<b>Balance as at 31 March</b>	<b>8,312,500</b>	<b>15,856,213</b>	<b>12,606,659</b>	<b>2,440,756</b>	<b>4,467,349</b>	<b>7,218,600</b>	<b>240,445</b>	<b>51,142,522</b>	<b>50,648,908</b>	<b>47,587,716</b>
<b>23.2 Accumulated depreciation</b>										
<b>Balance as at 01 April</b>	-	4,371,775	8,131,547	2,056,431	2,393,756	2,524,508	708,945	20,186,962	14,979,170	14,612,021
Charge for the year	-	817,938	1,649,770	99,436	594,603	584,853	-	3,746,600	5,207,792	3,766,083
Disposal during the period	-	-	-	-	-	-	(468,500)	(468,500)	-	(3,398,934)
<b>Balance as at 31 March</b>	<b>-</b>	<b>5,189,713</b>	<b>9,781,317</b>	<b>2,155,867</b>	<b>2,988,359</b>	<b>3,109,361</b>	<b>240,445</b>	<b>23,465,062</b>	<b>20,186,962</b>	<b>14,979,170</b>
<b>Carrying value</b>										
<b>As at 31 March 2018</b>	<b>8,312,500</b>	<b>10,666,500</b>	<b>2,825,342</b>	<b>284,889</b>	<b>1,478,990</b>	<b>4,109,239</b>	<b>-</b>	<b>27,677,460</b>		
<b>As at 31 March 2017</b>	8,312,500	11,484,438	3,723,217	178,106	2,073,593	4,690,092	-		30,461,946	32,608,546

### 23.3 Property, plant and equipment acquired during the financial year

During the financial year, the Company acquired Property, Plant & Equipment to the aggregate value of Rs. 962,114/- (2017 - Rs. 3,061,192/-)

### 23.4 Fully-depreciated property, plant and equipment

The initial cost of fully-depreciated property, plant and equipment, which are still in use as at reporting date is Rs. 10,420,711/- (2017 - 8,058,879)

### 23.5 Information on the freehold land and buildings of the company

The fair valuation of the revalued land was carried out as at 28th October 2014 by Mr P.W.Senaratne, Chartered Valuation Surveyor valuers, who hold recognized and relevant professional qualifications and has recent experience in the location and category of the revalued properties.

Address	Land Extent	Building Extent	Cost		Accumulated Depreciation	Last Valuation		Carrying Amount	
			Land Rs.	Building Rs.		Land Rs.	Building Rs.	2018 Rs.	2017 Rs.
No: 21, Kumara Veediya, within Ward No: 19 of Kandy Municipal Council, Kandy District, Central Province.	A-R-P	(Sq. Ft.)							
	0A-0R-4.75P	3040	8,312,500	15,856,213	5,189,713	22,500,000	15,856,213	18,979,000	19,796,938

As explained in Note 4.1 and Note 4.6.6 to the Financial Statements, the Company opted to recognise all classes of assets at cost less accumulated depreciation from 31 March 2018 to be in conformity with the group accounting policies. Accordingly, the revaluation surplus relating to the land has been reversed by restropective application.



As at 31 March,		2018 Rs.	2017 Rs.
<b>24</b>	<b>Intangible assets</b>		
	<b>Computer software</b>		
24.1	Cost		
	Balance as at 1 April 2017	13,755,739	12,633,539
	Additions during the year	150,000	1,122,200
	<b>Balance as at 31 March 2018</b>	<b>13,905,739</b>	<b>13,755,739</b>
24.2	Accumulated amortization		
	Balance as at 1 April 2017	5,852,135	4,155,546
	Charge for the year	1,718,233	1,696,589
	<b>Balance as at 31 March 2018</b>	<b>7,570,368</b>	<b>5,852,135</b>
	<b>Carrying value</b>	<b>6,335,371</b>	<b>7,903,604</b>
<b>25</b>	<b>Other assets</b>		
	Deposits and prepayments	8,234,322	8,204,608
	Inventory	8,335	8,145
	Tax Receivable	3,921,507	6,172,510
	Other receivable	8,795,054	1,113,511
	FS VAT over payment	5,467,671	959,129
	WHT (CP) overpayment	-	418,542
		<b>26,426,889</b>	<b>16,876,445</b>
<b>26</b>	<b>Deferred Tax</b>		
	Deferred tax assets	38,535,162	29,842,440
	Deferred tax liabilities	(19,079,994)	(22,893,501)
		<b>19,455,168</b>	<b>6,948,939</b>
	<b>Deferred tax assets</b>		
	Balance at the beginning of the year	29,842,440	24,634,105
	Recognized in profit or loss	8,514,905	5,245,473
	Recognized in other comprehensive income	177,817	(37,138)
	Balance at the end of the year	<b>38,535,162</b>	<b>29,842,440</b>
	<b>Deferred tax liabilities</b>		
	Balance at the beginning of the year	22,893,501	15,579,373
	Recognized in profit or loss	(3,813,507)	7,314,128
	Balance at the end of the year	<b>19,079,994</b>	<b>22,893,501</b>

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

	31 March 2018		31 March 2017	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
<b>Deferred Tax Liabilities</b>				
Finance leases	58,109,598	16,270,688	63,121,859	17,674,120
Property, plant & equipment	10,033,234	2,809,306	18,640,645	5,219,381
	<b>68,142,832</b>	<b>19,079,994</b>	<b>81,762,504</b>	<b>22,893,501</b>
<b>Deferred Tax Assets</b>				
Employee benefits	6,797,372	1,903,264	4,380,076	1,226,422
Tax losses on leasing business	46,939,363	13,143,022	62,448,866	17,485,682
Carried forward disallowed bad debt provision	83,888,841	23,488,876	39,751,200	11,130,336
	<b>137,625,576</b>	<b>38,533,162</b>	<b>106,580,142</b>	<b>29,842,440</b>

As at 31 March,		2018 Rs.	2017 Rs.
<b>27</b>	<b>Deposits from customers</b>		
	Deposits from customers	818,290,772	567,878,347
	Amortized interest payable	12,273,953	9,782,121
		<b>830,564,725</b>	<b>577,660,468</b>
27.1	Analysis of customer deposits based on nature		
	Fixed deposits - Conventional	818,290,772	567,878,347
	<b>Total deposits</b>	<b>818,290,772</b>	<b>567,878,347</b>
27.2	Deposits based on maturity		
	Deposits maturing within one year	813,454,112	526,003,519
	Deposits maturing after one year	17,110,613	51,656,949
		<b>830,564,725</b>	<b>577,660,468</b>

As at 31 March,		2018 Rs.	2017 Rs.
<b>28</b>	<b>Employee benefits</b>		
28.1	Defined contribution plans		
	Employees' Provident Fund		
	Employees' contribution	2,608,906	2,481,888
	Employers' contribution	3,913,359	3,722,832
	Employees' Trust Fund	978,340	926,308
28.2	Defined benefit plan		
	<b>Movement in the present value of the defined benefit obligation</b>		
	Defined benefit obligation as of 1 April	4,380,076	3,288,532
	Expense included in Personnel Expenses	1,782,234	1,224,178
	Remeasurement Component - Actuarial (gain)/loss	635,062	(132,634)
	As at the end of the year	<b>6,797,372</b>	<b>4,380,076</b>
28.3	Expenses included in Personnel Expenses		
	Current service cost	1,256,625	878,882
	Interest cost	525,609	345,296
		<b>1,782,234</b>	<b>1,224,178</b>
28.4	Amount recognized for defined benefit obligation in other comprehensive income		
	Cumulative loss as at 1 April	(862,346)	(729,712)
	Actuarial (gain)/loss for the year	635,062	(132,634)
	Cumulative loss as at 31 March	<b>(227,284)</b>	<b>(862,346)</b>

Actuarial valuation for defined benefit obligation was carried out as at 31 March 2018 by Mr. M Poopalanathan (AIA) of Messers Actuarial & Management Consultants (Pvt) Ltd, a firm of professional actuary. The valuation method used by the actuaries to value the obligation is the "Projected Unit Credit Method", a method recommended by the Sri Lanka Accounting Standard - LKAS 19 on "Employee Benefits".

28.5 Key assumptions used in the above valuation are as follows:

Discount rate per annum	11%	12%
Future salary growth	10%	10%
Retirement age (years)	55 years	55 years

The Defined Benefit Plan entitles a retired employee to receive a payment equal to half of the last drawn monthly salary multiplied by the number of completed years of service. However, as per the Statute, the company is liable to pay gratuity only upon the completion of continuous 5 years of service.

Assumptions regarding future mortality are based on published statistics and mortality tables.

The plan is not externally funded.

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

### 28.6 Sensitivity analysis on actuarial valuation

Reasonable possible changes at the reporting date, 31st March 2018 to one of relevant actuarial assumptions, holding other assumptions constant, would have affected the defined retirement obligation as shown below,

As at 31 March,	31 March 2018		31 March 2017	
	1% Increase Rs.	1% Decrease Rs.	1% Increase Rs.	1% Decrease Rs.
Discount rate	6,383,199	(7,260,301)	4,194,200	(4,581,041)
Future salary growth	7,285,984	(6,353,580)	4,599,350	(4,174,203)

As at 31 March,	2018 Rs.	2017 Rs.
<b>29 Other Liabilities</b>		
Accruals and other payables	8,535,712	9,126,657
Rental received in advance	390,640	1,042,416
Rental over payment	1,329,412	1,995,162
Advanced received from repossessed assets	33,500	33,500
Payable to margin trading customers	2,818,159	1,126,462
Sports club deduction	117,570	31,970
VAT on financial services payable	-	1,051,093
	<b>13,224,993</b>	<b>14,407,260</b>

### 30 Stated capital

	2018		2017	
	Number of Shares	Amount (Rs.)	Number of Shares	Amount (Rs.)
<b>Ordinary shares</b>				
At the beginning of the year	46,519,243	309,888,671	46,519,243	309,888,671
Balance at the end of the year	<b>46,519,243</b>	<b>309,888,671</b>	<b>46,519,243</b>	<b>309,888,671</b>

As at 31 March,	2018 Rs.	2017 Rs.
<b>31 Statutory reserve fund</b>		
Balance at the beginning of the year	11,360,719	11,123,465
Transfers during the year	-	237,254
Balance at the end of the year	<b>11,360,719</b>	<b>11,360,719</b>

Statutory Reserve Fund is a capital reserve which contains profit transferred as required by Section 3 (b) (ii) of the Central Bank Direction No. 1 of 2003.

As at 31 March,	2018 Rs.	2017 Rs. (Restated)	2016 Rs. (Restated)
<b>32 Other reserves</b>			
<b>32.1 General Reserve</b>			
Balance at the beginning of the year	60,000,000	60,000,000	60,000,000
Balance at the end of the year	<b>60,000,000</b>	<b>60,000,000</b>	<b>60,000,000</b>
<b>32.2 Revaluation reserve</b>			
Balance at the beginning of the year	-	-	-
Balance at the end of the year	-	-	-
<b>Total Other Reserves</b>	<b>60,000,000</b>	<b>60,000,000</b>	<b>60,000,000</b>

The General Reserve is created after provisioning for a statutory reserve fund. This reserve will be used for the future capitalization purpose of the Company.

As explained in Note 4.1 and Note 4.6.6, the Company opted to recognise all classes of assets at cost less accumulated depreciation from 31 March 2018 to be in conformity with the group accounting policies. Accordingly, the revaluation surplus relating to land has been reversed by restropective application.

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

## 33 Related party disclosure

The Company carried out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 24 - Related Party Disclosures. The details of which are given below.

### 33.1 Key Management personnel (KMP)

Key Management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly. Accordingly, the KMP include members of the Board of Directors of the Company (including executive and non-executive Directors).

Dialog Axiata PLC is the ultimate parent of the Company, and the Board of Directors of Dialog Axiata PLC have the authority and responsibility for planning, directing and controlling the activities of the Company. Therefore, the Directors of the Dialog Axiata PLC have also been identified as Key Management Personnel of the Company. The compensation paid to KMP's is as follow:

	2018 Rs.	2017 Rs.
<b>33.1.1 Compensation of Key management personnel</b>		
Short Term Employee Benefits	11,131,750	10,512,614
Post-employment benefits	1,361,250	962,500
	<b>12,493,000</b>	<b>11,475,114</b>

### 33.1.2 Other transactions with key management personnel (KMP) and their close family members (CFM)

CFM of KMP are those family members who may expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children of KMP domestic partner and dependents of the KMP or the KMP domestic partner. CFM are related parties to the Company.

<b>Statement of Financial Position</b>	2018 Rs.	2017 Rs.
Fixed deposits accepted during the year	-	437,500
Fixed deposits held at the end of the year	1,485,762	2,121,744
Loans given	-	215,647
Recovery of loans	241,460	162,011
<b>Income Statement</b>		
Interest paid on fixed deposits	180,867	180,646
Interest received	22,812	22,690
Commitments and contingencies	-	-

There are no transactions with CFMs during the year. No impairment losses have been recorded against balances outstanding with KMP and CFM.

## Transactions with the Parent and Related Entities

Name of the Company	Relationship	Nature of transaction	Transactions during the year paid/ (received)		Balance as at 31 March (Payable)/receivable	
			2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
Dialog Axiata PLC	Parent (with effect from 1 October 2017)	Fixed deposits	292,880,674	-	-	-
		Accrued Interest on fixed deposits	1,262,415	-	294,143,089	-
Cargills Bank Limited	Parent (upto 30 September 2017)	Bank Overdraft - Settlement	684,132,912	1,011,039,001	-	-
		Bank Overdraft - Utilized	(431,545,479)	(1,237,967,937)	-	(252,587,433)
Cargills Bank Limited	Parent (upto 30 September 2017)	Fixed deposits	(9,999,998)	(277,878,845)	-	-
		Accrued Interest on fixed deposits	(374,146)	(304,525)	-	(278,183,370)
WSO2 Telco (Private) Limited	Common Director	Loan - granted and interest charged	20,322,843	-	-	-
		Loan - settled	(59,000)	-	20,263,843	-

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

## 34 Financial Reporting by Segment

	Leasing & Hire purchase		Treasury/ Investments		Margin Trading		Revolving/Cheque discounting & Factoring		Other loan and advance		Unallocated		Total	
	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.	2018 Rs.	2017 Rs.
<b>Statement of profit/(loss) and other comprehensive income</b>														
Net interest income	32,069,767	39,084,102	2,166,195	1,165,218	13,076,101	12,705,584	44,040,163	30,974,630	19,693,541	12,784,649	-	-	111,045,767	96,714,183
Net Fees and commission income	209,445	7,45,862	-	-	-	-	154,588	132,058	169,145	354,794	1,253,270	346,978	1,786,448	1,579,492
Other income	3,998,784	4,088,079	225,016	143,141	-	-	-	-	1,791,799	1,359,628	2,470,382	1,210,059	8,475,981	6,780,907
<b>Operating income by segment</b>	<b>36,277,996</b>	<b>43,897,843</b>	<b>2,391,211</b>	<b>1,308,359</b>	<b>13,076,101</b>	<b>12,705,584</b>	<b>44,194,751</b>	<b>31,106,688</b>	<b>21,644,485</b>	<b>14,499,071</b>	<b>3,723,652</b>	<b>1,557,037</b>	<b>121,308,196</b>	<b>105,074,582</b>
<b>Total Operating income</b>	<b>36,277,996</b>	<b>43,897,843</b>	<b>2,391,211</b>	<b>1,308,359</b>	<b>13,076,101</b>	<b>12,705,584</b>	<b>44,194,751</b>	<b>31,106,688</b>	<b>21,644,485</b>	<b>14,499,071</b>	<b>3,723,652</b>	<b>1,557,037</b>	<b>121,308,196</b>	<b>105,074,582</b>
Credit loss expenses	3,682,049	(1,127,957)	-	-	113,093	(20,453)	(64,341,849)	(973,168)	(3,571,156)	1,378,117	-	-	(54,117,863)	(143,461)
Net operating income	39,860,044	42,769,886	2,391,211	1,308,359	13,189,194	12,685,131	(10,147,088)	30,733,520	18,073,329	15,877,189	3,723,652	1,557,037	67,190,334	104,931,120
Operating expenses	(7,544,188)	(8,981,709)	(10,380,984)	(2,403,879)	(4,049,343)	(4,416,095)	(11,454,586)	(9,370,094)	(3,738,801)	(6,274,005)	-	-	(37,167,903)	(31,445,783)
Depreciation & amortization	(1,109,230)	(1,972,065)	(1,526,327)	(527,807)	(595,379)	(969,618)	(1,684,180)	(2,057,341)	(549,720)	(1,377,550)	-	-	(5,464,836)	(6,904,381)
<b>Segment result</b>	<b>31,306,626</b>	<b>31,816,111</b>	<b>(9,516,100)</b>	<b>(1,623,328)</b>	<b>8,544,471</b>	<b>7,299,418</b>	<b>(23,285,863)</b>	<b>19,306,085</b>	<b>13,794,808</b>	<b>8,225,633</b>	<b>3,723,652</b>	<b>1,557,037</b>	<b>2,457,595</b>	<b>66,580,956</b>
Personnel expenses													(53,454,684)	(50,905,408)
Profit/(Loss) from operations													(28,897,090)	15,675,549
VAT on Financial services													(2,865,821)	(6,678,184)
Income tax (expenses)/reversal													9,238,057	(4,252,280)
<b>Net profit/(loss) for the year</b>													<b>(22,524,853)</b>	<b>4,745,085</b>
<b>Other information</b>														
Segment assets	239,655,372	348,663,406	329,771,566	93,316,846	128,635,029	171,429,580	363,876,542	363,740,209	118,770,084	243,552,316	71,198,662	62,886,990	1,260,603,480	1,283,589,347
Total assets	239,655,372	348,663,406	329,771,566	93,316,846	128,635,029	171,429,580	363,876,542	363,740,209	118,770,084	243,552,316	71,198,662	77,074,490	1,260,603,480	1,283,589,347
Segment liabilities	172,646,688	242,950,220	237,568,726	65,023,595	92,669,178	119,452,898	262,138,085	253,455,603	85,562,433	169,708,342	-	-	850,587,090	850,590,858
Total liabilities	172,646,688	242,950,220	237,568,726	65,023,595	92,669,178	119,452,898	262,138,085	253,455,603	85,562,433	169,708,342	-	-	850,587,090	850,590,858



### 35 Maturity Analysis of Assets and Liabilities

Remaining contractual period to maturity as at the date of Statement of Financial Position of the assets and the liabilities are as follows.

Category	Maturity period as at 31 March 2018				Total 2018 Rs.	Total 2017 Rs.
	up to 3 Months Rs.	4-12 Months Rs.	1-3 Years Rs.	Over 3 Years Rs.		
<b>Assets</b>						
Cash and cash equivalents	33,074,004	-	-	-	33,074,004	16,557,401
Placements with Banks and Financial Institution	-	207,706,325	-	-	207,706,325	-
Securities purchased under resale agreement	26,609,192	-	-	-	26,609,192	31,536,017
Asset held for sale	-	-	-	-	-	696,056
Financial Assets fair value through profit or loss	1,568,234	-	-	-	1,568,234	1,343,218
Loans and advance	514,250,467	133,649,639	161,984,534	41,052,386	850,937,026	1,127,385,511
Financial Investments-available for sale	-	345,775	-	-	345,775	345,775
Financial Investments-held to maturity	75,000	58,472,715	-	1,920,321	60,468,036	43,534,435
Property Plant and Equipment	-	-	-	27,677,460	27,677,460	30,461,946
Intangible Assets	-	-	-	6,335,371	6,335,371	7,903,604
Other Assets	5,486,602	16,255,216	4,685,071	-	26,426,889	16,876,445
Deferred tax assets	-	-	19,455,168	-	19,455,168	6,948,939
<b>Total assets as at 31 March 2018</b>	<b>581,063,499</b>	<b>416,429,670</b>	<b>186,124,773</b>	<b>76,985,538</b>	<b>1,260,603,480</b>	<b>1,283,589,347</b>
<b>Total assets as at 31 March 2017</b>	<b>668,941,045</b>	<b>247,649,160</b>	<b>238,005,215</b>	<b>128,993,927</b>	<b>-</b>	<b>1,283,589,347</b>
<b>Percentage - as at 31 March 2018</b>	<b>46%</b>	<b>33%</b>	<b>15%</b>	<b>6%</b>	<b>100%</b>	<b>-</b>
Percentage - as at 31 March 2017	52%	19%	19%	10%	-	100%
<b>Liabilities</b>						
Bank overdraft	-	-	-	-	-	254,143,054
Deposit from customers	474,061,447	339,392,665	16,690,566	420,047	830,564,725	577,660,468
Retirement benefit obligation	-	-	-	6,797,372	6,797,372	4,380,076
Other liabilities	10,596,069	2,452,916	176,008	-	13,224,993	14,407,260
<b>Total Liabilities</b>	<b>484,657,516</b>	<b>341,845,581</b>	<b>16,866,574</b>	<b>7,217,419</b>	<b>850,587,090</b>	<b>850,590,858</b>
<b>Equity</b>						
Stated capital	-	-	-	309,888,671	309,888,671	309,888,671
Statutory reserve fund	-	-	-	11,360,719	11,360,719	11,360,719
Retained earnings	-	-	-	28,767,000	28,767,000	51,749,099
Other reserves	-	-	-	60,000,000	60,000,000	60,000,000
<b>Total Equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>410,016,390</b>	<b>410,016,390</b>	<b>432,998,489</b>
<b>Total equity and liabilities as at 31 March 2018</b>	<b>484,657,516</b>	<b>341,845,581</b>	<b>16,866,574</b>	<b>417,233,809</b>	<b>1,260,603,480</b>	<b>1,283,589,347</b>
<b>Total equity and liabilities as at 31 March 2017</b>	<b>694,823,749</b>	<b>99,059,699</b>	<b>45,606,819</b>	<b>444,099,080</b>	<b>-</b>	<b>1,283,589,347</b>
<b>Percentage - as at 31 March 2018</b>	<b>39%</b>	<b>27%</b>	<b>1%</b>	<b>33%</b>	<b>100%</b>	<b>-</b>
Percentage - as at 31 March 2017	54%	8%	4%	35%	-	100%

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

## 36 Fair Value of Financial Instruments

### 36.1 Valuation models

The determination of fair value for financial assets and financial liabilities for which there is no observable market price, requires the use of valuation techniques as described in Notes to the Financial Statements For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

### 36.2 Valuation Framework

The Company has an established control framework with respect to the measurement of fair values of investments. The investment committee has overall responsibility for independently verifying the results of trading and investment operations and all significant fair value measurements carried out by the treasury division, which include :

- \* Verification of observable pricing;
- \* Re-performance of model valuations;
- \* Quarterly calibration and back-testing of models against observed market transactions;
- \* Analysis and investigation of significant daily valuation movements; and
- \* Review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 as explained below

When third party information, such as broker quotes or pricing services, is used to measure fair value, documents of evidence obtained from third parties to support the conclusion that such valuations meet the requirements of SLFRS/LKAS.

### 36.3 Classification of financial assets and financial liabilities

As at 31 March 2018	Note	Held for trading	Held to maturity	Loans and receivables	Available for sale	Other amortized cost	Total
		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Financial assets</b>							
Cash and cash equivalents	17	-	-	33,074,004	-	-	33,074,004
Placements with Banks and Financial Institution		-	207,706,325	-	-	-	207,706,325
Securities purchased under repurchase agreements		-	-	26,609,192	-	-	26,609,192
Financial assets at fair value through profit or loss	19	1,568,234	-	-	-	-	1,568,234
Loans and advances	20	-	-	850,937,026	-	-	850,937,026
Financial investments available for sale	21	-	-	-	345,775	-	345,775
Financial investments held to maturity	22	-	60,468,036	-	-	-	60,468,036
<b>Total financial assets</b>		<b>1,568,234</b>	<b>268,174,361</b>	<b>910,620,222</b>	<b>345,775</b>	<b>-</b>	<b>1,180,708,592</b>
<b>Financial liabilities</b>							
Deposits from customers	27	-	-	-	-	830,564,725	830,564,725
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>830,564,725</b>	<b>830,564,725</b>

As at 31 March 2017	Note	Held for trading Rs.	Held to maturity Rs.	Loans and receivables Rs.	Available for sale Rs.	Other amortized cost Rs.	Total Rs.
<b>Financial assets</b>							
Cash and cash equivalents	17	-	-	16,557,401	-	-	16,557,401
Securities purchased under repurchase agreements		-	-	31,536,017	-	-	31,536,017
Financial assets at fair value through profit or loss	19	1,343,218	-	-	-	-	1,343,218
Loans and advances	20	-	-	1,127,385,511	-	-	1,127,385,511
Financial investments available for sale	21	-	-	-	345,775	-	345,775
Financial investments held to maturity	22	-	43,534,435	-	-	-	43,534,435
<b>Total financial assets</b>		<b>1,343,218</b>	<b>43,534,435</b>	<b>1,175,478,929</b>	<b>345,775</b>	<b>-</b>	<b>1,220,702,357</b>
<b>Financial liabilities</b>							
Deposits from customers	27	-	-	-	-	577,660,468	577,660,468
Bank overdraft	17	-	-	-	-	254,143,054	254,143,054
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>831,803,522</b>	<b>831,803,522</b>

#### 36.4 Financial Instruments Measured at Fair Value - Fair Value Hierarchy

The amounts are based on the values recognized in the Statement of Financial Position.

As at 31 March 2018	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	1,568,234	-	-	1,568,234
Financial investments available for sale (*)	-	-	345,775	345,775
	<b>1,568,234</b>	<b>-</b>	<b>345,775</b>	<b>1,914,009</b>

As at 31 March 2017	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	1,343,218	-	-	1,343,218
Financial investments available for sale	-	-	345,775	345,775
	<b>1,343,218</b>	<b>-</b>	<b>345,775</b>	<b>1,688,993</b>

(\*) Value of unquoted shares of Rs. 0.34 Mn as at end of the year 2018 (Rs.0.34 Mn as at end 2017) categorized under financial investments available for sale, whose fair value cannot be reliably measured is stated at cost in the Statement of Financial Position as permitted by the Sri Lanka Accounting Standards - LKAS 39 on "Financial Instruments: Recognition and Measurement".

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

## 36.5 Transfer between levels

No transfers were made between levels during the year.

## 36.6 Fair Value of Financial Instruments not Carried at Fair Value

Financial instruments not carried at fair value are disclosed under the category of held to maturity, loans and receivables and other amortized cost category in note 20 to 22. The carrying amounts of these financial instruments are a reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near as at the reporting date.

## 37 Financial Risk Management

### Introduction

The company's risk management strategy is based on a clear understanding of various risks, disciplined risk assessment and measurement procedures and continuous monitoring. Risk is an integral component of the business model of any finance company. Accordingly, the purpose of risk management is that the institution properly identifies measures and handles risk and prepares adequate reports on all these efforts so that the extent of risks which the company has assumed have been compensated with adequate return.

With this in mind, the company has established and operates mechanisms, which ensure the ongoing assessment of relevant risk types on an individual basis and of the overall risk position of the organization.

More specifically, the committee is responsible for ensuring,

- Integrity and adequacy of the risk management function of the company.
- Adequacy of the company's capital.
- Risk exposures and risk profiles of the company are within acceptable parameters to make recommendations to the board of directors on any action required.
- The compliance of the company's operations with relevant laws, regulations and standards

The company has exposure to the following risks arising from financial instruments.

- 1 Credit Risk
- 2 Liquidity Risk
- 3 Market Risk
- 4 Operational Risk

### 37.1 Credit Risk

"Credit risk is the risk of financial loss to the Company if a borrower or counterparty to a financial instrument, fails to meet its contractual obligations, and arises principally from the Company's loans and advances to customers/other Companies and investments in debt securities.

Credit risk constitutes the Company's largest risk exposure category. This can be broadly categorized into two types; default and concentration risk."

Default risk is the risk of the potential financial loss resulting from the failure of customer or counterparty to meet its debt or contractual obligations and arises principally from the company's loans and advances to customers.

Concentration risk is the credit exposure being concentrated as a result of excessive build up of exposure to a single counterparty, industry, product, geographical location or insufficient diversification.

## 37.2 Credit Quality by Class of Financial Assets

	Neither past due not impaired Rs.	Past due but not impaired Rs.	Individually Impaired Rs.	Total Rs.
<b>As at 31 March 2018</b>				
Cash and cash equivalents	33,074,004	-	-	33,074,004
Placements with Banks and Financial Institution	207,706,325	-	-	207,706,325
Investment in repurchase agreement	26,609,192	-	-	26,609,192
Loans and Advance	700,455,363	4,893,553	145,588,111	850,937,026
Financial investments held to maturity	60,468,036	-	-	60,468,036
<b>Total</b>	<b>1,028,312,920</b>	<b>4,893,553</b>	<b>145,588,111</b>	<b>1,178,794,583</b>
<b>As at 31 March 2017</b>				
Cash and cash equivalents	16,557,401	-	-	16,557,401
Investment in repurchase agreement	31,536,017	-	-	31,536,017
Loans and advance	1,051,382,391	4,999,628	71,003,492	1,127,385,511
Financial investments held to maturity	43,534,435	-	-	43,534,435
<b>Total</b>	<b>1,143,010,244</b>	<b>4,999,628</b>	<b>71,003,492</b>	<b>1,219,013,364</b>

## 37.3 Analysis of Risk Concentration

### 37.3.1 Industry Analysis

The following table shows the risk concentration by industry for the components of the Statement of Financial Position.

Sector wise breakdown	Cash and bank balances	Available for sale	Loans and receivables	Held for trading	Securities purchased under resale agreements	Held to maturity	Total financial assets
31 March 2018	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Agriculture	-	-	12,980,089	-	-	-	12,980,089
Manufacturing	-	-	136,341,522	-	-	-	136,341,522
Construction	-	-	44,113,852	-	-	-	44,113,852
Financial services	33,074,004	-	131,025,545	-	-	207,706,325	371,805,874
Transport	-	-	81,272,815	-	-	-	81,272,815
Tourism	-	-	15,363,258	-	-	-	15,363,258
Government	-	-	-	-	26,609,192	60,468,036	87,077,228
Other	-	345,775	429,839,947	1,568,234	-	-	431,753,956
<b>Total</b>	<b>33,074,004</b>	<b>345,775</b>	<b>850,937,028</b>	<b>1,568,234</b>	<b>26,609,192</b>	<b>268,174,361</b>	<b>1,180,708,594</b>

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

37.3.2 Provincial breakdown for loans and receivable from customers within Sri Lanka is as follows.

Province	Loans and receivables	
	2018	2017
Central	199,487,129	308,559,179
Eastern	2,070,339	1,462,372
North Central	6,649,224	9,422,196
North Western	4,945,858	11,357,668
Northern	6,070,466	6,518,602
Sabaragamuwa	3,070,170	8,260,401
Southern	17,008,142	17,670,806
Uva	5,596,276	5,940,111
Western	606,039,422	758,194,176
	850,937,026	1,127,385,511

## 37.4 Liquidity Risk and Fund Management

Liquidity risk is the risk of inadequate resources to meet financial obligations in time and in full, at an acceptable cost. As was seen in some registered finance companies in the recent past, liquidity risk can pose serious threats to the existence of finance companies. The company understands the importance of a robust liquidity risk management policy and constantly monitors the liquidity position of the company.

Further, It is the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets. Liquidity risk arises because of the possibility that the company might be unable to meet its payment obligations when they fall due under both normal and stress circumstances. To limit the risk, management has arranged diversified funding sources in addition to its core deposit base, and adopted a policy of managing assets with liquidity in mind and monitoring future cash flows and liquidity on a daily basis.

### 37.4.1 Liquidity Risk

Liquidity risk refers to the possibility of Company not having sufficient cash to meet its payment obligations. This arises primarily due to mismatches in the maturity profile of Company's assets and liabilities. Adequate liquidity is critical to meet the Company's financial commitment and to accommodate additional funding needs of the growing business volumes.

The Company's primary objective in liquidity risk management is to ensure adequate funding for its businesses throughout market cycles, including periods of financial stress. To achieve this objective the asset and liability management committee (ALCO) analyses and monitors liquidity risk and maintains an adequate margin of safety in liquid assets.

Furthermore the Company maintains the statutory liquid assets ratio at its required level as a method to measure and control daily liquidity risk.

### 37.4.2 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarizes the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31 March 2018.

As at 31 March 2018	On Demand Rs.	Less than 03 Months Rs.	04-12 Months Rs.	01-03 Years Rs.	Over 03 Years Rs.	Total Rs.
<b>Financial Assets</b>						
Cash and Cash equivalents	33,074,004	-	-	-	-	33,074,004
Placements with Banks and Financial Institution	-	-	207,706,325	-	-	207,706,325
Investment in repurchase agreement	-	26,609,192	-	-	-	26,609,192
Financial Investments - Held for fair value	-	1,568,234	-	-	-	1,568,234
Loans and Advances	-	514,250,467	133,649,639	161,984,534	41,052,386	850,937,026
Financial Investments - Available for sale	-	-	345,775	-	-	345,775
Financial Investments - Held to maturity	-	75,000	58,472,715	-	1,920,321	60,468,036
<b>Total Financial Assets</b>	<b>33,074,004</b>	<b>542,502,893</b>	<b>400,174,454</b>	<b>161,984,534</b>	<b>42,972,707</b>	<b>1,180,708,592</b>
<b>Financial Liabilities</b>						
Deposit From Customer	-	474,061,447	339,392,665	16,690,566	420,047	830,564,725
<b>Total Financial Liabilities</b>	<b>-</b>	<b>474,061,447</b>	<b>339,392,665</b>	<b>16,690,566</b>	<b>420,047</b>	<b>830,564,725</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>33,074,004</b>	<b>68,441,446</b>	<b>60,781,789</b>	<b>145,293,968</b>	<b>42,552,660</b>	<b>350,143,867</b>
<hr/>						
As at 31 March 2017	On Demand Rs.	Less than 03 Months Rs.	04-12 Months Rs.	01-03 Years Rs.	Over 03 Years Rs.	Total Rs.
<b>Financial Assets</b>						
Cash and Cash equivalents	16,557,401	-	-	-	-	16,557,401
Investment in repurchase agreement	-	31,536,017	-	-	-	31,536,017
Financial Investments-held for fair value	-	1,343,218	-	-	-	1,343,218
Loans and Advances	-	614,993,049	194,478,035	229,180,565	88,733,862	1,127,385,511
Financial Investments-available for sale	-	-	345,775	-	-	345,775
Financial Investments-held to maturity	-	75,000	41,564,921	-	1,894,515	43,534,435
<b>Total Financial Assets</b>	<b>16,557,401</b>	<b>647,947,284</b>	<b>236,388,731</b>	<b>229,180,565</b>	<b>90,628,370</b>	<b>1,220,702,358</b>
<b>Financial Liabilities</b>						
Deposit From Customer	-	427,870,354	98,133,165	45,287,181	6,369,768	577,660,468
Other borrowings	-	254,143,054	-	-	-	254,143,054
<b>Total Financial Liabilities</b>	<b>-</b>	<b>682,013,408</b>	<b>98,133,165</b>	<b>45,287,181</b>	<b>6,369,768</b>	<b>831,803,522</b>
<b>Total Net Financial Assets/(Liabilities)</b>	<b>16,557,401</b>	<b>(34,066,124)</b>	<b>138,255,566</b>	<b>183,893,384</b>	<b>84,258,609</b>	<b>388,898,836</b>

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

## 37.5 Market Risk

Market risk refers to the possible losses to the Company that could arise from changes in market variables like interest rates, and equity prices. Among them, interest rate risk has been identified as the most critical risk given Company's business profile.

## 37.6 Interest Rate Risk

Interest rate risk is a key constituent of the market risk exposure of the Company due to adverse and unanticipated movements in future interest rate and arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the Company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities, and basis risk which is the threat to income arising from differences in the bases of interest rates.

Excessive movements in market interest rates could result in severe volatility to Company's net interest income and net interest margin. Company's exposure to interest rate risk is primarily associated with factors such as;

- Repricing risk arising from a fixed rate borrowing portfolio where repricing frequency is different to that of the lending portfolio.
- Yield curve risk arising from unanticipated shifts of the market yield curve.

## 37.7 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk events which include legal and regulatory implications could lead to financial and reputation losses to the Company.

The Operational Risk Management Framework of the Company has been defined under the Board approved Operational Risk Management Policy. Operational risk is managed by establishing an appropriate internal control system that requires a mechanism for segregation of related responsibilities within the Company, and a detailed testing and verification of the Company's overall operational systems, and achieving a full harmony between internal and external systems and establishing a fully independent back-up facility for Business Continuity Planning.

### 37.7.1 Regulatory Risk

In this latter process, the Compliance Officer is supported and assisted by the company's internal auditors, Messrs. Ernst & Young who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also documented through formal procedure manuals for each business unit.

### 37.7.2 Reputation Risk

Reputation risk is the risk to earning, capital or brand arising from negative public or employee opinion. A company's reputation is a valuable business asset in its own right, essential to optimizing shareholder value. Reputation risk cannot be managed in isolation from other forms of risks, since all risks can have an impact on reputation, which in turn can impact the brand, earning and capital. Credit, liquidity, interest rate, operational, and regulatory risk must all be managed effectively in order to safeguard the company's reputation.



### 38 Capital Adequacy and Management

Capital adequacy measures the Company's aggregate capital in relation to the risk, which may arise from its assets and off balance sheet transactions, its dealing operations and its human activities, technology and natural incidents. The Central Bank of Sri Lanka has prescribed the minimum risk sensitive capital with effective from January 2006. This guidelines required Company's to maintained minimum capital ratio of 5% and minimum risk weighted core capital of 10%.

As at 31 March	Minimum Requirement	2018	2017
<b>Capital to risk weighted asset ratio</b>			
Tier I		41%	37%
Deduction - Tier I		-	-
Core capital	5%	41%	37%
Tier II		-	-
Deduction - Tier II		-	-
<b>Total capital base</b>	<b>10%</b>	<b>41%</b>	<b>37%</b>

### 39 Contingent Liabilities

There have been no significant contingent liabilities outstanding as at the reporting date.

### 40 Litigation and Claims

There have been no material events litigations and claims that require adjustments or disclosures in the financial statements.

### 41 Commitments

There have been no significant commitments outstanding as at the reporting date.

### 42 Events Occurring after the Reporting Period

There have been no material events occurred after the reporting date that require adjustments or disclosures in the financial statements.

### 43 Comparative Information

Comparative information has been reclassified where necessary to conform to current years presentation.

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

## 44 Changes to the accounting policies

As explained in Note 4.1, the Company has changed its accounting policy for measurement of property, plant and equipment from fair value to cost model during the current financial year, to be in conformity with the group accounting policy for property, plant and equipment.

As per LKAS 8, Property, Plant and Equipment, when an entity changes its accounting policy from the fair value to the cost model of accounting for property, plant and equipment, all previous revaluations, including subsequent depreciation charges, are reversed. In this case, the usual procedures for a change in accounting policy apply - i.e. the effect of the change is calculated retrospectively and the adjustment is generally recognised by adjusting the opening balance of retained earnings for the earliest prior period presented and restating comparative amounts presented. Accordingly, these financial statements have been adjusted retrospectively. The affected financial position of the Company is set out below:

### 44.1 Reconciliation of Statement of Financial Position

As at	31 March 2017			31 March 2016		
	Previous policy	Effect of transition to new policies	New policy	Previous policy	Effect of transition to new policy	New policy
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>ASSETS</b>						
<b>Non-current assets</b>						
Other assets	1,253,127,401	-	1,253,127,401	1,071,802,225	-	1,071,802,225
Property, plant and equipment	44,649,446	(14,187,500)	30,461,946	46,796,046	(14,187,500)	32,608,546
<b>Total assets</b>	<b>1,297,776,847</b>	<b>(14,187,500)</b>	<b>1,283,589,347</b>	<b>1,118,598,271</b>	<b>(14,187,500)</b>	<b>1,104,410,771</b>
<b>Liabilities</b>						
<b>Total liabilities</b>	<b>850,590,858</b>	<b>-</b>	<b>850,590,858</b>	<b>676,252,863</b>	<b>-</b>	<b>676,252,863</b>
<b>Equity</b>						
Stated capital	309,888,671	-	309,888,671	309,888,671	-	309,888,671
Statutory reserve fund	11,360,719	-	11,360,719	11,123,465	-	11,123,465
Other reserves	74,187,500	(14,187,500)	60,000,000	74,187,500	(14,187,500)	60,000,000
Retained earnings	51,749,099	-	51,749,099	47,145,772	-	47,145,772
<b>Total current liabilities</b>	<b>447,185,989</b>	<b>(14,187,500)</b>	<b>432,998,489</b>	<b>442,345,408</b>	<b>(14,187,500)</b>	<b>428,157,908</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,297,776,847</b>	<b>(14,187,500)</b>	<b>1,283,589,347</b>	<b>1,118,598,271</b>	<b>(14,187,500)</b>	<b>1,104,410,771</b>

There is no impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 March 2017.

# Share Information

## Information on Ordinary Shares of the Company

Market Price per Share

Market prices per ordinary share for the year ended 31 March	2018 Rs.	2017 Rs.
Highest price	39.00	13.00
Lowest price	22.00	9.10
Last traded price	25.00	10.00

## Shareholders' Information

### 20 Largest Shareholders as at 31.03.2018

		No of Shares	% of Holding
1	Dialog Axiata PLC	45,993,629	98.87%
2	Bishop of Ratnapura	29,808	0.06%
3	Seylan Bank PLC/ S R Fernando	20,000	0.04%
4	Merchant Bank of Sri Lanka & Finance PLC/ M N M Safraz	15,000	0.03%
5	Miss. K R Perera	15,000	0.03%
6	Mr. S L Paranamanage	13,700	0.03%
7	Mr. G K Fonseka	13,201	0.03%
8	Mr. K Nandasiri/ Mr. T B Ratna Sujeewa	12,000	0.03%
9	Mr. R L G Fernando	12,000	0.03%
10	Mr. O W D Yasapala	11,000	0.02%
11	Seylan Bank Limited/ Ruwan Prasanna Sugathadasa	10,000	0.02%
12	Mr. H V S M Navaratne	10,000	0.02%
13	Mr. T Nagarajan	10,000	0.02%
14	Mr. B C N Mendis	10,000	0.02%
15	Mr. B C V Mendis	10,000	0.02%
16	Mr. T D Mahaliyana	9,940	0.02%
17	Miss. B G A Nilmini	9,700	0.02%
18	Mr. N S Wijesekara	7,479	0.02%
19	Mr. M M C A P Wijesekara/ Mrs. M D P T Wijesekara	6,600	0.01%
20	Mrs. H I C Basthiyan Koralage	6,500	0.01%
		46,225,557	99.37%
	Others	293,686	0.63%
	Total	46,519,243	100.00%

## Share Information (Contd...)

Directors'/ CEO's Holding in Shares as at 31 March	2018	2017
Dr. Hans Wijayasuriya	Nil	Nil
Mr. Supun Weerasinghe	Nil	Nil
Mr. Sheyantha Abeykoon	Nil	Nil
Mr. Priyan Edirisinghe	Nil	Nil
Mr. Roshaan Hettiaratchi	Nil	Nil
Mr. Lohika Fonseka (CEO)*	Nil	Nil

\* Resigned with effect from 2 April 2018

Public shareholding percentage was 1.13% and number of shareholders representing the public holding was 544 as at 31 March 2018.

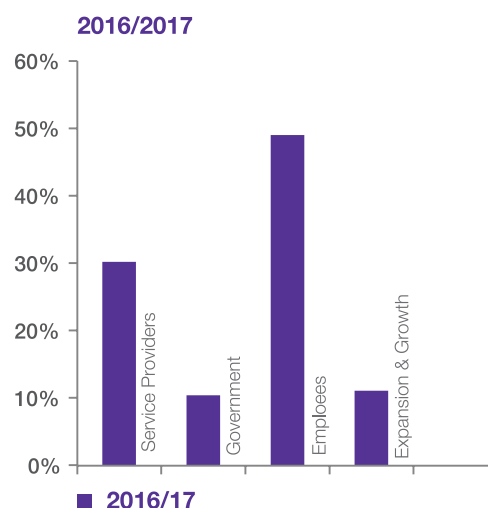
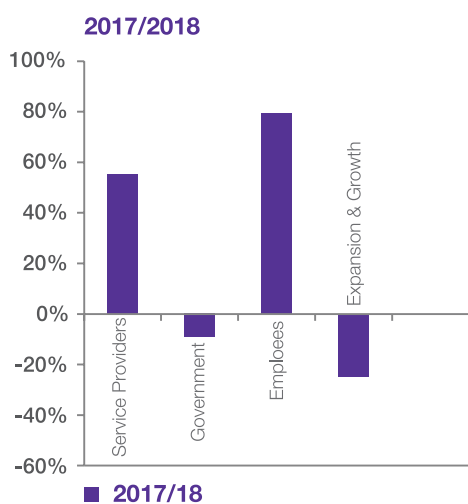
### Distribution of Shareholders

Resident	Resident			Non Resident			Total		
	Number of Share holders	No. of Shares	(%)	Number of Share holders	No. of Shares	(%)	Number of Share holders	No. of Shares	(%)
1 to 1000 Shares	443	90,081	0.20	6	1,379	0.00	449	91,460	0.20
1001 to 10000 Shares	82	272,678	0.59	4	19,767	0.04	86	292,445	0.63
10001 to 100000 Shares	9	141,709	0.30	0	0	0.00	9	141,709	0.30
100001 to 1000000 Shares	0	0	0.00	0	0	0.00	0	0	0.00
over 1000000 Shares	1	45,993,629	98.87	0	0	0.00	1	45,993,629	98.87
	535	46,498,097	99.96	10	21,146	0.04	545	46,519,243	100

Categories of Shareholders	No. of Shareholders	No. of Shares	%
Individual	521	436,915	0.94
Institutional	24	46,082,328	99.06
	545	46,519,243	100.00

# Value Added Statement

	2017/18	%	2016/17	%
Value added				
Interest income	204,820,574		172,194,811	
Interest expenses	(93,774,807)		(75,480,628)	
Value added	111,045,767		96,714,183	
Other income	8,475,981		6,780,907	
Income from fee based activities	1,811,448		1,922,942	
Impairment (charges)/reversal for loans and advances and other losses	(54,117,863)		(143,461)	
Wealth created	67,215,333		105,274,571	
Distribution of value added				
To service providers				
Overhead and support services	37,192,903	55	31,789,233	30
To the government				
Value added tax on financial services	2,865,821		6,678,184	
Tax expense/( reversal)	(9,238,057)		4,252,280	
	(6,372,236)	(9)	10,930,464	10
To employees				
Salaries, wages and other benefits	53,454,684	79	50,905,408	49
To expansion & growth				
Retained earnings	(22,524,854)		4,745,085	
Depreciation	5,464,836		6,904,381	
	(17,060,018)	(25)	11,649,466	11
	67,215,333		105,274,571	



# Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE **THIRTY SEVENTH ANNUAL GENERAL MEETING OF COLOMBO TRUST FINANCE PLC** WILL BE HELD AT SRI LANKA FOUNDATION INSTITUTE, NO. 100, PADANAMA MAWATHA, INDEPENDENCE SQUARE, COLOMBO 07 ON FRIDAY, 31 AUGUST 2018 AT 4:30 PM TO TRANSACT THE FOLLOWING BUSINESS:-

1. To receive and consider the Report of the Directors and the Statements of Accounts for the year ended 31 March 2018 together with the Report of the Auditors thereon.
2. To appoint Messrs. PricewaterhouseCoopers, Chartered Accountants as the Auditors of the Company for the ensuing year and authorise the Directors to determine their remuneration.
3. To appoint Dr. Hans Wijayasuriya as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.
4. To appoint Mr. Supun Weerasinghe as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.
5. To appoint Mr. Sheyantha Abeykoon as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.
6. To appoint Mr. Asanga Priyadarshana as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.
7. To authorise the Board of Directors to determine contributions to charities and other donations for the year 2018/ 2019.

BY ORDER OF THE BOARD OF  
COLOMBO TRUST FINANCE PLC  
S S P CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES  
Colombo.  
08 August 2018

#### Notes:

1. Only persons who are shareholders of the Company and whose names appear on the share register as at the AGM date will be entitled to attend the above meeting.
2. A shareholder entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his/her place by completing the Form of Proxy enclosed herewith.
3. A proxy need not be a shareholder of the Company. However the proxy must be above 18 years of age.
4. Shareholders/proxy holders are kindly advised to bring along with them their national identity card or a similar form of acceptable identity when attending the meeting.







# Form of Proxy

I/We .....  
 (holder of NIC/Passport/Company Registration No/s.....)  
 of (address of shareholder/s) .....  
 being a shareholder/s of Colombo Trust Finance PLC hereby appoint Mr./Mrs./Ms. ....  
 .....(NIC No.....)  
 .....of  
 .....failing him/her.

Dr. Hans Wijayasuriya	of Colombo failing him
Mr. Supun Weerasinghe	of Colombo failing him
Mr. Sheyantha Abeykoon	of Colombo failing him
Mr. Priyan Edirisinghe	of Colombo failing him
Mr. Roshaan Hettiaratchi	of Colombo failing him
Mr. Asanga Priyadarshana	of Colombo

as my/our proxy to represent me/us to vote on my/our in accordance with the preference as indicated below at the 37th Annual General Meeting of the Company to be held on 31 August 2018 at 4:30 pm and at any adjournment thereof and at every poll which may be taken in consequence thereof.

Agenda Item	For	Against
To receive and consider the Report of the Directors and the Statements of Accounts for the year ended 31 March 2018 together with the Report of the Auditors thereon.		
To appoint Messrs. PricewaterhouseCoopers, Chartered Accountants as the Auditors of the Company for the ensuing year and authorise the Director to determine their remuneration.		
To appoint Dr. Hans Wijayasuriya as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.		
To appoint Mr. Supun Weerasinghe as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.		
To appoint Mr. Sheyantha Abeykoon as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.		
To appoint Mr. Asanga Priyadarshana as a Director, in terms of Article 26(3)(a) of the Articles of Association of the Company.		
To authorise the Board of Directors to determine contributions to charities and other donations for the year 2018/2019.		

Please indicate with a 'X' in the space provided how your proxy is to vote on each resolution. If you do not do so, the proxy will vote or abstain from voting at his discretion,

Signature of shareholder	Contact No. of Shareholder	Date

Note: Instructions as to completion are noted on the reverse hereof

## INSTRUCTIONS AS TO COMPLETION OF PROXY

1. Kindly complete the Form of Proxy by legibly filling your full name and address, signing in the space provided, and filling in the date of signature.
2. If the Proxy Form is signed by an Attorney, the relative Power of Attorney should also accompany the Proxy form for registration, if such Power of Attorney has not already been registered with the Company.
3. In the case of Company/Corporation, the Proxy must be filled and attested in the legally prescribed manner.
4. The completed Form of Proxy should be deposited at the office of the Secretaries, **S S P Corporate Services (Private) Limited, No. 101, Inner Flower Road, Colombo 03**, not less than 48 hours, before the Meeting.
5. A shareholder appointing a Proxy (other than a Director of the Company) to attend the meeting should indicate the Proxy holder's National Identity Card (NIC) number on the Form of Proxy and request the Proxy holder to bring his/her National Identity Card with him/her.

Please provide the following details	
Shareholders NIC No.	
No. of Shares held	
Proxy holders NIC/Passport/Company Registration No/s. (If not a Director of the Company)	

# Corporate Information

## **Name of the Company**

Colombo Trust Finance PLC

## **Legal Form**

A Public Quoted Company with Limited Liability.  
Shares were quoted on the Colombo Stock Exchange on 4 October 2011.

## **Date of Incorporation**

25 November 1981

## **Company Registration No.**

PB 765 PQ

## **Directors**

Dr. Hans Wijayasuriya - Chairman  
Mr. Supun Weerasinghe  
Mr. Roshan Hettiaratchi  
Mr. Priyan Edirisinghe  
Mr. Sheyantha Abeykoon  
Mr. Asanga Priyadarshana - Chief Executive Officer  
(appointed with effect from 6 April 2018)

## **Registered Office**

No. 21, Kumara Veediya, Kandy.

## **Colombo Office**

123, Hunupitiya Lake Road, Colombo 02.  
Tel : + 94 11 4317317  
Fax :+ 94 11 4317335  
E-mail : inquiries@ctf.lk

## **Secretaries and Registrars**

S S P Corporate Services (Private) Limited  
No. 101, Inner Flower Road, Colombo 03.  
Tel : +94 11 4369778  
Fax : +94 11 2573609

## **Bankers**

Bank of Ceylon  
People's Bank  
Seylan Bank PLC  
Commercial Bank of Ceylon PLC  
DFCC Bank PLC  
Nations Trust Bank PLC  
Union Bank of Colombo PLC  
Cargills Bank Ltd

## **Auditors**

Messrs. 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



COLOMBO TRUST FINANCE PLC

123, Hunupitiya Lake Road, Colombo 02.  
Gen: +94 11 4317317 Fax: +94 11 4317335  
Email: [inquiries@ctf.lk](mailto:inquiries@ctf.lk) Web: [www.ctf.lk](http://www.ctf.lk)