



ANNUAL REPORT 2011/2012







## Flowing ahead.... Strong & Steady...

A stream so petite and conspicuous, turning into a huge lake after an arduous journey is awe-inspiring.

No matter what obstacle it faces, the stream will continue to grow bigger and bigger until it reaches its' destination.

At a point it will divide into many branches but will re-unite stronger than it was.

Beautiful waterfalls in the midst add exquisiteness and lakes with blossoming flowers make it more gorgeous.

Bartleet Finance records another successful financial year continuing to grow strong and steady....





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A scenic photograph of a lake with trees and a red overlay. The image shows a calm body of water with a forested shoreline in the background. In the foreground, there are several trees, including a large one on the left with ivy on its trunk and a group of three trees on the right. A red triangular overlay is positioned on the left side of the image, containing the text 'Our Vision' and a quote.

## Our Vision

'Be a customary household name as a preferred financial service provider'





## Our Mission

"Provide attractive and innovative financial services whilst maximising return on investment, through caring, competent and committed staff"



## *Story of,* **Bartleet Finance**

### **At a Glance**

The Bartleet Group expanded activities in the financial services sector in 1983 and obtained a license as a Central Bank of Sri Lanka approved financial entity and is today one of the oldest financial services organizations.

We operate within the stipulations of the Central Bank and have, over three decades, won the trust and respects of Sri Lankans by fulfilling our role as a solid financial institution that serves the nation and her people with transparency and accountability. The Fixed Deposit base which exceeds SLR 5 billion and investment portfolio of SLR 5 billion bears ample testimony to the trust and confidence, our customers have placed in us.

### **Our History**

The Bartleet Group's history dates back to 1904, when Wilton Bartleet set up a partnership in Sri Lanka with George White and Company, Tea Brokers of London. Eight years later this partnership dissolved and the name of the company changed to Bartleet and Company. In 1938, Mallory Wijesinghe, son-in-law of Sri Lanka's first Ceylonese Governor General, Sir Oliver Goonetilleke was appointed Chairman and Managing Director of the Company, and that same year, ownership of the Company became 100 per cent local. The Group since broad based its activities in the JCT, mineral processing and trading sectors of the economy.

### **Creating Value**

Creating and enhancing peoples' wealth, providing an impetus to Sri Lanka's economic growth, despite financial turmoil and instability throughout the world. Operating in an environment of numerous challenges the Group has stood steadfast and have fortified our financial strength and stability, through these challenges.

### **Product Portfolio/ Services**

Product portfolio of Bartleet Finance spread a wide spectrum of services which includes mobilization of deposits, hire purchase, leasing, pledge loans, trade financing, factoring, real estate development, equity investment, asset and portfolio management and related services. Equipped with these services, Bartleet Finance steers towards an inimitable target, to be the most versatile and dependable financial service provider in the country.

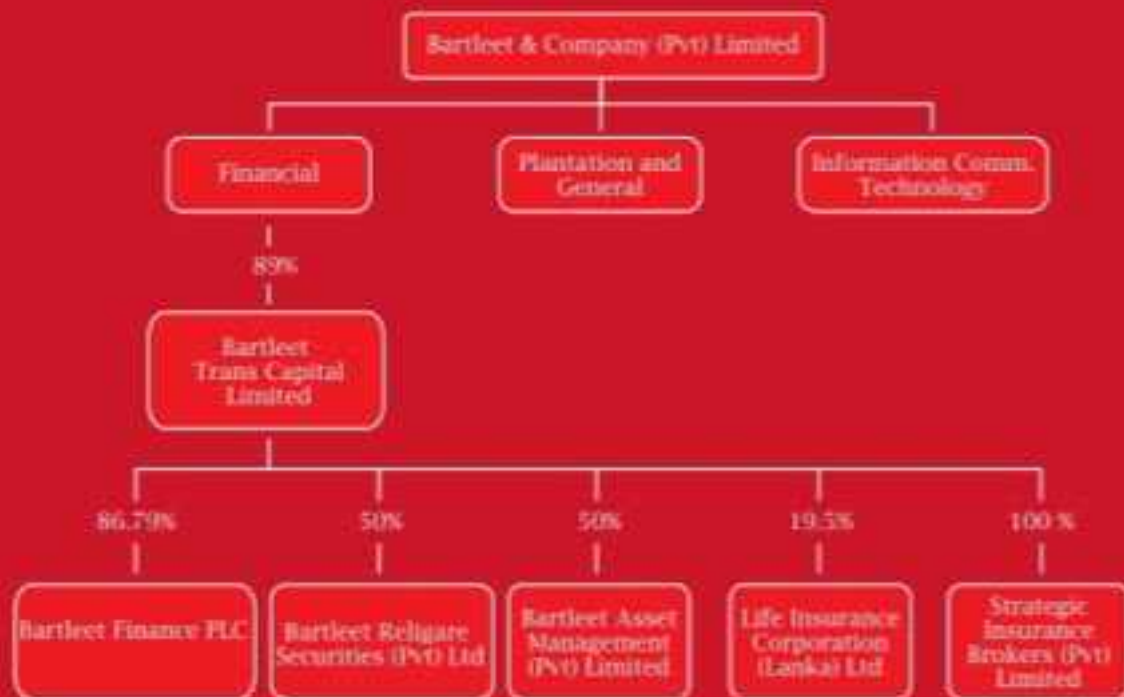
### **Accreditations**

Incorporated in 1981, under the Companies Act No.17 of 1982 and was re-registered in terms of the new Companies Act No. 07 of 2007 on 27<sup>th</sup> July 2009. Licensed by the Monetary Board of the Central Bank of Sri Lanka to accept fixed deposits from the public. The Company is registered under the Finance Leasing Act No. 56 of 2000 and Finance Business Act No. 42 of 2011. The Company in compliance with the Central Bank regulations listed Debenture Notes and thus became a listed Company.

RAM rating has affirmed the credit rating of Bartleet Finance PLC with BBB - / P3.

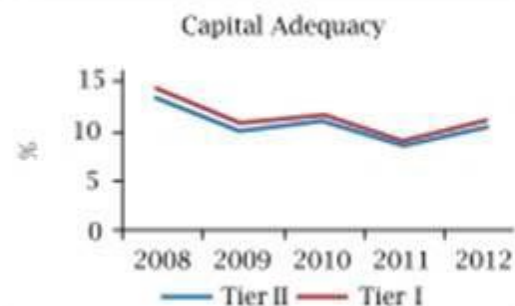
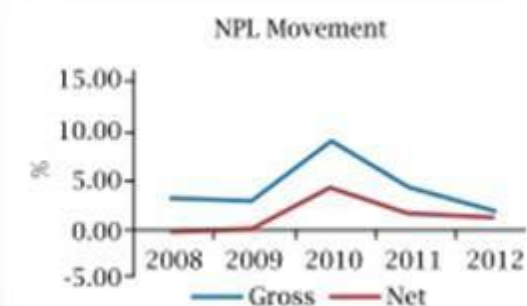
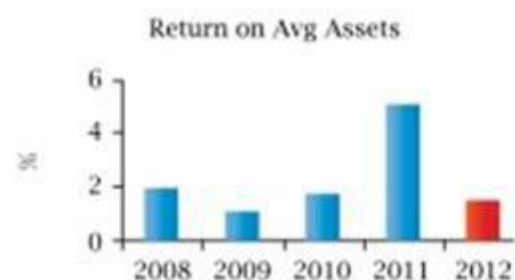
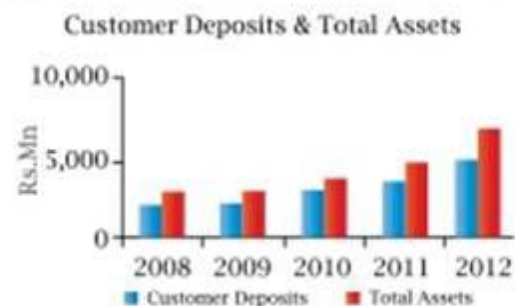
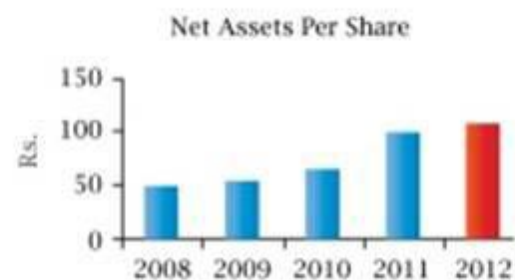
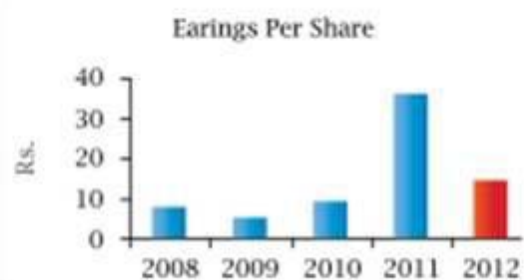
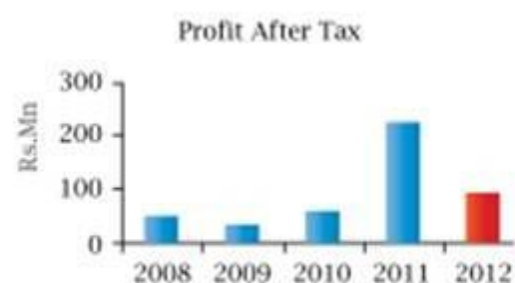
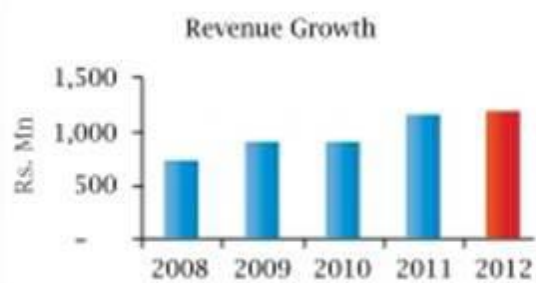
## Bartleet Group

Bartleet Finance PLC (BFP) is a member of the Bartleet Group of Companies. The Company's parent undertaking is Bartleet TransCapital Limited (BTCL) which incorporated in October 2004. It was subsequently restructured in September 2005, as a holding company for the Bartleet Group's financial-sector subsidiaries, and became the parent of BFP. BTCL holds 86.79% of shares of Bartleet Finance PLC. Other subsidiaries in BTCL includes Bartleet Religare Securities (Pvt) Ltd, Strategic Insurance Brokers (Pvt) Ltd, Life Insurance Corporation (Lanka) Limited and Bartleet Asset Management (Pvt) Ltd. BTCL in turn is owned by the century-old Bartleet & Company (Pvt) Limited. Having started off as a commodity-broking firm, the Group has since evolved into a conglomerate with diversified interest in information technology, commodity broking, financial services, trading and plantation services.



## Financial Highlights

Year Ended 31 <sup>st</sup> March	2011/12	2010/11	Inc/(Dec) %
<b>Results For the Year (Rs. Mn)</b>			
Income	1,193.0	1,150.8	3.7
Net Profit Before Tax	98.9	227.0	(56.4)
Income Tax Expenses	9.6	4.9	96.6
Net Profit After Tax	89.3	222.1	(59.8)
Gross Dividends	6.1	36.7	
Profit Available After Appropriation	83.2	185.4	(55.1)
<b>At the Year End (Rs. Mn)</b>			
Shareholders' Funds (Capital and Reserves)	664.6	621.0	7.0
Customer Deposits	5,075.4	3,630.6	39.8
Loans & Advances	5,018.8	3,022.9	66.0
Total Assets	7,194.8	4,890.5	47.1
<b>Information per Ordinary Share</b>			
Earnings (Rs.)	14.59	36.28	
Dividend (Rs.)	1.00	6.00	
Net Assets (Rs.)	108.59	101.43	
<b>Ratios</b>			
Return on Average Shareholders' Funds (%)	13.89	43.29	
Return on Average Assets (%)	1.48	5.10	
<b>Non-Performing Loan Ratio (%)</b>			
- Gross	2.22	4.55	
- Net	1.41	1.86	
<b>Statutory Ratio (%)</b>			
<b>Capital Adequacy</b>			
Core Capital to Risk Weighted Assets Ratio (Min.5%)	9.94	8.48	
Total Capital to Risk Weighted Assets Ratio (Min.10%)	10.69	8.98	
Liquidity Ratio (%)	15.57	19.72	







## Chairman's Message

Dear Friends,

I hope to send out a realistic but positive message; one that is precise but carried forth by a mission for the future; and above all, one that is without any ambiguity in terms of the truth that we owe our staff, our clientele and stakeholders. The yesteryear was mostly an arduous trek for the world economy. The unexpectedly lower than estimated global rate of recession recovery, adversely affected the overall potential for growth in emerging economies around the world. Unfortunately, the Sri Lankan economy and its financial services sector was no exception to this unwelcome ripple effect. However, the prudent implementation of macroeconomic counter measures and the much needed stabilization brought about by the closure of the nation's prolonged struggle against terrorism, provided the country with the economic sinews to mitigate its effect on the domestic market. Moreover, Sri Lanka has displayed clear signs of positive developments; despite the myriad of such challenges posed to the nation's economy by both domestic and foreign economic shocks.

As a finance company, Bartleet is set in the periphery of the nation's banking system. However, during the period under review, we have been able to successfully increase the company's outreach by adding three new branch offices in Trincomalee, Anuradhapura and Rathnapura to our growing network. While, formulating sound and timely measures such as this, to increase our physical presence within the nation, an attempt to provide clientele with more comprehensive service, we have also successfully concentrated our efforts in expanding and specializing activities within existing branches, with the objective of increasing comparative efficiency. In spite of the considerable growth in business, the company's profits were affected by sluggish stock market conditions and a steep drop in market value of shares. Consequently, the company couldn't achieve the anticipated revenue from the investments in share trading during the year under review.

Community outreach and national welfare has always been a matter of principle for us, at Bartleet Finance.

This year like the years before, Bartleet Finance has been able to contribute in a small but increasingly significant measure to the development and reinforcement of the national economy in the form of loans and advances. As usual our CSR was also very active during the year, with several worthwhile projects being implemented to support national endeavours such as sports activities, environment protection schemes, child care plans and self-employment. As a whole, I am happy to announce the operating year of 2011/12 as an overall success.

The company's achievements within the course of the year are indeed fruits borne through collective effort. Therefore, it is important to recognize the dedication and loyalty of the diligent staff at Bartleet Finance led by the company's CEO Mr. Eraj Wijesinghe. I would also like to extend my appreciation and thanks to the ever-supportive colleagues of the Board.

At the end of the day when the curtain falls heralding the coming of a brief interlude, I feel it is imperative to take a bow and express my utmost delight in serving the role of the chairman for a prestigious and steadfast institution such as Bartleet Finance. When the limelight thickens and receding curtains, once again, call on me to resume the role. I pledge to put brick to mortar and build pillars of success, worthy of standing upon the unyielding foundation laid for us by those who came before.



**K.G.D.D. Dheerasinghe,**  
*Chairman*

Colombo,  
12<sup>th</sup> July 2012



## Managing Director's Review



The year began with great optimism following spectacular performance of the Company during the previous year. All indications were that the growth momentum of the country's economy would continue. All forecasts were bullish.

In order to continue taking advantage of the envisaged changes in economic environment in the North and the East, a Branch was opened in Trincomalee on 17<sup>th</sup> June 2011. This completed the plans of the company to have our presence in these regions following the establishment of branches earlier in Vavuniya, Jaffna and Batticaloa. Further two new branches in Rathnapura and Anuradhapura were opened in August 2011. The Company now has 17 Branches and it is expected that the investments made in the expansion to the North and East, the upgrading of the Service Centers into Branches and improving the infrastructure of existing Branches would improve the image and service level of the Company.

At the beginning of 2011, the compelling situation that arose from the highly liquid state of the Company and the low interest regime that prevailed, as well as the encouragement received from the super profits earned

during the previous year on trading in the stock market prompted the Company to invest and trade more aggressively in the stock market. The flood of private placements and IPOs provided a good opportunity to use the excess liquidity to invest expecting to realize profits in the short term.

In year 2010, ASPI posted a spectacular gain of 96%. The positive sentiments stemming from improved macroeconomic indicators propelled the benchmark ASPI to its highest ever level by mid February 2011 whilst the CSE became the second best performing stock exchange in the world. At the peak, the market PE stood at a relatively high 29.5 times. However, this trend did not continue and the third quarter of 2011 was characterized by more marked volatility of both indices resulting in a sharp downward trend and the ASPI reached 5,052.9 points in November 2011. This caused the Company to book unrealized losses in the share trading portfolio.

In the first six months of the financial year under review, the monthly performance of the core business of the Company kept improving to a point that by September, it peaked with investments recording a 300% increase of the annual average business done in a month. This was the highest level of investments done in a single month on record. However, in the last quarter of 2011, many changes took place in the financial market. A contributory factor for this situation was the totally unexpected announcement of a depreciation of the SLR in the Government Fiscal Budget of November 2011 that shook the financial markets as there is no precedence to managing the country's exchange rate in this manner. The uncertainty caused not only an upheaval in the currency market but also impacted the interest rates as an immediate rate hike was anticipated. This resulted in commercial banks offering very high short term rates and by December, some smaller banks going to the extent of matching or going above the rates offered by NBFIs. This trend continued until in February 2012 and as a response to the objections raised by NBFIs, the CBSL made another uncustomary move by suddenly allowing NBFIs to increase their deposit rates by 1.5%. By this time there was a severe slow down in credit and lending volumes dropped sharply. In the meantime, the inflow of deposits to NBFIs was also heavily impacted due to aggressive campaigning for deposits

by commercial banks who were short of liquidity during this period. From October 2011 onwards, due to the above mentioned changes in the financial environment and the tight liquidity situation that developed in the company as well as in the market, the company in its prudence had to limit the lending and the business dropped further sharply from December 2011 until the end of the financial year under review.

Also in February 2012, the Central Bank floated the rupee, slapped a ceiling on commercial bank lending, imposed tighter limits on dollar net open positions of the banking sector and raised policy interest rates twice in a late effort to contain a growing balance of payments crisis. The Treasury too adjusted upwards domestic fuel prices and electricity tariffs and raised import duties on selected goods. The Monetary Board directed commercial banks to moderate their credit disbursements so that the overall credit growth in 2012 will not exceed 18% (46% - 2011) of their respective loan book outstanding at the end of 2011, while allowing credit growth of up to 23% for those banks which finance the excess up to 3% of the credit growth from funds mobilized from overseas.

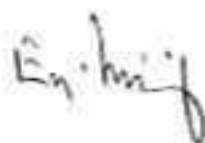
In this environment, the total assets of the Company grew 47.1% to Rs. 7,194.8Mn and the customer deposit base increased by 39.8%. The total income of the Company grew 3.7% to Rs. 1,193Mn. However, the profit before tax recorded was Rs. 99Mn, lower than the Rs. 227Mn earned in the previous financial year. This change was mainly due to not achieving the expected contributions to earned profit (Rs. 234.7Mn - 2011) from share trading activity. As a consequence, the earnings per share dropped to Rs. 14.59 (Rs. 36.28 - 2011). In the meantime, due to a concerted effort, the net NPL ratio improved to 1.41% (1.86% - 2011) and maintained the Liquidity Ratio at 15.57% (19.72% - 2011). The significant increase in the profit from the core business to Rs. 89 Mn compared to a loss of Rs. 12Mn recorded in 2011 was an encouraging sign as to the health of the main business operation of the Company, mitigating to some extent the poor final results due to the sharp drop in revenue from share trading.

The downturn in investment volumes during the last quarter of the financial year would have an impact on the future performance of the Company unless there is an economic recovery in the country. The ever increasing costs and the low market sentiment are all negative factors that have to be faced in the year ahead. Taking all factors into consideration, the Company engaged

the services of a group of consultants to prepare a 5 year strategic plan. At the same time, the Company embarked on a major restructure of its operations to utilize the existing manpower more effectively and increase productivity with a view to moving towards achieving the vision of the company to **"Be a customary household name as a preferred financial service provider"**.

In conformity with the requirements of Central Bank of Sri Lanka, few changes were brought about in the constitution of the Board in January 2012. It is a great honor and privilege for the Company to have Mr. K.G.D.D. Dheerasinghe, former Deputy Governor, Central Bank of Sri Lanka as Chairman of the board from January 2012. I have no doubt that the Company would benefit from his wide knowledge and vast experience both in international and local arena in giving overall leadership to the Company.

I thank Mr. S. Sirikananathan, former Partner, KPMG Ford, Rhodes, Thornton & Co who, as consultant to the Company from September, 2011 gave the Company the benefit of his experience and knowledge. My sincere appreciation goes to my other colleagues on the Board and all members of the senior management of the Company for their continued support. Finally, I am happy to state that the team spirit and morale within the Company is at a very high level. It would not have been possible to maintain performance levels if not for the co-operation and support that was given by each employee. Therefore, I take this opportunity to thank each one of them.



**Eraj Wijesinghe,**  
*Managing Director/ CEO*

Colombo,  
12<sup>th</sup> July 2012



## Board of Directors



*From Left to Right*

Seated :- Mr. S. Srikananathan, Mr. M. Eraj Wijesinghe (Managing Director / CEO),  
Mr. K.G.D.D. Dheerasinghe (Chairman), Mr. Sunil C. Wijesinghe, Mr. Indrajith Fernando  
Standing :- Mr. Eshanth Wijesinghe, Mr. Susantha de Alwis, Mr. Buwaneka Subasinghe, Mr. S. Raghavan





**01. Mr. K.G.D.D. Dheerasinghe - Chairman  
(Independent - Non Executive Director)**

Appointed to the board on 04<sup>th</sup> January 2012, he had been former Deputy Governor of the Central Bank of Sri Lanka. He had been an Alternate Executive Director for Bangladesh, Bhutan, India and Sri Lanka in International Monetary Fund from 2007 to 2010. He worked earlier as Assistant Governor, 2004-07, Superintendent and Registrar of Public Debt 2001-04 in Central Bank of Sri Lanka. He had been a lecturer at The Institute of Bankers of Sri Lanka, and visiting lecturer of University of Kelaniya, University of Moratuwa, and University of Sri Jayawardenapura. He holds B.Com Degree from University of Ceylon, B. Phil Hons (Economics) from University of Ceylon, M.A.Hons (Economics) from University of Leeds, UK and is an Honorary Fellow of the Institute of Bankers of Sri Lanka.

**02. Mr. M. Eraj Wijesinghe - Managing Director/CEO  
(Executive Director)**

Joined the Bartleet Group in 1963 and has been a director of BFP since inception. Elevated as the Chairman on 07<sup>th</sup> February 2003. Currently serves as the Managing Director / CEO since 31<sup>st</sup> December 2011. He had been a former Chairman of the Colombo Stock Exchange and Colombo Brokers Association, Member of the Financial Sector Reforms Committee initiated by the Central Bank of Sri Lanka and Hon. Vice Consul General of the Netherlands to the Republic of Sri Lanka and Maldives from 1972-1990. In addition, he had been a Director on the Boards of Bank of Ceylon, BCC Lanka Ltd, Merchant Bank of Sri Lanka and United Motors Lanka Limited. He is a former Vice-President of the Asia Pacific Alliance of YMCA's and an Executive Board member of the International Badminton Federation.

**03. Mr. S. Sirikananathan  
(Independent - Non Executive Director)**

Appointed to the board on 01<sup>st</sup> April 2012, possesses over 40 years of audit experience. He also served as a director and financial consultant to Associated News Papers of Ceylon (ANCL) between 1994 and 1997. He was also a partner at KPMG Ford, Rhodes, Thornton & Co. Sri Lanka, until his retirement on March 31<sup>st</sup> this year. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka (FCA) and Institute of Certified Management Accountants of Sri Lanka (FCMA) and holds a Bachelor of Science (Honors) Degree in Physical Science (Pure Mathematics, Applied Mathematics and Physics) from the University of Peradeniya. Served on the Accounting Standards and Auditing Standards Committees of the Institute of Chartered Accountants of Sri Lanka for 18 years.

**04. Mr. Sunil C. Wijesinghe - (Non Executive Director)**

Joined the Board of Bartleet Finance on 01<sup>st</sup> January 2006. He is the Managing Director of BC Computers and Deputy Chairman of Bartleet & Company (Pvt) Ltd. Holds Degree in Electronics and Electrical Engineering from University of London.

**05. Mr. Indrajith Fernando - (Non Executive Director)**

Joined the Board of Bartleet Finance on 29<sup>th</sup> January 2009. He serves as the Managing Director and Chief Executive Officer of Bartleet TransCapital Ltd. He is a Professional Accountant in Business and has over 25 years of experience in serving the Profession and Business. He was President of The Institute of Chartered Accountants of Sri Lanka, Member of The International Federation of Accountant (IFAC) Developing Nations Committee and the President of the South Asian Federation of Accountants. Holds an MBA from the USQ Australia, Fellow of the Institute of Chartered Accountants of Sri Lanka and the Chartered Institute of Management Accountants (UK).

**06. Mr. Eshanth Wijesinghe - (Non Executive Director)**

Joined the Board of Bartleet Finance on 29<sup>th</sup> January 2009. He is the Managing Director of Bartleet Produce Marketing (Pvt) Ltd. Holds a Master's Degree in Business Administration from Monash University, Australia and B.Com Degree from Deakin University, Australia. Member of the Australian Human Resource Institute and he was in-charge of operations at ESEN (Sydney), Australia.

**07. Mr. Susantha de Alwis - (Executive Director)**

Joined the Bartleet Finance on 01<sup>st</sup> June 1990, and joined the Board on 15<sup>th</sup> June 2009. He is in-charge of Trade Finance, Real Estate, Collections and Insurance Department of the Company.

**08. Mr. Buwaneka Subasinghe - (Executive Director)**

Joined the Bartleet Finance on 05<sup>th</sup> August 1985, and joined the Board on 13<sup>th</sup> May 2009. He is in-charge of Deposit Mobilization of the Company.

**09. Mr. S. Raghavan - (Executive Director)**

Joined the Board of Bartleet Finance on 24<sup>th</sup> July 2009. He was the Head of International at Commercial Bank and possesses 30 years of experience in Banking. Holds a Degree in Science from the University of Peradeniya and Diploma in Higher Management from Ashridge Management College, UK. He is a Past District Governor of Lions Clubs International.





**Management Discussion  
and Analysis**



## Economy

The significant contribution from Industry and service sector and moderate growth of agriculture sector led to a growth in country's economy by 8.3 per cent in 2011, which is the highest in Sri Lanka's post independence era, maintaining this growth momentum for the first time for two consecutive years. The expansion in economic activity was reflected in the unemployment rate, which declined to the lowest recorded level of 4.2 per cent in 2011. Inflation remained at single digit level due to Central Bank's effective monetary policy. The Statutory Reserve Ratio was raised by 1 percentage point to 8 per cent by Central Bank in April in order to permanently absorb a part of excess liquidity. The global economic situation continued to worsen in 2011 and internationally, energy and other commodity prices continued to remain high.

## Non-Bank Financial Industry

The Registered Finance Companies (RFC) are termed as Licensed Finance Companies (LFC) after the introduction of the Finance Business Act, No. 42 of 2011. The industry consisting of 39 Licensed Finance Companies expanded their branch network giving prominence to the North and Eastern provinces. The main financial indicators of LFCs in respect of capital, profitability, asset quality, credit growth and deposit base recorded impressive growths. However, a few LFCs continued to experience deterioration of capital and shortage of liquidity which somewhat deterred the overall performance of the sector.

## Regulatory Changes

The main regulatory change that happened was replacing the Finance Companies Act No. 78 of 1988, by introducing the new Finance Business Act, No. 42 of 2011. In addition to this, the Monetary Board of the Central Bank of Sri Lanka issued the following Directions to the LFC's.

- Finance Companies (Minimum Core Capital) Direction No. 1 of 2011.
- Finance Companies (Reporting Requirements) Direction No. 2 of 2011.
- Finance Companies (Assessment of Fitness and Propriety of Directors and Officers Performing Executive Functions) Direction No. 3 of 2011.

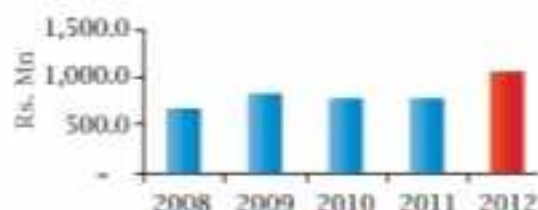
## The Company in 2011-12

The Company is listed on the main board of the Colombo Stock Exchange with effect from 30<sup>th</sup> June 2011, by listing the company's Debentures. BFP has recorded a pre-tax profit of Rs. 98.9Mn for the financial year ended 31<sup>st</sup> March 2012. BFP was able to attain 3.7% increase in turnover during the financial year, while maintaining a well diversified portfolio covering different sectors in the economy. BFP's deposit base grew by 40% in the year 2012. The Company launched the normal & minor Savings Account Scheme during the financial year to be used as an additional funding source. In the financial year, the branch expansion grew up to 17 by opening new branches in the Trincomalee, Anuradhapura and Rathnapura.

## Profitability

The company recorded a pre-tax profit of Rs. 98.9Mn while increasing 37% of interest income. The healthy growth in assets and consequently the higher interest income mitigated to a great extent the loss in revenue from the investments in share trading. The share trading activity was the main contributor for the high profits in the previous year (Rs. 222.1Mn in 2010/11).

Interest Income



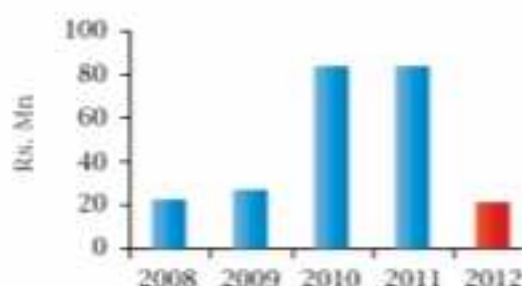
## Loan Loss Provisions

During the year Loan loss provision was reduced to 20.7Mn from 83.8Mn in year 2010/11, this was mainly due to the company's effective credit policies and maintaining high quality portfolio by effective monitoring.

## Assets Quality

The Gross Non-Performing Loan ratio reduced considerably as at 31<sup>st</sup> March 2012 to 2.2% from 4.6% which is well below the industry level of 5.7%. The BFP's stringent Credit Policy and effective monitoring over collection and recoveries contributed towards maintaining a low NPL. In absolute terms, the Non-Performing Advances portfolio was kept at a very satisfactory level as at end of 31<sup>st</sup> March 2012 in comparison to the previous year.

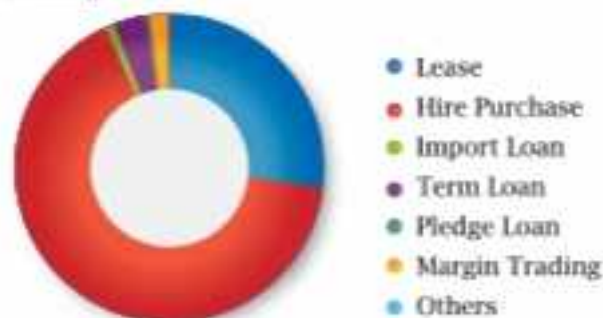
Loan Loss Provisions



## Loans & Advances

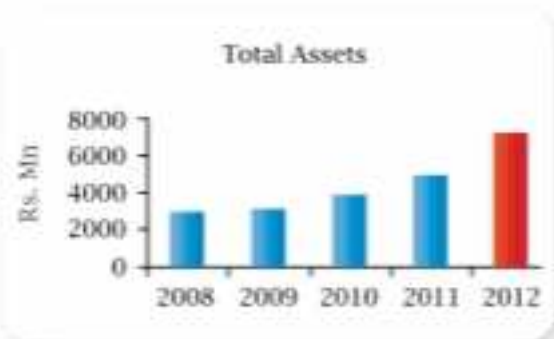
During the financial year the BFP's lending portfolio grew up to Rs. 5.08Bn from Rs. 3.08Bn with a highest ever growth of 66%. Leasing, Hire Purchase, Pledge Loans, Term Loans and Margin Trading were the key components of our product portfolios.

Lending Portfolio



## Total Assets

The Asset base grew by 47% to Rs. 7.28Bn compared to Rs. 4.98Bn in 2010/2011 indicating Company's strong balance sheet position. The growth was largely due to improvement in business volumes, and interest earning assets. Lease & Hire Purchase receivables grew by 73 % to Rs. 4.7Bn as at the end of the financial year 2011/2012. Interest generating assets increased to 79% from 74% of the total assets during the year.



### Deposits & Borrowings

During the financial year BFP's customer deposit base grew up to Rs. 5.08bn from Rs. 3.68bn with an increase of 40%. This reflects the confidence of the public on Bartleet Finance PLC.

The Company increased its borrowings from bank and non-bank sources mainly in the form of securitization loans, and the balances stood at Rs. 993Mn. In addition to these borrowings, the company issued debentures to the value of Rs. 204Mn to utilize for funding the future investment activities.



### Shareholders' Funds

Shareholders' Funds as at 31<sup>st</sup> March 2012 increased to Rs. 664.6Mn from Rs. 621.0Mn as at end of last year. Increased earnings during the financial year achieved a favorable growth of 7%.



### Liquidity

At the year end, the company's liquid assets ratio represented 15.57%, which is well above the minimum level set by the Central Bank of Sri Lanka and in absolute terms Rs. 543Mn in excess of the statutory requirements.



The permanent employees' details as at 31<sup>st</sup> March 2012 are as follows;

Category of Staff	No of Employees
Senior Managers	65
Middle Managers	31
Executives	102
Non-Executives	112
Total	320

### BEYOND OUR CONCERNS.....

*As human beings, we believe that great organizations always have a caring, serving, humanistic purpose and so, throughout the years, we have looked beyond our own concerns, to the wants of the wider community around us.*

Bartleet Finance PLC, understanding the gravity of fulfilling needs of our community, extends its arms of love and care to those who are in need.

Giving life to our core ethics, "as human beings, we believe that great organizations always have a caring, serving, humanistic purpose and so, throughout the years, we have looked beyond our own concerns, to the wants of the wider community", Bartleet Finance conducted a number of CSR projects which supported diverse social groups of the society



A Shramadana campaign and the year-end party for inmates / students at Deaf & Blind School, Rathmalana.

All the stakeholders of Bartleet Finance PLC joined hands together with the employees for a complete face-lift of the Deaf & Blind School in Rathmalana. We cleaned the school including the garden, backyard and color washed the building and repaired damaged equipment. It was a full day project that got everyone involved as they tirelessly sweated to see a beautiful ending for a day well spent for the less privileged in the society.



On the following weekend we conducted a full day of fun-filled activities at the same premises. A magic show, couple of baby elephants, musical show, games and unlimited food for kids gave fun and joy throughout the day. Face painting was a novel experience for these kids and gift packs were distributed to all at the end of the day.



Prisoners' Welfare Society of the Prisons Department conducted their annual flag-day and the proceeds of the sales would be used to improve the education of the children of inmates. The first flag was pinned to the Managing Director of Bartleet Finance and we donated a substantial amount to this worthy cause.



We obtained the facility of a wall near the Model Farm round-about, (Devi Balika Vidyalaya, Colombo 08) and used it to create public awareness on burning issues affecting the lives of the citizens. The wall was used throughout as a non-commercial awareness creating platform with the approval of Colombo Municipal Council.



We sponsored two workshops at St. Michael's College, Batticaloa and Maris Stella College, Negombo, organized by the Young Entrepreneur Sri Lanka (YESL). The purpose of the workshops were to educate and inspire young children in schools to value free enterprise, understanding business economics, to be self-dependent, be workforce ready and be job creators instead of job seekers. A large number of students took part in these workshops along with the academic staff of the two colleges.



## බෝපත් ඇරඹීම



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Bartle Finance PLC facilitated the establishment of information boards in Wild Life sanctuaries and locations of environmental value, to the community. This project was carried out along with the Ministry of Environment and local government authorities of the respective areas. These have been very helpful for people to gather knowledge of the places they visit.







Bartleet Finance PLC sponsored the Annual Cultural Festival of Chenkaladi Blind School. This is an annual event held to showcase the talents of the differently abled youngster of our nation. It was a very colorful event filled with so many performances, as better as ours - the fortunate who is able to see the world.



Bartleet Finance PLC has been continuously sponsoring the Sri Lanka Tennis Associations' "Under 10" outstation tournaments. The key objective of this project of Bartleet Finance is to help SLTA to recognise the best talents of that age group. Tennis as a sport has revolved around the elite families in Colombo. With our support to SLTA in uplifting tennis in the country many rural youth has become professional players. We have been carrying this project for many years and are proud to be a part of developing the younger tennis stars of the country.

## Corporate Governance Report

Corporate Governance is the system by which Companies are directed and controlled. We at Bartleet Finance pay much emphasis on adopting and implementing good Corporate Governance practices to ensure responsibility towards company stakeholders, and general public.

The following tabular describe our Corporate Governance practices and Compliance Status.

Details of compliance with the Finance Companies Corporate Governance Direction No. 03 of 2008, issued by the Central Bank of Sri Lanka.

Corporate Governance Principles	Compliance Status	Implementation
<b>02. The Responsibilities of the Board of Directors.</b>		
(1) Strengthen the safety and soundness of the Company	Compliant	<ul style="list-style-type: none"> <li>a) All strategic decisions and long term plans are made at the meetings of the board and board sub-committees. This decision making process is implemented by the Corporate Management Team headed by the Chairman and these strategies are well communicated to stakeholders.</li> <li>b) Ongoing monitoring of compliance with Company's Vision and Mission statements, and Financial Budget &amp; Forecast. The Corporate Plan for 2012/15 is reviewed by the Board periodically to establish follow up action plans.</li> <li>c) The Risk Management Committee reviews &amp; introduces policies and procedures for minimizing the risk, and the committee makes policy decisions to monitor risk and ensure proper investments.</li> <li>d) Effective communication process in place with Stakeholders, which includes Depositors, Creditors, Shareholders and Borrowers.</li> <li>e) The Audit Committee meetings are held quarterly and recommend internal control systems. Management Information System goes through a process of ongoing upgrading to meet future requirements &amp; Challenges.</li> <li>f) The board decides the extent of influence and control of the key management personnel over the policy decisions, direct business activities, operations and risk management.</li> <li>g) The Company has well defined delegated authority and responsibilities for the Board and every key management personnel are reviewed periodically.</li> <li>h) The board approved policies and decisions relevant to key management personnel are communicated.</li> </ul>

		<p>i) The board periodically assesses effectiveness of governance practices including selection, nomination and election of directors and appointment of key management personnel to avoid any conflicts of interest and implement changes necessary to reduce any weaknesses if noticed.</p> <p>j) The Board is in the process of implementing an effective succession plan for key management personnel aligning it with the Corporate Plan.</p> <p>k) The Company conducts meetings with the key management personnel making use of the Board Sub-Committees.</p> <p>l) The Board of Directors is fully aware of the latest and all regulatory requirements while maintaining good communication and relationship with regulatory authorities.</p> <p>m) The Board has exercised due diligence to an acceptable level in the hiring and oversight of External Auditors.</p>
(2) Chairman & Chief Executive Officer (MD)	Compliant	The Chairman's and Chief Executive Officer's functions and responsibilities are defined and approved by the Board.
(3) Access to independent professional advice	Compliant	The directors take advices from the independent professional whenever necessary while carrying out duties and making decisions.
(4),(5) Voting on any Board resolution & formal schedule of matters	Compliant	<p>A director shall abstain from voting on any Board resolution in relation to a matter in which he or any of his relatives or a concern, in which he has substantial interest, is interested, and he shall not be counted in the quorum for the relevant agenda item at the Board meeting.</p> <p>The Board maintain formal schedule of matters specifically reserved to it for decision to ensure that the direction and control of the finance company is firmly under its authority.</p>
(6) Situation of Insolvency	Compliant	The situation has not arisen to comply with this requirement.
(7) Corporate governance report	Compliant	This report fulfills this requirement.
(8) Self assessment of director	Compliant	The Board of Directors will be introducing an appropriate scheme for this purpose.
<b>03. Meetings of the Board</b>		
(1) Board Meetings	Compliant	During the financial year the Board met 12 times, on monthly intervals. Details of the meetings are given on page 30.



(2) Inclusion of proposals by all Directors in the agenda	Compliant	All directors have opportunity to recommend matters and proposals to be included in the agenda for regular Board meetings.
(3) Notice for the Board Meetings	Compliant	The notice of meeting and agenda for meetings are circulated to Directors at least before 7 days providing reasonable time to submit any proposals.
(4) Directors attendance on meetings	Compliant	The Directors are aware of this requirement and details of attendance of Directors at meetings are given in Page 30.
(5),(6),(7),(8) Company Secretary	Compliant	<p>The appointed secretary carries out the secretarial services to the Board and the shareholders.</p> <p>The Secretary prepares the Agenda in consultation with the Chairman.</p> <p>All Directors have access to advice and services of the Company Secretary.</p> <p>The Secretary maintains the minutes of board meetings and make available for the directors.</p>
(9) Minutes of the Board meetings	Compliant	<p>Minutes of Board meetings are recorded in detail and it is possible to gather from the minutes as to whether the board acted with due care and prudence in performing its duties.</p> <p>The Minutes of the meetings include a summary of data and information, the matters considered by the Board, the fact-finding discussions and the issues, the explanation &amp; confirmation of relevant executives, and the decisions and Board resolutions.</p>
<b>04. Composition of the Board</b>		
(1) Number of directors	Compliant	The number of Directors as at end of the year was eight and Mr. S. Sirikananathan who functioned as a consultant was absorbed into the board on 01 <sup>st</sup> April 2012 as an Independent- Non Executive Director.
(2) Service period of a director	Compliant	No Non-executive Director of the company has served a period that exceeds nine years.
(3) Appointment of an employee as a Director	Compliant	There were no appointments of executive director during the year. More than half of the Board members are Non-Executive Directors.
(4) Independent Non Executive Director	Compliant	The number of independent non-executive directors were two and Mr. S. Sirikananathan who functioned as a consultant was absorbed into the board on 01 <sup>st</sup> April 2012 as an Independent- Non Executive Director.

(5) An alternate director for independent non-executive director	Compliant	The necessity does not rise for an appointment of an alternate director to represent an independent non-executive director.
(6) Skills and experience of Non-executive director	Compliant	All non-executive directors are qualified in specific areas like Accounting, Auditing, and Banking affairs which are included in the profile of the each Director on page 13.
(7) Presence of Non Executive Directors in Board Meetings	Compliant	The company does not hold meetings of the Board unless the required quorum is met.
(8) Details of Directors	Compliant	Brief profiles of the Board of Directors are given in pages 13.
(9) Appointment of new Director	Compliant	The company has formal and transparent procedures for selecting and appointing a new Director.
(10),(11) Fill a casual vacancy of director and resignation or removal of a director	Compliant	A director appointed to fill a casual vacancy is subject to election by shareholders at the first general meeting of their appointment and resignation or removal of director is informed to shareholders and Director of the Supervision of Non-Bank Financial Institutions.

#### **05. Criteria to assess the fitness and propriety of directors**

(1) Age limit of a Director	Compliant	No Director is over the age of 70 years.
(2) Holding in office in more than 20 companies	Compliant	No Director holds Directorships or any other equivalent positions in contravention of this direction.

#### **06. Management functions delegated by the Board**

(1) Delegations of Functions	Compliant	The Board limits delegation of any function to Board Committees, CEO or key management personnel to an extent that will not reduce the ability of the Board to discharge its functions.
(2) Review of delegation processes	Compliant	The Board reviews the delegation processes in place on a periodic basis to ensure that they remain relevant to the needs of the finance company.

<b>07. The Chairman and the Chief Executive Officer</b>		
(1) Chairman and MD (CEO) are separated	Compliant	The role of the Chairman and the CEO are performed by two separate persons.
(2) Senior Independent Director	Compliant	The Chairman is a Non Executive Independent Director and requirement to appoint a Senior Independent Director does not arise as the roles of Chairman and CEO (MD) are segregated.
(3) Relationship between Chairman and CEO and other Directors	Compliant	No material relationships observed between the Chairman / CEO and / or any other member of the Board which will impair their respective roles.
(4)to(10) Role of the Chairman	Compliant	<p>The Chairman provides leadership to the Board and issues are discussed by the Board.</p> <p>The preparation of the agenda for Board meetings is delegated to the company secretary who prepares it in consultation with the Chairman.</p> <p>The Directors are informed adequate notice in time of the issues arising at Board Meetings.</p> <p>Encouraging all Directors to give full and active contribution to the Board's affairs.</p> <p>Ensuring effective contributions from the Non-Executive Directors.</p> <p>The Chairman does not directly supervise activities and duties of key management personnel or other executives.</p> <p>Maintaining effective communication between shareholders and the Board, the AGM provide good platform for this.</p>
(11) Role of the Chief Executive Officer	Compliant	The CEO / Managing Director function as the apex Executive in charge.
<b>08. Board appointed Committees</b>		
(1) Board Committees	Compliant	The Board has appointed Audit Committee and Integrated Risk Management Committee, the Chairman of the each committee reports to the Board.
(2) Audit Committee	Compliant	<p>a) The Chairman of the Audit Committee is a non-executive director who is a Fellow Member of the Institute of Chartered Accountants and functioned as a Senior Partner of a reputed Firm of Chartered Accountants.</p> <p>b) The Committee includes one Independent Non- Executive Director and a non-executive director. Please refer Audit Committee Report given on page 33 for details.</p>



		c) The number of audit committee meetings held during the year and the attendance of each individual member are disclosed in page 30 of the annual report.
(3) Integrated Risk Management Committee	Compliant	The committee consists of a Non-Executive Director and the Managing Director, Executive Directors and key management personnel supervising the credit, market, liquidity, operational and strategic risks categories. Please refer Integrated Risk Management Committee Report given on page 32 for details.
<b>09. Related Party Transactions</b>		
(2) to (4) Avoiding conflicts of interest in related party transactions and favourable treatment	Compliant	The Board has taken steps to avoid any conflicts of interest that may arise from any transaction of the company with related parties. And also the Board ensures that the finance company does not engage in transactions with a related party in a manner that would grant such party "more favorable treatment" than that is accorded to other similar constituents of the finance company. Interest rates applicable to such transactions are same as the interest rates applicable to unrelated parties.
<b>10. Disclosures</b>		
(1) Annual audited & periodical financial statements	Compliant	The annual audited financial statements and periodical financial statements are prepared and published in Sinhala, English and Tamil news papers in accordance with the format and definitions prescribed by the Central Bank of Sri Lanka.
(2) Disclosures in the Annual Report	Compliant	All required disclosures have been made in the annual report.
<b>11. Transitional Provisions</b>		
(1) to (6) Transitional and other general provisions	Compliant	The Company has complied with the transitional provisions wherever applicable.

## Meetings

The number of meetings of the Board, Board appointed Sub-committees and individual attendance by members are given below.

Names	Directorship Status	Board		Audit Committee		Integrated Risk Management Committee	
		Held	Attended	Held	Attended	Held	Attended
1 Mr. K.G.D.D. Dheerasinghe <sup>1</sup>	Independent-Non Executive	3	3	-	-	-	-
2 Mr. M. Eray Wijesinghe	Executive	12	12	4	4	4	4
3 Mr. Sunil C. Wijesinghe	Non Executive	12	11	-	-	3	3
4 Mr. Eshanth Wijesinghe	Non Executive	12	12	-	-	-	-
5 Mr. Indrajith Fernando	Non Executive	12	12	4	4	4 <sup>2</sup>	2
6 Mr. Buwaneka Subasinghe	Executive	12	12	4	3	4	4
7 Mr. Susantha de Alwis	Executive	12	11	4	2	4	4
8 Mr. S. Raghavan	Executive	12	11	4	4	4	3
9 Mr. S. Sirikaranathan <sup>2</sup>	Independent-Non Executive	-	-	2 <sup>3</sup>	2	-	-
10 Justice B.A.L.K. Wimalachandra <sup>3</sup>	Independent-Non Executive	3	1	-	-	-	-
11 Justice P. Wijayarathne <sup>4</sup>	Independent-Non Executive	3	3	1	1	-	-

<sup>1</sup> Appointed w.e.f. 04<sup>th</sup> January 2012.

<sup>2</sup> Appointed w.e.f. 01<sup>st</sup> April 2012, functioned as a consultant from 19<sup>th</sup> September 2011.

<sup>3</sup> Resigned w.e.f. 01<sup>st</sup> July 2011.

<sup>4</sup> Appointed w.e.f. 01<sup>st</sup> August 2011 and deceased 06<sup>th</sup> November 2011.

<sup>5</sup> Chairman of the Committee





## Integrated Risk Management Committee Report

The Integrated Risk Management Committee (IRMC) was appointed on 30<sup>th</sup> March 2009 in compliance with the Direction on Corporate Governance issued by the Central Bank of Sri Lanka (CBSL) and comprises the following members :

**Mr. Indrajith Fernando** - Committee Chairman

**Mr. M. Eraj Wijesinghe**

**Mr. Buwaneka Subasinghe**

**Mr. Susantha de Alwis**

**Mr. S. Raghavan**

Brief profiles of the members are given on page 13 of the Annual Report.

The primary responsibility of the Committee is to assist the Board of Directors in understanding and exercising regular risk oversight on risk management measures adopted by the Management in operating the Company's business. The Committee determines the adequacy and effectiveness of measures taken by the Management in order to ensure that the overall risk of the Company conforms to parameters approved by the Board.

The Committee reviews the adequacy and effectiveness of risk control mechanisms and addresses specific risks within quantitative and qualitative risk limits for better risk mitigation.

The Committee met four times during the year under review and the attendances of the members at Meetings are given on page 30 of the Annual Report. Quarterly Risk Review reports were called for from the above mentioned officers and the issues discussed in order to ensure that the risks were managed at prudent levels.

Reports of the Committee meetings are tabled at Board meetings to ensure that all Directors are kept informed of potential or identified risks and the mitigation strategies being pursued.

The Board on the recommendation of the committee has decided to engage Aptivaa Consulting Solutions a professional risk management consultant to independently review assess and recommend strategies and solutions to build a strong integrated risk management framework in the company. Aptivaa is

a dedicated risk professional firm which has helped over 100 financial institutions globally to build various risk solutions in line with BASLE guidelines. The company has provided a road map covering all aspects of risks like credit, market and operations as well as cross risks. Based on priorities the company will endeavor to implement these solutions over time. The committee believes that engaging professionals will help supplement current resources and build a sound integrated risk management system in line with internationally accepted norms.



**Indrajith Fernando**  
Chairman

Integrated Risk Management Committee

12<sup>th</sup> July 2012



## Audit Committee Report

The Audit Committee which was appointed by the Board on 30<sup>th</sup> March 2009 comprises the following members:

**Mr. S. Sirikananathan** - Functioned as a consultant since 19<sup>th</sup> September 2011 and appointed as Committee Chairman on 01<sup>st</sup> April 2012.

**Mr. Indrajith Fernando** - (Committee Chairman from 20<sup>th</sup> January 2012 to 31<sup>st</sup> March 2012.)

Brief profiles of the members are given on page 13 of the Annual Report.

The Chief Executive Officer and the Directors other than the Chairman are invited to attend Audit Committee meetings.

The Audit Committee in accordance with its charter examines matters relating to the financial reporting system of the Company. It reviews the adequacy of Internal Control procedures for effective management of the organization, the internal audit program and results of the internal audit process and ensures that the internal audit function is independent of the activities it audits.

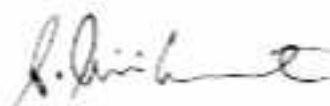
The Committee assists the Board of Directors to discharge their responsibility for the preparation of Financial Statements that portray a true and fair view of the affairs of the Company in accordance with the Company's accounting records and in conformity with the Sri Lanka Accounting Standards, the Companies Act No.7 of 2007 and Central Bank Directions.

The Committee recommends to the Board, on the appointment of External Auditors and their independence and performance. The Audit Committee periodically meets with the External Auditors, discusses issues in the management letter including the responses of management.

The committee met four times during the financial year ended 31<sup>st</sup> March 2012 and attendance of the members at the Meetings are given on page 30 of the Annual Report.

Minutes of the Audit Committee meetings are tabled at meetings of the Board to ensure that all Directors are kept informed of its activities.

The committee reviewed the reports of the Internal Auditors and the management responses thereto covering the period under review and further in the light of the periodical meetings with the External Auditors referred to herein, evaluated the Company's internal control system as satisfactory to provide reasonable assurance on the reliability of the financial reporting and to safeguard the assets of the Company.



**S. Sirikananathan**  
Chairman  
Audit Committee

12<sup>th</sup> July 2012



# Directors' Statement on Internal Control

## BOARD'S RESPONSIBILITY

In line with the Finance Companies (Corporate Governance) Direction No. 03 of 2008, section 10 (2) (c), the Board of Directors present this report on Internal Control.

The Board of Directors ("Board") is responsible for the adequacy and effectiveness of the Bartleet Finance PLCs ("The License Finance Company") 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 Licensed Financial Company (LFC). 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 the mechanism for identifying, evaluating and managing significant risks faced by the LFC and this process includes enhancing the system of internal controls when needed in line with changes in the business environment or regulatory guidelines.

The process is regularly reviewed by the Board and accords with the Guidance for Directors of LFCs on the Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka. The Board has assessed the internal control system taking into account principles for the assessment of internal control system as given in that guidance.

The Board is of the view that the system of internal controls in place is sound and adequate to provide reasonable assurance regarding the reliability of financial reporting, and that the preparation of financial statements for external purposes and is in accordance with relevant accounting principles and regulatory requirements, even though there is opportunity to further strengthen the process.

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

internal controls to mitigate and control these risks.

## KEY FEATURES OF THE PROCESS ADOPTED IN APPLYING IN REVIEWING THE DESIGN AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls with respect to financial reporting include the following:

- Various appointed Committees are established by the Board to assist the Board in ensuring the effectiveness of LFC's daily operations and that the LFC'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 LFC checks for compliance with policies and procedures and the effectiveness of the internal control systems on an ongoing basis using samples and rotational procedures and highlight significant findings in respect of any non-compliance. Findings of the Internal audits are submitted to the Audit Committee for review at their periodic meetings.
- The Audit Committee of the LFC reviews internal control issues identified by the respective internal auditors, regulatory authorities and management, and evaluate 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. The minutes of the Audit Committee meetings are tabled to the Board of the LFC on a periodic basis.
- Comments made by the external auditors in connection with internal control system are discussed at the Audit Committee Meeting.

## CONFIRMATION BY THE BOARD

Based on the above processes, the Board confirms that the financial reporting system of the LFC has been de-

signed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

- Even though a structured annual review of design and effectiveness of LFC's internal control over financial reporting has not been carried out, the Board has already determined that the documentation of the internal control system of the LFC which would facilitate review of the effectiveness of the internal controls is of paramount important.
- The Board has realized that there are additional control procedures to be designed and implemented over the financial reporting process in order to ensure more effective internal control system of the LFC. The following steps have been considered for further strengthening the process.
- Completion of documentation of significant processes related to financial reporting and further strengthening the documentation standards to comply with the best practices.
- Performing much more structured control testing to ensure that the implementation of particular controls were in effect throughout the year and significant deficiencies have been discussed and addressed at the Board. If there are weaknesses/ additional risks identified by the Internal Auditors/Audit Committee these have to be properly addressed by providing additional control with adequate followup procedures.
- Subject to the above areas identified for further strengthening of the processes, to the best of our knowledge, the Board confirms that the system of internal control is sound and has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Financial Statements for external purpose has been done in accordance with applicable Accounting Standards and regulatory requirements.

#### External Auditors' Review of the Statement

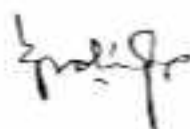
The external auditors have reviewed the above Directors Statement on Internal Control included in the annual re-

port of the LFC for the year ended 31<sup>st</sup> March, 2012 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 control system of the LFC.

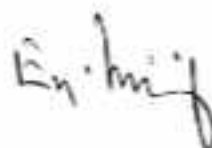
By order of the Board,



**S. Sirikananathan**  
Chairman - Audit Committee



**K.G.D.D. Dheerasinghe,**  
Chairman



**M. Eraj Wijesinghe,**  
CEO / Managing Director

12<sup>th</sup> July 2012





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Chartered Accountants  
"Charter House"  
65/2, Sir Chittampalam A Gardiner Mawatha  
Colombo 02  
Sri Lanka

## To the Board of Directors - Report on the Directors' Statement on Internal Controls of Bartle Finance PLC

### Introduction

We were engaged by the Board of Directors of Bartle Finance PLC (the Company) to provide assurance on the Directors' Statement on Internal Control (the Statement) included in the annual report for the year ended 31<sup>st</sup> March 2012.

### Management's Responsibility

Management is responsible for the preparation and presentation of the Statement as required by the section 10 (2) (c) of the Finance Companies (Corporate Governance) Direction, No. 3 of 2008. In the absence of specific detail guideline with respect of preparation and presentation of the Statement for finance companies, in preparing and presenting the statement the company has considered in compliance with the section 3 (8) (ii) (b) of the Banking Act Direction No. 11 of 2007, by the Institute of Chartered Accountants of Sri Lanka.

### Our Responsibilities and Compliance with SLSAE 3050

Our responsibility is to issue a report to the Board of Directors on the Statement based on the work performed. In the absence of specific detail guideline with respect of providing assurance report for finance companies on the Directors' Statement on Internal control, we conducted our engagement in accordance with Sri Lanka Standard on Assurance Engagements SLSAE 3050 - Assurance Report for Banks on Directors' Statement on Internal Control issued by the Institute of Chartered Accountants of Sri Lanka.

### Summary of Work Performed

Our engagement has been conducted to assess whether the Statement is supported by both the documentation prepared by or for directors and appropriately

reflects the process the directors have adopted in reviewing the system of internal control for the company. SLSAE 3050 does not require us to consider whether the Statement covers all risks and controls, or to form an opinion on the effectiveness of the Company's risk and control procedures. SLSAE 3050 also does not require us to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report, will in fact, remedy the problems.

### Our Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Statement included in the annual report is inconsistent with our understanding of the process the Board of Directors have adopted in the review of the design and effectiveness of internal control of the Company.

Without qualifying our opinion, we would like to bring in to your attention to the paragraph twelve of the page No. 34 of the Directors' Statement in which directors have disclosed the fact that they have followed limited procedures in reviewing the design and effectiveness of internal controls over financial reporting.

**BDO Partners**  
**CHARTERED ACCOUNTANTS**  
**Colombo**

BDO Partners, a Sri Lankan Partnership, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

Partners : S. Rajapakse FCA, BBA, MSc, M.S.E. Raymond FCA, S. G. Ranjith ACA, Tishan H. Subasinghe FCA, CISA  
H.S. Rathnayanka ACA, Ashani J.W. Jayaratne ACA, BBA, H.M. Saman Siri Lal ACA  
Consultant : V. Sinnadurai FCA



# Report of the Directors for the year ended 31<sup>st</sup> March 2012

## 1. General

The Board of Directors of Bartleet Finance PLC has pleasure in presenting to the shareholders this report together with the Audited Financial Statements of the Company for the year ended 31<sup>st</sup> March 2012, together with the Auditors' Report on those Financial Statements, confirming to the requirements of the Companies Act No.07 of 2007, Finance Business Act No. 42 of 2011 and amendments thereto and the Directions issued on the same.

This report also provided information as required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011, Direction No.03 of 2008 (Finance Companies-Corporate Governance) issued under the Finance Business Act No.42 of 2011 and subsequent amendments thereto, Listing rules of the Colombo Stock Exchange and recommended best practices on Corporate Governance. This report was approved by the Board of Directors on 12<sup>th</sup> July 2012.

## 2. Overview of the Company

Bartleet Finance PLC is a Licensed Finance Company registered under the Finance Business Act No. 42 of 2011 and was incorporated as a Limited Liability Company on 24<sup>th</sup> July 1981 under the provisions of the Companies Ordinance, (Cap.145) and re-registered under the Companies Act No.07 of 2007 under the Company registration No. PB 1079 PQ. The Company is also registered under the Finance Leasing Act No.56 of 2000.

2,040,000 debentures issued by the Company are quoted on the main board of the Colombo Stock Exchange. RAM Rating Lanka Limited has assigned BBB- / P3 long term and short term financial institution ratings respectively to the Company.

The registered office of the Company is situated at Level 2, Bartleet House, No.65, Braybrooke Place, Colombo 02.

## 3. Reporting Information required to be disclosed as per the Section 168 of the Companies Act No 07 of 2007

Section 168 (1)	Description	Extent of the Compliance and reference for information of disclosure
(a)	Nature of the business of the Company.	Compliant - Page No. 39
(b)	Complete and signing of Financial Statements of the Company.	Compliant - Page No. 47
(c)	Auditor's Report on the Financial Statements.	Compliant - Page No. 45
(d)	Accounting policies and any changes in accounting policies made during the year	Compliant - Page Nos. 51-61
(e)	Entries made in Interest Register	Compliant - Page No. 42
(f)	Information of Directors Remuneration	Compliant - Page No. 83
(g)	Total Amount of Donations made by the company during the Year	Compliant - Page No. 63
(h)	Information of Directorate of the Company.	Compliant - Page No. 13
(i)	Auditors' Remunerations and Fees payable / paid for non audit services.	Compliant - Page No. 63
(j)	Auditors' Relationship or any interest with Company.	Compliant - Page No. 63
(k)	Certification of the Content of the Annual Report	Compliant - Page No. 43

## Report of the Directors for the year ended 31<sup>st</sup> March 2012

### 4. Information disclosed pertaining to the Financial Statements and Audit of the Company as per the Finance Business act No 42 of 2011.

Section	Description	Extent of the Compliance and reference for information of disclosure
Section 26	Complete set of Financial Statements including Balance sheet as at end of the Financial year and Income statement in respect of such Financial year	Compliant - Page Nos. 46-47
Section 27 (a)	Capitalized Expenses not represented by tangible assets	Compliant - N/A
Section 27 (b)	Market value of investments	Compliant - Page Nos. 70-72
Section 27 (c)	Method adopted to value fixed assets if there had been any valuation of such assets during the Financial year	Compliant - Page No. 53
Section 27 (d)	The aggregate amounts of advances after the provisions for bad and doubtful debts	Compliant - Page No. 66
Section 27 (e)	Increase or decrease in provision for depreciation, or diminution in value of Fixed Assets	Compliant - Page No. 73
Section 27 (f)	Sources and application of Funds	Compliant - Page No. 49
Section 27 (g)	Reserves , provisions and liabilities distinguishable from each other	Compliant
Section 27 (h)	Changes in equity	Compliant - Page No. 48
Section 27 (i)	Previous year correspondence figures of the Balance sheet	Compliant - Page No. 47
Section 28 (a)	Amount charged to revenue by way of provisions for depreciation , renewals or diminution in value of fixed assets	Compliant - Page No. 73
Section 28 (b)	Amount charges to revenue by way of income tax	Compliant - Page No. 63
Section 28 (c)	The aggregate amount of dividends paid or propose	Compliant - Page No. 65
Section 28 (d)	The amount of remuneration of auditors	Compliant - Page No. 63
Section 28 (e)	The aggregate amount of the emoluments paid to Directors	Compliant - Page No. 83

Section	Description	Extent of the Compliance and reference for information of disclosure
Section 28 (f)	Movement of reserves	Compliant - Page No. 48
Section 28 (g)	The profit or loss or the income and expenses arising from transactions such as are not usually carries on by the company or any exceptional income or expense	Compliant - N/A
Section 28 (h)	Previous year correspondence figures of the Income Statement	Compliant - Page No. 46

5. **Disclosure Requirements applicable under the Finance Companies (Corporate Governance) Direction No 3 of 2008**

The corporate governance report of the Company is given on the pages 24 to 30 of the Annual Report.

6. **Principal Activities**

During the year the principal activities of the Company were acceptance of Term Deposits, Savings Deposits, granting Lease facilities, Hire purchase, Margin Trading facilities, Loans and other credit facilities, Real estate developments and related services.

7. **State of Affairs**

The state of affairs of the Company is presented in the Balance Sheet appearing on page 47 of the Financial Statements which is duly signed by the Deputy General Manager-Finance and Planning and two of the Directors of the Company.

8. **Going Concern**

The Board is satisfied that the Company has adequate resources to continue its operations in the foreseeable future. Therefore, we continue to adopt the going concern basis in preparing these financial statements.

9. **Auditors' Report**

Company's Auditors, Messrs BDO Partners-Chartered Accountants carried out the audit on the Financial Statements of the Company for the 12 months period ended 31<sup>st</sup> March 2012 and their report on those Financial Statements is given in the Financial Statements.

10. **Income**

The Company's income was Rs. 1,192,959,735/- (2011-Rs. 1,150,826,211/-) for the twelve months period ended 31<sup>st</sup> March 2012. An analysis of the income is given in Note 3 to the Financial Statements.

11. **Financial Results and Appropriations**

The Company has recorded a Net Profit after Tax of Rs. 89,292,733/- (2011-Rs. 222,063,372/-) for the twelve months period ended 31<sup>st</sup> March 2012. The results and the statement of profit/loss made for the year ended 31<sup>st</sup> March 2012 are set out on page 46 in the Income Statement of the Financial Statements.



## Report of the Directors for the year ended 31<sup>st</sup> March 2012

### 12. Reserves

The reserves consist of:

	31 <sup>st</sup> March 2012 Rs.	31 <sup>st</sup> March 2011 Rs.
Revaluation Reserve	39,108,483	41,400,474
Statutory Reserve	160,233,985	142,375,438
Revenue Reserve	70,000,000	70,000,000
Retained Earnings	334,066,756	305,970,379
Total	603,409,224	559,746,291

The Statutory Reserve was credited Rs. 17,858,547/- as per the direction No. 1 of Central Bank Regulations of 2003.

Details of the compliance requirement of the Statutory Reserve are disclosed under the Note No.30 to the Financial Statements.

### 13. Taxation

The Income Tax rate applicable on the Company's operations is 28%.

The Company is also liable for Financial Service VAT at 12%.

### 14. Statutory Payments

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments in relation to the Government and the employees have been made up to date.

### 15. Statutory Reporting

The Directors, to the best of their knowledge and belief, are satisfied that all reporting to the statutory payments in relation to the Government and the employees have been reported up to date.

### 16. Capital Expenditure

The total capital expenditure on acquisition of investment property, plant and equipment amounted to Rs. 68,802,140/-.

### 17. Dividend

As recommended by the Board of Directors a dividend of Rs.1/-per share aggregating to a sum of Rupees Six Million One Hundred and Twenty Thousand Four Hundred and Ninety Nine only (Rs. 6,120,499/-) has been declared as the first and final dividend for the financial year ended 31<sup>st</sup> March 2012.

### 18. Property, Plant and Equipment

Details of property, plant and equipment are given in Note 21 to the Financial Statements.

### 19. Commitments and Contingencies

The Commitments and Contingencies are given in Note 31 to the Financial Statements.

**20. Events after the Balance Sheet Date**

There have been no events other than the appointing new Director to the Board between the Balance sheet date and the date on which the Financial Statements are authorized for issue which require adjustments to or disclosures in the Financial Statements.

**21. Stated Capital and Debentures**

The Stated Capital of the Company as at 31<sup>st</sup> March 2012 was Rs. 61,204,990/- consisting of Ordinary shares of 6,120,499 and there was no change to the Stated Capital during the twelve months period ended 31<sup>st</sup> March 2012.

The Debentures of the Company as at 31<sup>st</sup> March 2012 was Rs. 204,000,000/- consisting of 2,040,000 debentures at Rs.100/- each.

**22. Shareholdings**

There were 29 registered voting shareholders as at 31<sup>st</sup> March 2012 of which the major shareholder is M/s Bartleet TransCapital Limited holding 86.79% of total shareholdings of the Company.

**23. The Board of Directors**

The Board of Directors of the Company consists of eight Directors with wide financial and commercial knowledge and experience. The following Directors held office as at the Balance sheet date.

Name	Status
Mr. K.G.D.D. Dheerasinghe (Appointed w.e.f. 04.01.2012)	Chairman-Non Executive, Independent Director
Mr. M. Eraj Wijesinghe	Managing Director / CEO - Executive Director
Mr. S.C. Wijesinghe	Non Executive Director
Mr. Malik Eshanth Wijesinghe	Non Executive Director
Mr. A.I. Fernando	Non Executive Director
Mr. W.S.A.B.S. Subasinghe	Executive Director
Mr. S. De Alwis	Executive Director
Mr. S. Raghavan	Executive Director
Mr. S. Sirikananathan (Appointed w.e.f. 01.04.2012)	Non Executive, Independent Director

**24. Names of the Directors who ceased to hold office as Directors of the Company during the financial year**

Justice B.A.L.K. Wimalachandra, Non-Executive, Independent Director resigned w.e.f 01.07.2011.

Justice P. Wijayarathne, Non-Executive, Independent Director deceased on 06.11.2011.

The Board wishes to place on record the Company's sincere appreciation to Justice B.A.L.K. Wimalachandra and Justice P. Wijayarathne for the valuable contribution extended to the Company during their tenure in office.

## Report of the Directors for the year ended 31<sup>st</sup> March 2012

### 25. Retirement of Directors by Rotation

In terms of Article 25 (7) and 25 (8) of the Article of Association of the Company Mr. Mallory Eraj Wijesinghe and Mr. S. Raghavan retire by rotation, and being eligible offer themselves for re-election.

### 26. Re-Election of Directors

In terms of Article 25 (3) of the Article of Association of the Company Mr. K.G.D.D. Dheerasinghe and Mr. S. Sirikananathan retire, and being eligible offer themselves for re-election.

### 27. Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of the Financial Statements of the Company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No.7 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, Finance Business Act No.42 of 2011 and amendments thereto.

### 28. Board Committees

The Board while assuming the overall responsibility and accountability in the management of the Company has also appointed following Board committees to ensure oversight, control over certain affairs of the Company, confirming to Corporate Governance standards of the Monetary Board of the Central Bank of Sri Lanka and adopting the best practices.

- (a) Audit Committee
- (b) Integrated Risk Management Committee

### 29. Directors Interest Register

The Interest Register is maintained by the Company as required by the Companies Act No.07 of 2007. All Directors have been made declarations as required by the section 192(1) and (2) of the Companies Act No.07 of 2007.

### 30. Directors' Interests in the Ordinary Shares

The Shareholdings of Directors were as follows:-

Name	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
Mr. K.G.D.D. Dheerasinghe	Nil	-
Mr. M. Eraj Wijesinghe	135,500	135,500
Mr. S.C. Wijesinghe	46,500	46,500
Mr. Malik Eshanth Wijesinghe	7,500	7,500
Mr. A.I. Fernando	Nil	Nil
Mr. W.S.A.B.S. Subasinghe	Nil	Nil
Mr. S. De Alwis	199,000	199,000
Mr. S. Raghavan	Nil	Nil
Mr. S. Sirikananathan	-	-



#### **Directors' Interest in Debentures**

There were no debentures registered in the name of any Director as at 31<sup>st</sup> March 2012 except for 4,200 debentures held by Mr. A.I. Fernando and Mrs. D.M.S. Fernando jointly.

#### **31. Remuneration and other benefits of Directors**

Details of Directors' emoluments paid during the year are given in Note 33.4.1 to the Financial Statements.

#### **32. Auditors**

The Financial Statements for the 12 months period have been audited by M/s BDO Partners - Chartered Accountants, who offer themselves for re-appointment.

The retiring Auditors M/s BDO Partners, Chartered Accountants have signified their willingness to continue in office, and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration as recommended by the Board will be proposed at the Annual General Meeting.

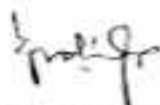
The Auditors have been paid a fee of Rs.500,000/- as Audit fee for the year ended 31<sup>st</sup> March 2012 which has approved by the Board.

The Directors recommended their appointment.

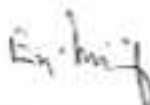
#### **33. Contents of the Annual Report**

The Board of Directors does hereby acknowledge the contents of this Annual Report as per the requirement of the Companies Act No 07 of 2007.

For and on behalf of the Board of Directors of  
**BARTLEET FINANCE PLC**



**K.G.D.D. Dheerasinghe**  
*Chairman*



**M. Eraj Wijesinghe**  
*Managing Director / CEO*



**S S P Corporate Services (Pvt) Ltd**  
*Secretaries*

12<sup>th</sup> July 2012



Financial Statements



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Chartered Accountants  
"Charter House"  
65/1, 18 Champakam & Gardner Rowatha  
Colombo 02  
Sri Lanka

INDEPENDENT AUDITOR'S REPORT  
TO THE SHAREHOLDERS OF BARTLEET FINANCE PLC

### Report on the Financial Statements

We have audited the accompanying financial statements of Sartilett Finance PLC, which comprise the balance sheet as at 31<sup>st</sup> March, 2012, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 51 to 86.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit. We therefore believe that our audit provides reasonable basis for our qualified opinion.

## Celinton

The company's accounting policy for valuing dealing securities is at cost or market value whichever is lower. However, the company has valued the dealing securities at cost as of 31<sup>st</sup> March 2012, which results in an overstatement of the value of the same by Rs. 76,896,136/- in the financial statements as of that date. This practice is not in accordance with Sri Lanka Accounting Standards.

In our opinion, so far as appears from our examination, except for the effect on the financial statements from the matter discussed in the preceding paragraph, the Company maintained proper accounting records for the year ended 31<sup>st</sup> March, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31<sup>st</sup> March, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Without further qualifying our opinion we draw your attention to the note No. 19.4 of the financial statements, regarding individual and aggregate amount of investment in the issued share capital exceeding the 5% and 25% limits of the capital funds of the company.

## Report on Other Legal and Regulatory Requirements -

- 1) These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 67 of 2007.
- 2) These financial statements present the information required by the finance business Act No.42 of 2011.

**BDO Partners**  
CHARTERED ACCOUNTANTS

Colombo

12<sup>th</sup> July 2012

T5/cr

Bill Norman, a Los Angeles attorney, is a member of NED International Limited, a UK company listed by Guinness, and been part of the international NED network of independent member firms.

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# Income Statement

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

		2011/2012	2010/2011
	Note	Rs	Rs
Income	3	1,192,959,735	1,150,826,211
Interest Income	4	1,069,329,053	780,286,524
Interest Expenses	5	(614,203,212)	(487,490,995)
Net Interest Income		455,125,841	292,795,529
Other Income	6	123,630,682	370,539,687
Net Operating Income		578,756,523	663,335,216
Personnel Costs		(117,844,102)	(98,103,135)
Provision for Staff Retirement Benefits Cost		(4,678,796)	(4,063,474)
Provision for Bad and Doubtful Debts		(20,725,292)	(83,792,077)
Other General and Administrative Expenses		(322,184,517)	(236,361,379)
		(465,432,707)	(422,320,065)
Profit from Operations		113,323,816	241,015,151
Value Added Tax on Financial Services		(14,395,418)	(14,049,287)
<b>Profit Before Tax</b>	7	98,928,398	226,965,864
Income Tax Expenses	8	(9,635,665)	(4,902,492)
<b>Profit for the Year</b>		<u>89,292,733</u>	<u>222,063,372</u>
Basic Earnings per Share	9	14.59	36.28
Dividend per Share	10	1	6

Figures in brackets indicate deductions.

The Significant Accounting Policies and the Notes from page 51 to 86 form an integral part of these Financial Statements.

Colombo

12th July, 2012

# Balance Sheet

AS AT 31<sup>st</sup> MARCH, 2012

		2011/2012	2010/2011
	Note	Rs.	Rs.
<b>ASSETS</b>			
Cash and Balances Due from Banks	11	118,154,287	122,477,184
Treasury Bills and Other Bills Eligible for Re-discounting with Central Bank	12	650,493,469	505,606,471
Placements with Other Banks and Financial Institutions	13	43,210,187	88,064,774
Hire Purchase, Lease and Loans & Advances	14	5,018,786,305	3,022,942,258
Real Estate Stocks	15	149,277,318	175,402,363
Amount Due from Related Party	16	5,000,000	4,000,000
Economic Service Charges Recoverable	17	18,706,043	8,404,538
Other Debtors, Deposits and Prepayments	18	66,202,633	121,700,553
Investment in Dealing Securities	19.1	327,459,716	274,154,974
Investment in Securities	19.2	215,498,941	69,025,000
Other Investments	20	75,536,334	80,202,589
Income Tax - Refund	25	54,021	-
Three-wheeler Stock	18.A	38,492,840	-
Property, Plant and Equipment	21	219,021,040	198,983,992
Capital Work-in-progress	22	248,717,598	218,513,870
<b>Total Assets</b>		<b>7,194,810,733</b>	<b>4,890,478,565</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Liabilities</b>			
Deposits from Non-Bank Customers	23	5,075,410,148	3,430,633,479
Borrowings - Repayable within One Year	24	470,246,480	285,385,219
Income Tax Payable	25	-	3,300,030
Deferred Tax Effect	8.2	11,391,740	-
Creditors and Accruals	26	219,349,804	177,733,850
Borrowings - Repayable After One Year	24	522,783,511	149,196,132
Retirement Benefit Obligations	27	27,014,836	23,278,574
Debentures	28	204,000,000	-
		<b>6,530,196,519</b>	<b>4,269,527,284</b>
<b>Shareholders' Funds</b>			
Stated Capital	29	61,204,990	61,204,990
Statutory Reserve	30	160,233,585	142,375,438
Revenue Reserve		70,000,000	70,000,000
Revaluation Reserve		39,108,483	41,400,474
Retained Earnings		334,066,756	305,920,379
<b>Total Funds Employed</b>		<b>664,614,214</b>	<b>620,951,281</b>
<b>Total Liabilities and Equity</b>		<b>7,194,810,733</b>	<b>4,890,478,565</b>
Commitments and Contingencies	31	70,493,425	126,900,000
<b>Net Assets per Share</b>		<b>109</b>	<b>101</b>

Figures in brackets indicate deductions.

The Significant Accounting Policies and the Notes from page 51 to 86 form an integral part of these Financial Statements.

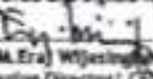
## Certification

I certify that the above financial statements are prepared in compliance with the requirements of the Companies Act No. 37 of 2007.

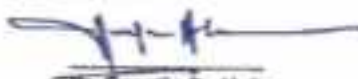
  
Mr. Samantha Perera  
D.G.M. - Finance and Planning

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.

  
Mr. M. Era Wijesinghe  
Managing Director / CEO

Colombo  
12th July, 2012  
TS/cc

  
Mr. Samantha De Alwis  
Director



# Statement of Changes in Equity

FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012

	Stated Capital Rs.	Statutory Reserve Rs.	Revenue Reserve Rs.	Revaluation Reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 31st March 2009 as Previously	61,204,990	87,756,564	70,000,000	41,400,474	92,952,341	353,314,369
Net Profit for the Year (Restated)					57,814,488	57,814,488
Transfer to Statutory Reserve	-	10,206,200	-	-	(10,206,200)	-
Dividends	-	-	-	-	(6,120,499)	(6,120,499)
Balance as at 31st March, 2010	61,204,990	97,962,764	70,000,000	41,400,474	134,440,130	405,008,358
Net Profit for the Year	-	-	-	-	222,063,372	222,063,372
Transfer to Statutory Reserve	-	44,412,674	-	-	(44,412,674)	-
Dividends	-	-	-	-	(6,120,449)	(6,120,449)
Balance as at 31st March, 2011	61,204,990	142,375,438	70,000,000	41,400,474	305,970,379	620,951,281
Adjustment due to VAT on FS - Note A	-	-	-	-	(6,614,815)	(6,614,815)
Final Dividend Paid for Year 2010/11	-	-	-	-	(36,722,994)	(36,722,994)
Defferd Tax Attributable to the Revaluation Reserve - Note 8.2	-	-	-	(2,291,991)		(2,291,991)
Net Profit for the Year	-	-	-	-	89,292,733	89,292,733
Transfer to Statutory Reserve	-	17,858,547	-	-	(17,858,547)	-
Dividends	-	-	-	-	-	-
Balance as at 31st March, 2012	61,204,990	160,233,985	70,000,000	39,108,483	334,066,756	664,614,214

## Note A

During the period company has paid VAT on Financial Services with the determination of Commissioner General of Inland Revenue in respect of the F/Y 2008/09 and F/Y 2010/11.

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 51 to 86 form an integral part of these financial statements.

Colombo  
12th July, 2012



# Cashflow Statement

FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2012

	2011/2012	2010/2011
	Rs	Rs
Profit before Taxation	98,928,398	226,965,864
Adjustment for :		
Depreciation	37,978,561	36,251,827
Provision for Bad and Doubtful Loans	20,725,292	83,792,077
(Profit)/Loss on Sale of Property, Plant and Equipment	(7,945,595)	(46,339,231)
Profit/ Loss on Sale of Dealing Securities	474,231	(234,745,689)
Dividend Income	(7,528,353)	(9,776,485)
Hire Purchase Interest	3,708,520	2,880,669
Interest Income	(58,594,307)	(66,564,623)
Provision for Staff Retirement Benefits	4,678,796	4,063,474
Interest on Debentures	21,052,620	-
Interest on Securitization Loan	37,932,420	26,706,688
Adjustment on Income Tax/ ESC	7,945,598	-
<b>Operating Profit /(Loss) before Changes in Operating Assets and Operating Liabilities</b>	<b>159,356,181</b>	<b>23,234,571</b>
(Increase)/Decrease in Operating Assets		
Investments in Reverse Repos	(29,144,295)	76,037,998
Withdrawals/(Investments) in Fixed Deposit	44,854,586	22,238,133
Investments in Government Securities	(115,742,703)	(101,007,529)
Net Hire purchase, Lease and Loans & Advances Made to Customers	(1,995,844,048)	(640,899,150)
Investments in Real Estate Stock	26,125,044	(66,662,557)
Three-wheeler Stock	(38,692,840)	-
Net /(Payment) Receipt Other Receivables, Deposit and Prepayment	55,790,879	(94,103,244)
(Increase)/Decrease of Amount Due from Related Parties	(1,000,000)	(4,000,000)
Increase/(Decrease) in Operating Liabilities		
Net Placement of Fixed Deposit Made by Customers	1,444,776,669	632,847,864
Net Payment to the Creditors and Accruals	5,475,294	(17,673,388)
<b>Cash Generated from/ (Used) in Operations</b>	<b>(603,401,414)</b>	<b>(193,221,872)</b>
Gratuity Paid	(942,534)	(8,331,563)
Income Tax Paid	-	(2,938,161)
Economic Service Charges Paid	(14,137,451)	(10,895,089)
<b>Net cash from /(Used) in Operating Activities</b>	<b>(618,481,399)</b>	<b>(215,386,685)</b>
<b>Cash Flows from Investing Activities</b>		
Dividend Received	7,528,353	9,776,485
Interest Received	58,273,020	14,202,367
Acquisition of Property ,Plant and Equipment	(68,802,140)	(86,436,779)
Cost incurred in the Course of Construction	(30,203,728)	(33,469,577)
Net (Acquisition)/Proceeds of Investment Securities	(199,778,683)	35,407,309
Other Investments Made during the Year	4,666,255	(3,248,890)
Sales Proceeds from Property, Plant and Equipment	18,732,128	54,771,477
<b>Net Cash from/(Used) in Investing Activities</b>	<b>(209,584,795)</b>	<b>(8,997,608)</b>
<b>Cash Flows from Financing Activities</b>		
Interest on Debentures	(21,052,620)	-
Interest on Securitization Loan	(37,932,420)	(26,706,688)
Dividend Paid	(36,367,963)	(6,304,457)
Net Borrowings /(Repayment) of Bartleet Transcapital Ltd loan	-	-
Net Borrowings/(Repayment) of Loans	540,406,265	216,130,467
Net Borrowing/(Repayment)Hire Purchase Rental Paid	(7,989,180)	18,478,437
Net Borrowing/(Repayment) Debentures	204,000,000	-
<b>Net Cash from/(Used) in Financing Activities</b>	<b>641,064,082</b>	<b>201,597,760</b>
<b>Net Increase /(Decrease) in Cash and Cash Equivalents</b>	<b>(27,645,931)</b>	<b>448,037</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>104,207,272</b>	<b>103,759,235</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>76,561,341</b>	<b>104,207,272</b>
	<b>Note A</b>	<b>Note B</b>
Cash in Hand and Cash at Bank	118,154,287	123,477,184
Bank Overdraft	(41,592,946)	(19,269,912)
	<b>76,561,341</b>	<b>104,207,272</b>

Figures in brackets indicate deductions.

The Accounting Policies and Notes on pages 51 to 86 form an integral part of these financial statements.

Colombo  
12th July, 2012



**Notes to the  
Financial Statements**

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

#### 1.1 General

Bartleet Finance PLC, is a public limited liability company incorporated on and domiciled in Sri Lanka. The Registered Office of the company and its principal place of business is situated at No. 65, Braybrooke Place, Colombo 02. The Company is regulated under the Finance Companies Act No.78 of 1988 and the company is re-registered under the Finance Business Act No.42 of 2011 during the period. The company is also listed in Colombo Stock Exchange by issuing debentures to the public during 2011.

The staff strength of the company as at 31<sup>st</sup> March 2012 was 320 (257 as at 31<sup>st</sup> March 2011)

#### 1.2 Principal Activities and Nature of Operation

During the year the principal activities of the Company were acceptance of deposits, granting lease facilities, hire purchase, loans and other credit facilities, real estate developments, share trading and related services.

#### 1.3 Parent Enterprise

The Company's parent undertaking is Bartleet Transcapital Ltd, which holds 86.59% of shares of Bartleet Finance PLC.

#### 1.4 Approval of Financial Statements by the Board of Directors

The Financial Statements of Bartleet Finance PLC for the year ended 31<sup>st</sup> March 2012 was authorized for issue in accordance with the resolution of the Board of Directors passed on 12<sup>th</sup> July 2012.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### 2.1. GENERAL ACCOUNTING POLICIES

##### 2.1.1 Basis of Preparation

These financial statements presented in Sri Lanka Rupees have been prepared under the historical cost convention, except Dealing Securities and Certain Property, Plant and Equipment which are stated at revalued amounts, (only if there are revalued assets) in accordance with generally accepted accounting principles and the standards laid down by the Institute of Chartered Accountants of Sri Lanka.

##### 2.1.2 Statement of Compliance

The Balance Sheet, Statement of Income, Changes in Equity and Cash Flows, together with Accounting Policies and Notes ("Financial Statement") of Bartleet Finance PLC as at 31<sup>st</sup> March, 2012 and for the year then ended, are prepared in accordance with the Sri Lanka Accounting Standards laid down by The Institute of Chartered Accountants of Sri Lanka and in compliance with the requirements of the Companies Act No.07 of 2007 and the Finance Business Act No. 42 of 2011.

##### 2.1.3 Going Concern

The directors have made an assessment of Bartleet Finance PLC to continue as a going concern and they do not intend either to liquidate or to cease trading.

##### 2.1.4 Comparative Information

The accounting policies have been consistently applied by the company consistent with those of the previous year. The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better presentation.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 2.1.5 Events after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered and where necessary, appropriate adjustments or disclosures have been made in the financial statements.

### 2.1.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard No. 03 - (Revised 2005) on 'Presentation of Financial Statements'.

### 2.1.7 Changes in Accounting Policies and Effect of Changes in Accounting Standards issued but not yet Effective

The Accounting Policies adopted are consistent with those of the previous financial year.

#### Sri Lanka Accounting Standards Effective from 01st January 2012

The Company will be adopting the new Sri Lanka Accounting Standards (new SLASs) comprising IKASs and SLFRSs applicable for financial periods commencing from 01st January 2012 as issued by the Institute of Chartered Accountants of Sri Lanka. The Company has commenced reviewing its accounting policies and financial reporting in readiness for the transition. As the Company has a 31st March year end, priority has been given to considering the preparation of an opening balance sheet in accordance with the new SLASs as at 01st April 2011. This will form the basis of accounting for the new SLASs in the future, and is required when the Company prepares its first new SLAS compliant financial statements for the year ending 31st March 2013. Set out below are the key areas where accounting policies will change and may have an impact on the financial statements of the Company. The Company is in the process of quantifying the impact on the financial statements arising from such changes in accounting policies.

#### (a) SLFRS 1 - First Time Adoption of Sri Lanka Accounting Standards

Requires the Company to prepare and present opening new SLFRS financial statements at the date of transition to new SLAS. The Company shall use the same accounting policies in its opening new SLAS financial statements and throughout all periods presented in its first new SLAS financial statements. Those accounting policies should comply with each new SLAS effective at the end of 31st March 2013.

#### (b) IKAS 1 - Presentation of Financial Statements

Requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non owner changes in equity are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income are not permitted to be presented in the statement of changes in equity. This standard also requires the Company to disclose information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital.

#### (c) IKAS 16 - Property, Plant and Equipment

Requires Company to initially measure an item of property plant and equipment at cost, using the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period, unless such interest is capitalised in accordance with IKAS 23 Borrowing Costs. All site restoration costs including other environmental restoration and similar costs must be estimated and capitalised at initial recognition, in order that such costs can be depreciated over the useful life of the asset. This standard requires depreciation of assets over their

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

useful lives, where the residual value of assets is deducted to arrive at the depreciable value. It also requires that significant components of an asset be evaluated separately for depreciation.

**(d) IAS 32 – Financial Instruments: Presentation, IAS 39 – Financial Instruments: Recognition and Measurement and IFRS 7 – Disclosures**

Will result in changes to the current method of recognizing financial assets, financial liabilities and equity instruments. These standards will require measurement of financial assets and financial liabilities at fair value at initial measurement. The subsequent measurement of financial assets classified as fair value through profit and loss and available for sale will be at fair value, with the gains and losses routed through the statements of comprehensive income and other comprehensive income respectively.

Financial assets classified as held to maturity and loans and receivables will be measured subsequently at amortised cost. These assets will need to be assessed for any objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. As such the current method of assessing for impairment will have to be based on the requirements of these new standards.

Financial liabilities will be either classified as fair value through profit or loss or at amortised cost. At present, the Company does not identify, categorise and measure financial assets and liabilities as per the requirements of the standard, and hence would require a change in accounting policy.

**(e) IAS 23 – Borrowing Cost**

Requires the Company to capitalise borrowing costs in relation to qualifying assets. Since the current policy is to expense all borrowing cost, this will result in a change in accounting policy.

**(f) IAS 12 – Income Tax**

Requires deferred tax to be provided in respect of temporary differences which will arise as a result of adjustments made to comply with the new IAS.

**(g) IAS 18 – Revenue**

Requires the Company to measure revenue at fair value of the consideration received or receivable. It also specifies recognition criteria for revenue, and the Company needs to apply such recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction.

## 2.2. ASSETS & BASES OF THEIR VALUATION

### 2.2.1 Property, Plant and Equipment.

**a) Cost**

Property, plant and equipment is recorded at cost less accumulated depreciation and less any impairment in value.

**b) Cost and Valuation**

All items of property, plant and equipment are initially recorded at cost. Where items of property, plant and equipment are subsequently revalued, the entire class of such assets is revalued.

When an asset is revalued any increase in the carrying amount is credited directly to a revaluation

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

surplus unless it reverses a previous revaluation decrease relating to the same asset which was previously recognized as an expense. In these circumstances the increase is recognized as income to the extent of the previous written down value. When asset's carrying amount is decreased as a result of a revaluation, the decrease is recognized as an expense unless it reverses a previous increment relating to that asset, in which case it is charged against any related revaluation surplus, to the extent that the decrease does not exceed the amount held in the revaluation surplus in respect of that same asset, any balance remaining in the revaluation surplus in respect of an asset is transferred directly to accumulated profit or loss on retirement or disposal of the asset.

### c) Depreciation

Provision for depreciation is calculated by using reducing balance on the cost or valuation of all property, plant and equipment other than freehold land, in order to write off such amounts over the estimated useful lives of such assets.

The principal annual rates used are as follows:

Freehold Buildings	7.5% per Annum
Office Partitioning	20% per Annum
Furniture & Fittings	20% per Annum
Office Equipment	25% per Annum
Motor Vehicles	25% per Annum

Depreciation of assets begins when it is available for use.

Freehold land is not depreciated.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year.

The management of the company has decided to assess the useful life lives of all categories of Property, Plant and Equipment with the International Financial Reporting Standard convergence process during the 2012/13 financial year. Therefore, the method of provision for depreciation may get changed.

### d) Restoration Costs

Expenditure incurred on repairs or maintenance of property, plant and equipment in order to restore or maintain the future economic benefits expected from originally assessed standard of performance is recognized as an expense when incurred.

### e) Derecognition

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount.

## 2.2.2 Leasehold Properties

### a) Finance Leases

Property, plant and equipment on finance leases (which effectively transfer to the company substantially the entire risk and rewards incidental to ownership of the leased item) are capitalized at their cash price and depreciated or amortized over the period the company is expected to benefit from the use of the leased assets.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The corresponding principal amount payable to the lessor is shown as a liability.

The finance charges allocated to future periods are separately disclosed in the notes.

The interest element of the rental obligation applicable to each financial year is charged to the income statement over the period of the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The cost of improvements to or on leased property is capitalized, and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is shorter.

### 2.2.3 Investment Property

#### a) Gross Carrying Amount

Investment property is recognised when and only when it is probable that the future economic benefits associated with the item will flow to the company and the cost of the investment property can be measured reliably.

Investment property is property (land or a building or part of a building or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for, use in the production or supply of goods or services or for administrative purposes; or sale in the ordinary course of business.

Investment property is initially measured at its cost including related transaction costs and is therefore carried at its cost less any accumulated depreciation and any accumulated impairment losses.

### 2.2.4 Impairment of Assets

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If such indication exists or when annual impairment testing for an asset is required the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash generating units fair value less costs to sell and its value in use and determined for an individual asset, unless the asset's does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset 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 assessment of the time value of money and the risk specific to the asset. These calculations are collaborated by valuation multiples, quoted share prices or other available fair value indicators.

Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to equity. In this case the impairment is also recognized in equity upto the amount of any previous revaluation.

For assets excluding goodwill, 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 makes an estimate of recoverable amount. A

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount.

That increased amount cannot "exceed" 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 income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

### 2.2.5 Inventories

#### a) Land Stock

Inventories are valued at cost or net realizable value whichever is lower. Development cost and borrowing costs incurred during the development period of projects are capitalized to the cost of land.

#### b) Work-in-Progress

Work-in-progress represents the cost of partly developed lands which are under development stage prior to its saleable condition and other cost of infrastructure facilities incurred as at the Balance Sheet date. These are valued at cost of development/construction plus attributable overheads.

#### c) Lease Inventories

Repossessed Motor Vehicles are valued at amounts receivable from repossessed lease facilities.

#### d) Other Inventories

Other Inventories are valued at lower of the cost and net realizable value, after making due allowances for obsolete and slow moving items.

### 2.2.6 Loans and Advances

Loans and advances to customers are stated in the Balance Sheet net of provision for bad and doubtful loans.

Loans and advances are written off to the extent that there is no realistic prospect of recovery. Specific provisions are made to reduce all impaired loans and advances to their expected realizable amount.

### 2.2.7 Finance Leases

Assets leased to customers under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as finance leases. Lease rentals receivable in the Balance Sheet includes total lease payments due net of initial rentals received, unearned interest, interest in suspense and provision for doubtful debt.

### 2.2.8 Operating Leases

Assets leased to customers under agreements, which the Company retains substantially all the risks and rewards associated with ownership are classified as Operating Lease.

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 2.2.9 Hire Purchase Agreements

Assets granted under agreements that transfer substantially all the risks and rewards associated with ownership other than legal title are classified as Hire Purchase Stocks. Hire Purchase instalments receivables in the Balance Sheet include total Hire Purchase instalments due net of unearned interest, interest in suspense and provision for doubtful debts.

### 2.2.10 Provision for Doubtful Debts

Provision for doubtful debts are made on the basis of a continuous review of all finance leases, operating leases, hire purchase agreements and loans and advances to customers in accordance with the Finance Companies (Provision For Bad and Doubtful Debt) Direction No.03 of 2006 issued by the Monetary Board of the Central Bank of Sri Lanka based on an age classification of advances as follows:

Period Outstanding	Provision Made
6 to 12 months	50%
Over 12 months	100%
Seized, Sold & Legal	100%

### 2.2.11 Investments

#### a) Investment Securities

Investment securities, which are acquired with the positive intent to hold on long term basis, are classified as Investment securities. These are acquired and held for yield or capital growth in the long term. Such securities are recorded at cost net of provision for permanent diminution in value.

#### b) Dealing Securities

Securities, including equity shares, which are generally held for resale in the near future to benefit from short-term market movements, are classified as dealing securities. Equity shares classified as dealing securities are accounted for at the lower of cost or market value determined on aggregate portfolio basis in total.

#### Disposal of Investments

On disposal of an investment, the difference between net disposals and proceeds and the carrying amounts is recognized as income or expense.

### 2.2.12 Cash and Cash Equivalents

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

For the purpose of the cash flow statement cash and cash equivalents comprise cash in hand and deposits held at bank net of bank overdrafts. Investments with a short term maturities i.e. three months or less from the date of acquisitions are also treated as cash equivalents.

## 2.3. LIABILITIES AND PROVISIONS

### 2.3.1 Liabilities

Liabilities stated under current liabilities in the Balance Sheet are those expected to fall due within one year from the Balance Sheet date. Items stated as long term liabilities are those expected to fall due at point of time after one year from the Balance Sheet date.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 2.3.2 Trade and Other Payables

Trade creditors and other payables are stated at their book values.

### 2.3.3 Provisions

Provisions are recognized when the company has a present obligations (legal & constructive) as a result of a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### 2.3.4 Retirement Benefit Cost

#### 2.3.4.1 Defined Benefit Plans – Gratuity

The Company measures the present value of the promised retirement benefits of gratuity which is a defined benefit plan with the advice of an actuary every 2 years using Projected Unit Credit Method (PUC) as required by Sri Lanka Accounting Standards No.16, Employee Benefits (Revised 2006). The actuarial valuation involves making assessment about discount rate, future salary increases and mortality rates. Due to the long term nature of such obligations, these estimates are subject to significant uncertainty.

Actuarial gains and losses are recognised as income or expenses over the expected average remaining working lives of the participants of the plan.

#### 2.3.4.2 Defined Contribution Plans - EPF & ETF

##### Employees' Provident Fund and Employees' Trust Fund

Employees are eligible for Employees' Provident Fund Contributions and Employees' Trust Fund Contributions in line with respective statutes and regulations. The company contributes 12% and 3% of gross emoluments of employees to the Employees' Provident Fund and to the Employees' Trust Fund respectively.

### 2.3.5 Taxation

#### a) Current Taxes

Current income tax assets & liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the Commissioner General of Inland Revenue.

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provision of the Inland Revenue Act No. 10 of 2006.

#### b) Deferred Tax

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

Deferred tax assets and liabilities recognized for all temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused losses can be utilized.

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each Balance Sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the Balance Sheet date.

Income tax relating to items recognized directly in equity is recognized in equity.

Deferred tax asset and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

### c) Value Added Tax on Financial Services

Value base for value added tax is the adjusted accounting profit before income tax, in respect of economic depreciation and emoluments of employees.

## 2.4 INCOME STATEMENT

### 2.4.1 Income

Income represents the amounts derived from the provision of services that fall within the Company's ordinary activities net of turnover related taxes.

### 2.4.2 Revenue Recognition

#### a) Interest Income from Leases & Hire Purchase Contracts

Income from leases is recognized on the basis of the method of financing. The excess of aggregate rental receivable over the cost of the leased assets consists of the total unearned income at the commencement of the contract. The unearned income is taken into revenue over the term of the lease, commencing from the month in which the lease is executed, in proportion to the declining receivable balance of the lease.

Interest ceases to be taken to revenue where any portion of interest or principal is in arrears for more than six months and thereafter such interest is recognized on cash basis.

#### b) Interest Income from Loans & Advances

Interest Income from Loans and Advances is recognized on an accrual basis. Interest ceases to be taken into revenue when the interest or principal is in arrears for 6 months or more and thereafter Interest is recognized on a cash basis.

#### c) Overdue Interest

Overdue interest income from leasing, hire purchase and other from of loans and advances have been accounted for on cash basis.

**d) Interest Income from Other Sources**

Interest Income from Government of Sri Lanka Treasury Bills is recognized on a time proportion basis as discounts on purchase. Such income is amortized on a straight line basis over the period of maturity or the date of sale.

**e) Real Estate Sales**

Revenue from real estate sales is recognized when significant risk and rewards of ownership have been passed to the customer. However, when there is insufficient assurance as to the receipt of the total consideration, income is accounted for on a cash basis.

**f) Dividend Income**

Dividend income is recognized on cash basis in the period in which it is received.

**g) Profit from Sale of Property, Plant and Equipment**

Gains and losses of a revenue nature on the disposal of Property, Plant and Equipment is accounted for in the income statement.

**h) Profit on Disposal of Shares**

Profits earned on the disposal of shares, has been accounted for in the income statement on the basis of realized net profit.

**i) Other Income**

All other income is recognized on an accrual basis.

**j) Profit/Loss on Disposal of Investments**

Profit/Loss on the sale of investment is accounted for in the Income Statement on the Basis of realized net profit.

**2.4.3 Expenditure Recognition**

a) Expenses are recognized in the income statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All the expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

b) For the purpose of presentation of the income statement the directors are of the opinion that function of expenses method presents fairly the elements of the company's performance and hence such presentation method is adopted.

**c) Borrowing Costs**

Borrowing costs are recognized as an expense in the period in which they are incurred, except to the extent where borrowing costs are directly attributable to the acquisition, construction or production of a qualifying assets which are assets that necessarily takes a substantial period of time to get ready for its intended use are added to the cost of those assets. Until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

The amount of borrowing costs eligible for capitalization is determined in accordance with the Sri Lanka Accounting Standard 20, Borrowing costs are allowed alternative treatment.

### 2.5 Related Party Transactions

Disclosure is made in respect of the transaction in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is charged.

### 2.6 Cash Flow Statement

The cash flow statement has been prepared using the 'Indirect Method'.

### 2.7 Off Balance Sheet and Income Statement Items

#### 2.7.1 Events Occurring after the Balance Sheet Date

All material events occurring after the balance sheet date have been considered and where necessary adjustments to or disclosures have been made in the respective notes to the accounts.

#### 2.7.2 Contingencies and Unrecognized Contractual Commitments

Contingencies are possible assets or obligation that arise from past event and would be confirmed only on the occurrence or nonoccurrence of uncertain future events, which are beyond the company's control.

### 2.8 Segment Reporting

A segment is a distinguishable component of the company that is engaged in providing an individual product or service (Business segment) or in providing services within a particular economic environment (Geographical segment) which is subject to risks and rewards that are different from those of other segments. In accordance with the Sri Lanka Accounting Standard 28 - Segmental Reporting, segmental information is presented in respect of the company. The business segments comprise of leasing and hire purchase, Term Loans, Margin Trading and Pledge Loans. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>3. Income</b>			
Interest Income	4	1,069,329,053	780,286,524
Other Income	6	123,630,682	370,539,687
		<u>1,192,959,735</u>	<u>1,150,826,211</u>
<b>4. INTEREST INCOME</b>		<b>Rs.</b>	<b>Rs.</b>
Hire Purchase		639,204,139	494,130,407
Leasing		243,460,675	109,584,656
Term Loans - Fixed Deposits		13,224,313	12,083,488
Imports Interest and BTT Receivable		-	2,664,155
Term Loans		5,209,500	8,582,875
Pledge Loans		8,821,660	11,477,485
Trust Receipt Loans		1,127,555	320,061
Government Securities		27,197,878	24,700,660
Overdue Interest		81,387,934	78,382,340
Margin Trading Interest Income		21,963,325	4,169,858
Fixed Deposit Interest		1,506,957	1,437,376
Reverse Repo Interest		7,913,166	8,778,119
Real Estate-Easy Payments		-	40,492
Commercial Papers		6,254,780	11,109,368
Treasury Bond		1,938,611	1,145,355
Asian Finance Loan		7,726,754	7,726,754
Trust Certificate		2,391,806	3,953,075
		<u>1,069,329,053</u>	<u>780,286,524</u>

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

The Inland Revenue Act No 10 of 2006 provides that a company which derives interest income from secondary market transactions in Government securities 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 secondary market transactions in Government securities for the year has been grossed up in the financial statements for the year 2011/2012. The resulting notional tax credit amounts to Rs. 2.9 Million for the company.

	Rs.	Rs.
<b>5. INTEREST EXPENSES</b>		
Fixed Deposits	543,488,899	443,266,230
Trade Finance	-	15,071,760
Overdrafts	1,818,415	(450,652)
Term Loans	44,134,759	26,722,988
Hire Purchase Interest	3,708,520	2,880,669
Debenture Interest	21,052,620	-
	<u>614,203,212</u>	<u>487,490,995</u>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>6. OTHER INCOME</b>			
Service Charges		27,643,302	21,930,298
Profit on Real Estates		31,044,541	5,096,735
Dividend Income		7,528,353	9,776,485
Profit on Sale of Property, Plant and Equipment and Investment Property		7,945,595	46,339,231
Miscellaneous Income		26,261,354	20,850,635
Bank Interest Income		3,229,336	3,228,089
Staff Loan Interest Income		805,070	758,783
Rent Income		6,341,849	3,100,874
Profit/(Loss) on Sale of Dealing Securities		(474,231)	234,745,689
Recoveries from Bad Debts		12,870,494	24,277,868
Debenture Interest		435,019	435,000
		<u>123,630,682</u>	<u>370,539,687</u>
<b>7. PROFIT BEFORE TAX IS STATED AFTER CHARGING ALL EXPENSES INCLUDING THE FOLLOWING ;</b>			
Directors' and Senior Management Emoluments		41,048,341	31,835,067
Directors' Fee		2,260,800	1,740,000
Auditors' Remuneration		500,000	495,000
Depreciation		37,978,561	29,889,960
EPF and ETF		10,892,336	8,373,924
Staff Cost		103,030,383	86,697,192
Donations		125,500	541,999
<b>8. INCOME TAX EXPENSES</b>			
Current Income Tax Provision	8.1	3,835,946	-
Add: Over Provision of Previous Year	25	(3,300,030)	4,902,492
		<u>535,916</u>	<u>4,902,492</u>
<b>Deferred Income Tax</b>			
Deferred Taxation Charge	8.2	9,099,749	-
Income Tax Expense Reported in the Income Statement		<u>9,635,665</u>	<u>4,902,492</u>



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 8.1. A RECONCILIATION BETWEEN TAX EXPENSE AND THE PRODUCT OF ACCOUNTING PROFIT MULTIPLIED BY THE STATUTORY TAX RATE IS AS FOLLOWS :

	Note	2011/2012 Rs.	2010/2011 Rs.
Profit Before Tax		98,928,398	226,965,864
Tax Rate		28%	35%
Accounting Profit Liabe For Tax		27,699,951	79,438,052
Add: Tax Effect on Lease Rental Receivable and Notional Tax Credit		59,682,686	54,396,559
Add: Tax Effect on Disallowable Expenses		25,982,228	37,677,017
Less: Tax Effect on Allowable Expenses		(120,258,854)	(68,747,453)
Less: Tax Effect on Exempt Income		(4,332,706)	(101,801,492)
Add/(Less): Tax Effect on Profit/Loss on Disposal of PPE		164,532	66,043
Less: Tax Effect on Loss Disposal of Leased Assets		(2,900,087)	(7,745,912)
Income Tax Liability on Taxable Income		(13,962,249)	(6,717,186)
Business Profit or Loss on Financial Services		13,032,122	-
Business Profit or Loss on Leasing		20,025,779	-
Business Profit or Loss on Other Activities		(13,032,122)	-
Carried Forward Business Loss Claimed for the Year		(2,227,583)	-
		3,835,946	(6,717,186)
Current Income Tax Provision	8	3,835,946	-

### 8.2 DEFERRED TAXATION

The deferred tax liability arising on the temporary differences and unused tax losses/credits of the company has been recognized and the resulting tax effect is disclosed bellow. The effect is computed using the 28% tax rate applicable for 2011/2012 (35% for 2010/2011). The Deferred tax asset has not being recognised during last year as a matter of prudence.

	2011/2012 Rs.	2010/2011 Rs.
<b>Total Deductible Temporary Differences</b>		
On retirement gratuity	27,014,800	23,278,574
	27,014,800	23,278,574
<b>Total Taxable Differences</b>		
On temporary difference of PPE	(19,404,884)	(14,652,033)
On temporary difference of lease receivable	(198,094,989)	(50,140,104)
Net of Total for Deferred Tax ( Liability)/ Asset	(190,485,073)	(41,513,563)
Applicable tax rate	28%	35%
	(53,335,820)	(14,529,747)
<b>Less:</b>		
Unused tax losses carried forwarded	34,463,783	9,448,176
Unused tax credits carried forwarded	7,480,298	25,914,847
Deferred Tax (Liability) / Asset	(11,391,740)	20,833,276
Deferred Tax attributable to revaluation reserves which is recognised directly in Equity	2,291,991	-
Deferred Tax Expenses recognised to the income statement	8	9,099,749

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 9. Earnings Per Share

The calculation of earnings per share is based on profit attributable to ordinary shareholders for the year divided by the weighted average number of ordinary shares outstanding during the year.

Profit attributable to ordinary shareholder.	89,292,733	222,063,372
Weighted average number of ordinary shares outstanding during the year.	6,120,499	6,120,499
Basic Earnings per share	<u>14.59</u>	<u>36.28</u>

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>10. DIVIDEND PER SHARE</b>			
Proposed Interim Dividend		6,120,499	36,722,994
Weighted Average Number of Ordinary Shares		6,120,499	6,120,499
Dividend per Share		<u>1</u>	<u>6</u>

On 31.03.2012 the directors have proposed an interim dividend of Rs.1/- per share. Therefore Rs.6,120,499/- in total.

### 11. CASH AND BALANCE DUE FROM BANKS

Cash in Hand	395,336	517,030
Cash at Bank	117,758,951	122,960,154
	<u>118,154,287</u>	<u>123,477,184</u>

### 12. TREASURY BILLS & OTHER BILLS ELIGIBLE FOR RE-DISCOUNTING WITH CENTRAL BANK

Treasury Bills	422,989,299	322,214,117
Treasury Bonds	23,059,034	8,091,513
Re-Purchase Agreements	204,445,136	175,300,841
	<u>650,493,469</u>	<u>505,606,471</u>

#### 12.1 INVESTMENT IN RE-PURCHASE AGREEMENT

Commercial Bank	144,217,876	150,000,000
Seylan Bank	60,227,260	25,300,841
	<u>204,445,136</u>	<u>175,300,841</u>

### 13. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

Fixed Deposits			
Asian Finance Ltd	13.1	22,298,739	68,586,812
Nations Trust Bank PLC		2,108,590	1,963,621
Seylan Bank PLC		18,802,858	17,514,340
		<u>43,210,187</u>	<u>88,064,774</u>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2011/2012 Rs.	2010/2011 Rs.
<b>13.1. Asian Finance Limited</b>		
Gross Amount Receivable	24,874,323	78,889,151
Less: Unearned Interest	(2,575,584)	(10,302,338)
	<u>22,298,739</u>	<u>68,586,812</u>

Company has invested Rs.100,000,000 with Asian Finance Ltd on 15th September 2008, at an interest rate of 20%. The company has entered in to a repayment agreement with the investor, on 20th August 2009, in recovering the above amount along with the interest. Repayment terms and conditions are as follows;

Amount Placed: Rs.118,438,765/-  
 Date of Commencement: 20/08/2009  
 Period : 36 Months  
 Monthly Instalment : Rs.3,869,472/-

The company has recovered the entire outstanding balance from the Asian Finance PLC as of 27th June 2012

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>14. HIRE PURCHASE, LEASE AND LOANS AND ADVANCES</b>			
Lease Rentals Receivable	14.1	1,372,061,442	660,639,641
Hire Purchase Receivable	14.2	3,341,068,588	2,067,255,573
Import Loan	14.3	51,912,941	62,186,905
Term Loan		58,937,961	80,446,165
Pledge Loan		30,865,706	34,939,330
Short Term Loans Against Fixed Deposits		98,267,111	79,572,556
Trust Receipt Loans		1,346,131	1,249,791
Margin Trading Receivable		94,118,162	102,565,993
Real Estate Receivable		2,609,318	2,609,319
Cheque Discounting		(100,000)	10,924,621
Loans to Company Officers		<u>7,863,535</u>	<u>5,778,566</u>
		5,058,950,894	3,108,168,460
Less: Provision for Doubtful Debts	14.4	<u>(40,164,589)</u>	<u>(85,226,202)</u>
		<u>5,018,786,305</u>	<u>3,022,942,258</u>



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

14.1 Lease Rentals Receivable	2011/2012 Rs.	2010/2011 Rs.
Gross Lease Rentals Receivable-Performing	1,832,845,730	850,618,621
Gross Lease Rentals Receivable-Non Performing	8,165,857	32,505,550
	<u>1,841,011,587</u>	<u>883,124,171</u>
Less: Unearned Interest-Performing	(467,065,863)	(218,024,895)
Unearned Interest-Non Performing	(1,392,149)	(1,214,758)
	<u>(468,458,012)</u>	<u>(219,239,653)</u>
Less: Interest in Suspense	<u>(492,133)</u>	<u>(3,244,877)</u>
Net Balance Receivable	<u>1,372,061,442</u>	<u>660,639,641</u>
14.2 Hire Purchase Receivable	Note	2011/2012 Rs.
Hire Purchase Receivable-Performing		2010/2011 Rs.
Hire Purchase Receivable-Non Performing		
	4,298,830,612	2,643,766,509
	53,772,064	36,083,147
	<u>4,352,602,677</u>	<u>2,679,849,656</u>
Less: Unearned Interest-Performing	(1,000,632,357)	(606,524,824)
Unearned Interest-Non Performing	(7,454,688)	(3,086,085)
	<u>(1,008,087,045)</u>	<u>(609,610,909)</u>
Less: Interest in Suspense	<u>(3,447,043)</u>	<u>(2,983,174)</u>
Net Balance Receivable	<u>3,341,068,588</u>	<u>2,067,255,573</u>
14.3 Import Loan		
LC Creditors	51,912,941	62,186,905
Net Balance Receivable	<u>51,912,941</u>	<u>62,186,905</u>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

14.4 Provision for Bad and Doubtful Debts of Hire Purchase, Lease and Loans and Advances Granted; the movement of which is as follows.

	Balance as at 01.04.2011 Rs.	Charged to Income Statement Rs.	Write-off During the Year Rs.	Balance as at 31.03.2012 Rs.
Lease Rentals	28,023,014	9,462,022	(23,809,356)	13,675,680
Hire Purchase	26,417,479	12,296,093	(14,426,608)	24,286,963
Pledge Loans	3,035,945	(646,104)	(1,769,290)	620,551
Trust Receipt Loans	1,245,978	514,294	(1,245,978)	514,294
Cheque Discounting Receivable	11,024,621	15,750	(11,040,371)	-
Long Term Loan	1,190,909	40,279	(1,197,833)	33,355
Trade Finance	14,288,256	(957,042)	(12,297,469)	1,033,745
	<u>85,226,202</u>	<u>20,725,292</u>	<u>(65,786,905)</u>	<u>40,164,589</u>

### 14.5 Lease, Hire Purchase Rental Receivables

	Within 1 Year		1-5 Years		Over 5 Years		Total	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Gross Investment								
Lease Rentals	15,070,008	60,999,140	1,709,139,868	822,525,030	116,601,712	-	1,841,011,587	883,124,171
Hire Purchase	104,471,279	177,969,699	4,248,131,398	2,501,879,956	-	-	4,352,602,677	2,479,849,655
Receivables	<u>119,541,287</u>	<u>238,968,840</u>	<u>5,957,271,265</u>	<u>3,324,404,986</u>	<u>116,601,712</u>	<u>-</u>	<u>6,193,614,264</u>	<u>3,362,973,826</u>
Less: Unearned								
Interest	7,286,698	10,888,835	1,430,865,301	817,961,727	38,393,058	-	1,476,545,257	828,850,561
Less: Interest in								
Suspense	323,234	4,938,046	2,415,943	1,290,005	-	-	3,929,176	6,228,051
Net Investment	<u>111,731,354</u>	<u>222,741,959</u>	<u>4,523,190,022</u>	<u>2,505,153,255</u>	<u>78,208,654</u>	<u>-</u>	<u>4,713,130,030</u>	<u>2,727,895,214</u>

### 15. REAL ESTATE STOCKS

	2011/2012 Rs.	2010/2011 Rs.
Naranwala Project	3,128,945	4,031,809
Bellaththa Project	1,442,532	1,860,790
Battaramulla Project	28,775,302	28,775,302
Kalutara Project	19,284,466	70,590,086
Dematagoda Project	17,654,211	17,654,211
Ebilipitiya Project	139,819	59,670
Matale Project	9,363,085	9,363,085
Maddawaththa Project	2,623,931	2,623,931
Apartment Skyline Residence	33,483,686	33,311,368
Apartment Gold Hope Property	7,132,112	7,132,112
Chillaw Project	26,249,231	-
	<u>149,277,318</u>	<u>175,402,363</u>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>16. AMOUNT DUE FROM RELATED PARTY</b>			
Bartleet Transcapital Limited		5,000,000	4,000,000
		<u>5,000,000</u>	<u>4,000,000</u>
<b>17. ECONOMIC SERVICE CHARGES RECOVERABLE</b>			
Opening Balance		8,404,538	7,712,201
Add: ESC Paid During the Year			
-For the Year of Assessment 2009/2010		-	2,490,551
-For the Year of Assessment 2010/2011		3,355,666	8,404,538
-For the Year of Assessment 2011/2012		10,781,785	-
Less: ESC set-off Against Income Tax Payable			
-For the Year of Assessment 2009/2010	Note 25	-	(10,202,752)
-For the Year of Assessment 2010/2011	Note 25	(3,835,946)	-
Closing Balance		<u>18,706,043</u>	<u>8,404,538</u>
<b>18. OTHER DEBTORS, DEPOSITS &amp; PREPAYMENTS</b>			
Other Receivables		20,946,990	11,828,591
Prepayments & Deposits	Note 18.1	45,255,643	109,871,962
		<u>66,202,633</u>	<u>121,700,553</u>
<b>18.1 PREPAYMENTS &amp; DEPOSITS</b>			
Prepayments - Insurance		1,802,632	1,333,010
- License		375,000	375,000
- Rent		20,222,800	20,405,300
- Professional Expenses		7,512,274	-
- Computer Expenses		1,540,753	-
- Office Equipment Maintenance		166,819	-
Refundable Deposit		1,650,000	1,356,000
Three-wheeler Stock Advance		-	85,616,960
Investment Fund Account		11,969,330	484,843
Western Union Transfer		16,035	300,850
		<u>45,255,643</u>	<u>109,871,963</u>
<b>18.A THREE-WHEELER STOCK</b>			
Three-Wheeler Stock		38,692,840	-

This amount represents, the total value of unsold Three-Wheelers' Stock remains at the branch as of 31st March, 2012.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

		2011/2012 Rs.	2010/2011 Rs.
<b>19. INVESTMENT IN SECURITIES</b>			
Investment in Dealing Securities	<b>Note 19.1</b>	327,459,716	274,154,974
		<u>327,459,716</u>	<u>274,154,974</u>
Investment in Unquoted Securities	<b>Note 19.2</b>	5,700,000	69,025,000
Investment in Securities - Long Term	<b>Note 19.3</b>	209,798,941	-
		<u>215,498,941</u>	<u>69,025,000</u>

### 19.1 Investment in Dealing Securities

Name of Company	2012			2011		
	No of	Cost	Market	No of	Cost	Market
	Shares	Rs.	Value Rs.	Shares	Rs.	Value Rs.

#### BANKS FINANCE & INSURANCE

Hatton National Bank Ltd (Non Voting)	150,000	19,764,181	14,175,000	100,000	19,764,181	21,330,000
Seylan Bank Ltd (Non Voting)	283,333	11,673,680	8,216,657	250,000	10,946,281	9,825,000
Vanik Incorporation Ltd	151,375	2,835,352	-	151,375	2,835,352	-
The Finance Co. Ltd	3,000	225,113	90,300	3,000	225,113	111,000
Commercial Bank	150,964	19,736,783	15,096,400	75,000	19,736,783	19,935,000

#### DIVERSIFIED HOLDINGS

Richard Pieris & Co. Ltd	170,295	1,002,111	1,277,213	170,295	1,002,111	2,316,012
Carsons	40,000	25,100,849	18,600,000	40,000	25,100,849	25,392,000
Aitken Spence	187,500	37,882,500	21,131,250	187,500	37,882,500	30,431,250

#### FOOTWEAR & TEXTILES

Pugoda Textiles Lanka Ltd	3,000	87,990	-	3,000	87,990	13,500
Korea Ceylon Ltd	9,079	450,662	-	9,079	450,662	22,698

#### HOTELS & TRAVELS

Keells Hotels Ltd	500,000	7,745,728	6,300,000	500,000	7,745,728	8,600,000
Aitken Spence Hotel Holdings	45,500	1,221,296	3,185,000	45,500	1,221,296	4,459,000

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 19.1 Investment in Dealing Securities (Contd.,)

Name of Company	2012			2011		
	No of Shares	Cost Rs.	Market Value Rs.	No of Shares	Cost Rs.	Market Value Rs.
<b>MANUFACTURING</b>						
Lanka Walitiles	25,000	3,539,202	1,627,500	25,000	3,539,202	1,277,500
Chevron	400,000	57,423,696	72,760,000	400,000	57,423,696	64,000,000
<b>PLANTATIONS</b>						
Maskeliya Plantations Ltd	14,000	975,719	239,400	14,000	975,719	393,400
Udapussellawa Plantations Ltd	35,900	2,293,398	976,480	35,900	2,293,398	1,662,170
Talawakelle Plantations Ltd	18,500	840,995	444,000	18,500	840,995	839,900
<b>POWER &amp; ENERGY</b>						
Lanka IOC	82,700	1,682,499	1,604,380	82,700	1,682,499	1,455,520
Hemas Power	-	-	-	-	-	-
<b>Construction and Engineering</b>						
Dockyard	52,500	13,412,313	12,075,000	50,000	13,412,313	12,755,000
<b>Investment Trusts</b>						
Ceylon Guardian	315,000	119,565,650	72,765,000	178,500	66,988,306	65,955,750
		<u>327,459,716</u>	<u>250,563,580</u>		<u>274,154,974</u>	<u>272,774,700</u>

The Directors are of the view that, although the total market value of these investments as at the balance sheet date was lesser than their total cost by Rs 76,896,136 due to the low market sentiments that prevailed, the investments have remained fundamentally sound and sustainable and therefore, these have not been written down.

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2011/2012 Rs.	2010/2011 Rs.
<b>19.2 Investment in Unquoted Securities</b>		
Finance Houses Consortium (Pvt) Ltd	200,000	200,000
Premuka Savings & Development Bank Ltd	2,000,000	2,000,000
Ceylon Index Fund	3,000,000	3,000,000
Seylan Bank PLC Debenture	2,500,000	2,500,000
Free Lanka Holdings Ltd	-	50,250,000
Vallibel One Ltd	-	13,075,000
	7,700,000	71,025,000
Less: Provision for Permanent Diminutions in Value	(2,000,000)	(2,000,000)
	5,700,000	69,025,000

### 19.3 Investment in Securities - Long Term

During the year, the company has invested in shares of following companies. Management is of the view that these investment will be held for more than one year considering the strategic advantages in future.

Name of Company	2012			2011		
	No of Shares	Cost Rs.	Market Value Rs.	No of Shares	Cost Rs.	Market Value Rs.
<b>BANKS FINANCE &amp; INSURANCE</b>						
Vallibel One Ltd	523,000	13,075,000	9,937,000	-	-	-
Central Finance	77,500	24,268,800	13,275,750	-	-	-
<b>DIVERSIFIED HOLDINGS</b>						
John Keelis Holdings Ltd	10,000	1,901,056	2,060,000	-	-	-
Softlogic Holdings Ltd	3,886,000	96,819,852	43,523,200	-	-	-
<b>FOOTWEAR &amp; TEXTILES</b>						
Textured Jersey Lanka Ltd	1,552,700	23,484,233	11,179,440	-	-	-
<b>POWER &amp; ENERGY</b>						
Free Lanka Holdings Ltd	10,638,297	50,250,000	21,276,594	-	-	-
		209,798,941	101,251,984			



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

**19.4** As per the Finance Companies (Investments) Direction No. 7 of 2006 -Subsection 2(iii), the aggregate amount invested in the issued ordinary share capital of companies shall not at any time exceed 25 per cent of the capital fund of the finance company as shown in its last audited balance sheet. However, the company's aggregate investment in shares of other companies has exceeded this maximum limit, the investment is 87 per cent.

Consequently as per the Finance Companies (Investments) Direction No. 7 of 2006 -Subsection 2.1, Investment in the issued ordinary share capital of a company shall not at any time exceed 5 per cent of the capital funds of the finance company as shown in its last audited balance sheet. However, the company has invested more than 5% of its Capital Funds over the following companies,

- Altken Spence Ltd
- Softlogic Holdings Ltd
- Chevron Lanka Ltd
- Free Lanka Holdings Ltd
- Ceylon Guardian

### 20. OTHER INVESTMENTS

Investment in Commercial Paper  
Trust Certificates

2011/2012 Rs.	2010/2011 Rs.
75,536,334	50,737,665
-	29,464,924
<b>75,536,334</b>	<b>80,202,589</b>

### 21. PROPERTY, PLANT AND EQUIPMENTS

	COST				DEPRECIATION				WDV	
	Balance as at 01.04.2011 Rs.	Additions during the Year Rs.	Disposals during the Year Rs.	Balance as at 31.03.2012 Rs.	Balance as at 01.04.2011 Rs.	Charge for the Year Rs.	Disposals for the Year Rs.	Balance as at 31.03.2012 Rs.	Balance as at 31.03.2012 Rs.	Balance as at 01.04.2011 Rs.
<b>Cost/Revaluation</b>										
Freehold										
Land	61,399,000	-	-	61,399,000	-	-	-	-	61,399,000	61,399,000
Buildings	24,000,000	-	-	24,000,000	11,136,916	964,721	-	12,101,637	11,896,303	12,861,084
Motor Vehicle	121,718,384	48,012,929	11,736,487	158,000,000	67,236,368	17,275,108	12,120,281	62,486,895	54,496,911	54,482,016
Office Equipment	21,264,754	7,311,147	963,307	27,514,972	11,796,878	2,664,892	875,684	11,596,087	14,258,886	10,797,856
Computer Equipment	17,811,204	9,630,100	1,891,955	25,549,349	15,670,912	6,671,309	1,818,471	20,529,751	25,023,754	23,140,391
Furniture & Fixings	16,382,754	2,946,810	83,401	19,345,163	7,243,587	2,238,874	82,862	9,604,409	10,532,833	9,337,137
	<b>232,874,716</b>	<b>68,802,140</b>	<b>15,482,750</b>	<b>254,194,106</b>	<b>112,154,672</b>	<b>31,022,108</b>	<b>24,898,218</b>	<b>118,480,790</b>	<b>187,712,757</b>	<b>170,719,484</b>
Leasehold										
Leasehold Improvements	7,907,239	-	-	7,907,239	5,799,205	429,887	-	6,148,812	1,758,427	2,198,034
Motor Vehicle	30,516,948	-	-	30,516,948	4,490,274	6,716,619	-	10,966,902	19,549,856	20,266,474
	<b>38,424,187</b>	<b>-</b>	<b>-</b>	<b>38,424,188</b>	<b>10,289,579</b>	<b>6,956,225</b>	<b>-</b>	<b>17,115,804</b>	<b>21,308,283</b>	<b>22,544,508</b>
<b>Total</b>	<b>271,298,903</b>	<b>68,802,140</b>	<b>15,482,750</b>	<b>294,617,634</b>	<b>122,444,251</b>	<b>37,978,387</b>	<b>24,898,218</b>	<b>135,596,594</b>	<b>209,021,040</b>	<b>193,263,992</b>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>22. CAPITAL WORK-IN-PROGRESS</b>			
Kalutara Building Under Construction	Note 22.1	245,214,671	218,513,870
Matara Elevator Under Construction	Note 22.2	3,502,927	-
		<u>248,717,598</u>	<u>218,513,870</u>
<b>22.1. Kalutara Building Under Construction</b>			
Opening Balance		218,513,870	161,197,403
Add: Cost incurred During the Year		21,891,245	29,934,533
Interest Cost Capitalized -Incurred in Current Year		665,053	3,535,044
Incurred in Prior Years (Note 35)		-	23,846,890
Cost of Elevator		4,144,503	-
Less: Transferred During the Year		-	-
Closing Balance		<u>245,214,671</u>	<u>218,513,870</u>
<b>22.2. Matara Elevator Under Construction</b>			
Opening Balance		-	-
Add: Cost incurred During the Year		3,502,927	-
Less: Transferred During the Year		-	-
Closing Balance		<u>3,502,927</u>	<u>-</u>
<b>23. CUSTOMER DEPOSITS</b>			
<b>Fixed Deposits</b>			
Five Years		1,650,001	-
Three Years		400,937,630	371,787,953
Two Years		805,986,677	335,024,304
One Year		2,503,846,178	1,846,093,486
Nine Months		400,000	-
Six Months		496,340,583	443,411,924
Three Months		795,652,562	634,315,812
One Month		52,812,506	-
		<u>5,057,626,336</u>	<u>3,630,633,479</u>
Deposits in Savings Accounts	Note 23.1	17,783,812	-
		<u>5,075,410,148</u>	<u>3,630,633,479</u>

- 23.1.** The company has commenced to accept customer savings with effect from the 21<sup>st</sup> November 2011 with the prior approval of the Central Bank of Sri Lanka in compliance with the Finance Companies (Deposits) Direction No. 01 of 2005, Finance Companies (Interest) Direction No. 04 of 2009 and other relevant directions and regulations issued under the Finance Business Act No. 42 of 2011.

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 24. INTEREST BEARING BORROWINGS

		Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2011/2012 Rs.	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2010/2011 Rs.
Bank Loans	Note 24.1	423,216,972	511,819,668	935,036,640	261,834,648	132,795,727	394,630,375
Hire Purchase Creditor	Note 24.2	5,436,562	10,963,843	16,400,405	4,280,659	16,400,405	20,681,064
Bank Overdrafts		41,592,946	-	41,592,946	19,269,912	-	19,269,912
		470,246,480	522,783,511	993,029,991	285,385,219	149,196,132	434,581,351

#### 24.1 BANK LOANS

	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2011/2012 Rs.	Amount Repayable Within one Year Rs.	Amount Repayable After one Year Rs.	Total 2010/2011 Rs.
Commercial Bank of Ceylon PLC	25,000,000	60,404,000	85,412,000	-	-	-
Seylan Bank PLC	-	-	-	13,626,579	-	13,626,579
Securitization Loan - Deutsche Bank	348,208,972	451,415,668	849,624,640	248,208,073	132,795,727	381,003,800
	423,216,972	511,819,668	935,036,640	261,834,648	132,795,727	394,630,375

24.1.1 Movement of the Bank Loans obtained, Details of Terms and Security Pledged are disclosed as follows.

		Balance As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Made Rs.	Balance As at 31.03.2012 Rs.	Term of the Loan	Security Pledged
Commercial Bank of Ceylon PLC (100 Mts)	Term Loan	-	100,000,000	14,588,000	85,412,000	48 Months	Pledge over Lease Receivable of Rs. 125 Mts.
Seylan Bank PLC (100Mts)	Term Loan	13,626,579	-	13,626,579	-	60 Months	Primary Mortgage over Wetara, Katunayake and Kankarala Land.
Deutsche Bank	Securitization Loans	381,003,800	750,000,000	281,379,160	849,624,640		Pledge over Lease Receivable and Hire Purchase Receivable (Motor Vehicles).
		394,630,375	850,000,000	305,593,739	925,036,640		



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 24.2 HIRE PURCHASE CREDITOR

#### 24.2.1 Gross Liability

Name of the Bank	Agreement No.	As at 01.04.2011 Rs.	Loans Obtained Rs.	Repayments Made Rs.	As at 31.03.2012 Rs.	Terms of Repayment Per Month	Security Pledged
Nations Trust Bank (22.5 %)	101170419 - PL	28,627,895	-	(7,989,180)	20,638,715	Rs. 665,765/-	1WP KM - 4538 Mercedes Benz 5 300 Motor Car valued at Rs. 33.90
		28,627,895	-	(7,989,180)	20,638,715		
<b>Gross Lease Liability</b>							
- Amount Repayable within one Year		7,989,180			7,989,180		
- Amount Repayable After one Year		20,638,715			12,649,535		
		28,627,895			20,638,715		

#### 24.2.2 Less: Finance Charges Allocated for Future Periods

	Agreement No.	As at 01.04.2011 Rs.	For the Year Rs.	Written Off during the Year Rs.	Balance As at 31.03.2012 Rs.
Nations Trust Bank (22.5 %)	101170419 - PL	7,946,831	(3,708,521)	-	4,238,310
		7,946,831	(3,708,521)	-	4,238,310
<b>Finance Charges Allocated for Future Periods</b>					
- Within one Year		3,708,521			2,552,618
- After One Year		4,238,310			1,685,692
		7,946,831			4,238,310

#### 24.2.3 Net Lease Liability

Amount Repayable within one Year	4,280,659	5,436,562
Amount Repayable After one Year	16,400,405	10,963,843
	20,681,064	16,400,405

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	Note	2011/2012 Rs.	2010/2011 Rs.
<b>25. INCOME TAX (RECEIVABLE)/ PAYABLE</b>			
Opening Balance		3,300,030	12,963,000
Add: Income Tax Provision			
Provision made for the Year	Note 8	3,835,946	-
Under/(Over) Provision of Previous Year	Note 8	(3,300,030)	4,902,492
		<u>3,835,946</u>	<u>17,865,492</u>
Less: Income Tax Paid			
-For the Year of Assessment 2007/08		-	-
-For the Year of Assessment 2008/09		-	(50,295)
-For the Year of Assessment 2009/10		-	(2,887,866)
-For the Year of Assessment 2010/11		-	(2,938,161)
		<u>-</u>	<u>(2,938,161)</u>
Less: Economic Service Charges Paid set-off Against Income Tax Liability			
-Paid For the Year of Assessment 2009/2010		-	(10,202,752)
-Paid For the Year of Assessment 2010/2011	Note 17	(3,835,946)	-
		<u>(3,835,946)</u>	<u>(10,202,752)</u>
Less: Withholding Tax Paid Set-off			
-Paid For the Year of Assessment 2007/2008		-	-
-Paid For the Year of Assessment 2008/2009		-	(1,424,549)
		<u>-</u>	<u>(1,424,549)</u>
Less: Notional Tax Credit Claimed			
-For the Year of Assessment 2009/2010		-	-
-SRL Payment 2010/2011		(54,021)	-
		<u>(54,021)</u>	<u>-</u>
Total Tax paid and Tax Credit set-off against Income Tax Liability		<u>(3,889,967)</u>	<u>(14,565,462)</u>
Closing Balance		<u>(54,021)</u>	<u>3,300,030</u>
	Note	2011/2012 Rs.	2010/2011 Rs.
<b>26. CREDITORS &amp; ACCRUALS</b>			
Interest on Fixed Deposits		159,797,524	123,656,864
Other Creditors and Accruals		59,197,248	53,789,465
Unclaimed Dividend		355,031	287,521
		<u>219,349,804</u>	<u>177,733,850</u>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2011/2012 Rs.	2010/2011 Rs.
<b>27. RETIREMENT BENEFIT OBLIGATIONS</b>		
Balance at the Beginning of the Year	23,278,574	27,546,663
Expenses Recognized in the Income Statement (Refer Note 27.1)	4,678,796	4,063,474
	27,957,370	31,610,137
Payments During the Year	(942,534)	(8,331,563)
Balance at the End of the Year	27,014,836	23,278,574
<b>27.1 Expenses Recognized in the Income Statement</b>		
Interest Cost	2,896,335	3,080,324
Current Service Cost	1,782,461	1,118,266
Actuarial (Gain)/Loss	-	(135,116)
Total	4,678,796	4,063,474

An actuarial valuation of the gratuity liability was carried out as at 31st March, 2012 by Mr. Piya S Gunatilleke, a Consulting Actuary. The valuation method used by the actuary to value the gratuity liability is the 'Projected Unit Credit' (PCU) Method, the method recommended by the Sri Lanka Accounting Standard No.16 -(Revised 2006) on 'Employee Benefits'. If the company provides a gratuity liability in accordance with the payment of Gratuities Act No. 12 of 1983, the liability would have been Rs. 22,862,679/-. Hence, there is no contingent Liability of the company at the year ended date.

### Actuarial Assumptions - Demographic

#### Mortality

GA 1983 Mortality Table

#### Retirement Age

Normal Retirement Age or Age on Valuation Date, whichever is greater

### Actuarial Assumptions - Financial

Rate of Discount 12%

Salary Scale 15% Per Annum



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 28. DEBENTURES

		At the end of the year 31.03.2012 Rs.	At the beginning of the year 01.04.2011 Rs.
Number of Debentures		2,040,000	-
Value of Debentures	Note 28.1	204,000,000	-

The Company was listed under the Colombo Stock Exchange as a Public Limited Company on 30th June 2011 by issuing Rated Unsecured Redeemable Debentures 2011/2016 (5 Years) each of Rs. 100 on the Main Board of Colombo Stock Exchange amounting to Rs. 204,000,000/-, for the purpose of funding the future lease and hire purchase lending activities of the Company.

#### 28.1 Fixed Rate Debentures

Date of Issue	Redemption Period	Private/ Public Issue	Colombo Stock Exchange Listing	Fixed Rate Monthly	Maturity Date	Value as at 31.03.2012
16th June 2011	2011/2016	Private Placement	Listed	13%	15th June 2016	204,000,000

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 28.2 Debenture Holding as at Reporting Date

Name of the Holder	No. of Debentures	Value of Holding Rs.	Percentage
Bartleet Transcapital Ltd	1,760,400	176,040,000	86.29%
Life Insurance Corporation (Lanka) Ltd	57,700	5,770,000	2.83%
Wijesurendra H.G	50,000	5,000,000	2.45%
Goonarathne N.S.de Silva	48,000	4,800,000	2.35%
Sumith Ranwatte	30,000	3,000,000	1.47%
Strategic Insurance Brokers (Pvt) Ltd	29,400	2,940,000	1.44%
M.P.J. Molegoda	27,200	2,720,000	1.33%
Selvargan Vivekanandan	11,000	1,100,000	0.54%
Surani Harshini Amarasuriya	8,500	850,000	0.42%
Gerald Frederick	8,500	850,000	0.42%
Wickramasinghe K	4,900	490,000	0.24%
Asela Indrajith Fernando & Delani Marie	4,200	420,000	0.21%
Algama A.M.C.G.S	200	20,000	0.01%
<b>Total</b>	<b>2,040,000</b>	<b>204,000,000</b>	<b>100%</b>

### 29. STATED CAPITAL

	At the end of the Year 31.03.2012 Rs.	At the beginning of the Year 01.04.2011 Rs.
<b>Number of Shares</b>		
Ordinary Shares	6,120,499	6,120,499
<b>Value</b>		
Ordinary Shares	61,204,990	61,204,990

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

	2011/2012 Rs.	2010/2011 Rs.
<b>30. STATUTORY RESERVE</b>		
Balance at the Beginning of the Year	142,375,438	97,962,764
Transfer from Income Statement	17,858,547	44,412,674
Balance at the End of the Year	160,233,985	142,375,438

Statutory Reserve fund is a statutory reserve credited in compliance with the direction No.1 of Central Bank Regulations of 2003. The amount transfer is not less than 20% of the Net Profit after Tax.

### 31. COMMITMENTS AND CONTINGENCIES

In the Normal course of business, the Company makes various commitments and incurs certain Contingent Liabilities with legal resources to its customers. No material losses are anticipated as a result of these transactions.

31.1 COMMITMENTS	2011/2012 Rs.	2010/2011 Rs.
<b>Capital Commitments</b>		
Approved and Contracted for	10,970,000	23,400,000
Approved but Not Contracted for	-	-
<b>Contingencies</b>		
Stand by Letter of Credit	59,523,425	113,500,000
<b>Total Commitment and Contingencies</b>	<b>70,493,425</b>	<b>136,900,000</b>

Other than the above, there are few litigations filed by the customers against the Company. Although, there can be no assurance, the directors believe, based on the information currently available, that the ultimate resolution of such legal procedures would not likely to have a material adverse effect on the results of operations, financial position or liquidity. Accordingly, no provision for any liability has been made in these Financial Statements.

### 32. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Subsequent to the date of the Balance Sheet, There have been no other events other than the appointing new Director to the Board between the balance sheet date and the date on which the financial statements are authorized for issue, which require adjustments to or disclosures in the financial statements.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 33. RELATED PARTY TRANSACTIONS

The Company carries out transactions in the ordinary course of business on an arm's length basis at commercial rates with Related Parties. Except for the transactions that Key Management Personnel's (KMPs) have made under schemes uniformly applicable to all the staff at concessionary rates, transactions with the related parties listed below have been at commercial rates.

#### 33.1 Parent and Ultimate Controlling Party

The Company's parent undertaking is Bartleet Transcapital Ltd, which holds 86.59% of shares of Bartleet Finance PLC.

#### 33.2 Key Management Personnel Information

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the company as well as its related parties, directly or indirectly, including any Director (whether executive or otherwise) of the company.

Mr.Eraj Wijesinghe, Mr. Sunil C Wijesinghe, Mr. Eshanth Wijesinghe, Mr. Indrajith Fernando, Mr.Buwaneka Subasinghe, Mr.Susantha De Alwis and Mr. S. Raghavan and Justice B.A.L.K.Wimalachandra; the Directors of the Company are also Directors of following companies and has had transactions as disclosed in Note 33.3 below.

#### 33.3 Related Party Transactions

The company has a related party relationship with its related group companies as disclosed in Note 33.3.1. The following transactions have been carried out with related parties during the year ended 31st March 2012 under normal commercial terms.

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 33.3.1 Obtaining Services

Name of Company	Name of the Director	Description of Transactions	Outstanding Balance (Rs)
Bartleet & Company (Pvt) Ltd	Mr. Eraj Wijesinghe Mr. Sunil C Wijesinghe Mr. Eshanth Wijesinghe	The company had made rent payment amounting to Rs.14,222,559/-.	-
Associated Castloy Engineering (Pvt) Ltd	Mr. Eraj Wijesinghe	The Company Had granted Rs.1,698,090/- as Lease Facility.	1,655,717/-

### 33.4 Transactions with Key Management Personnel ( KMP )

#### 33.4.1 Compensation to KMP

The remuneration of Directors and other members of the key management during the year under review is as follows.

	2012	2011
	Rs.	Rs.
Short Term Benefits	41,048,341	31,835,067
	<u>41,048,341</u>	<u>31,835,067</u>

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 34 SEGMENTAL INFORMATION

	Leasing & Hire Purchase		Term Loans		Margin Trading		Pledge Loans	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
<b>Income</b>								
Interest Income	882,664,814	603,715,063	18,433,813	20,666,363	21,963,325	4,169,858	8,821,660	11,477,485
Real Estate	-	-	-	-	-	-	-	-
Fee based income & Others	34,391,758	42,350,476	-	-	-	-	6,122,039	3,857,690
<b>Total Income</b>	<b>917,056,572</b>	<b>646,065,539</b>	<b>18,433,813</b>	<b>20,666,363</b>	<b>21,963,325</b>	<b>4,169,858</b>	<b>14,943,699</b>	<b>15,335,175</b>
Percentage	79.34%	57.88%	1.59%	1.83%	1.90%	0.37%	1.29%	1.37%
Interest Expenses	(500,756,362)	(293,418,721)	(8,755,400)	(8,531,071)	(10,431,792)	(1,721,317)	(7,897,721)	(6,330,357)
Provision for Bad & Doubtful Debts	(21,758,114)	(66,371,245)	(40,279)	(587,399)	-	-	646,104	(3,035,945)
<b>Segmental Results</b>	<b>394,542,096</b>	<b>286,275,573</b>	<b>9,638,134</b>	<b>11,547,893</b>	<b>11,531,533</b>	<b>2,448,541</b>	<b>8,492,082</b>	<b>5,968,873</b>
Unallocated Expenses	-	-	-	-	-	-	-	-
Profit Before Taxation	-	-	-	-	-	-	-	-
Less : Income Tax	-	-	-	-	-	-	-	-
<b>Net Profit for the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Segment Assets</b>	<b>4,675,167,386</b>	<b>2,673,454,720</b>	<b>157,171,717</b>	<b>158,827,812</b>	<b>94,118,162</b>	<b>102,565,993</b>	<b>30,245,155</b>	<b>31,903,385</b>
Unallocated Assets	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>4,675,167,386</b>	<b>2,673,454,720</b>	<b>157,171,717</b>	<b>158,827,812</b>	<b>94,118,162</b>	<b>102,565,993</b>	<b>30,245,155</b>	<b>31,903,385</b>
Percentage	69.34%	60.24%	2.33%	3.58%	1.40%	2.37%	0.45%	0.72%
<b>Segment Liabilities</b>	<b>6,272,440,140</b>	<b>4,065,214,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Unallocated Liabilities	-	-	-	-	-	-	-	-
<b>Total Liabilities</b>	<b>6,272,440,140</b>	<b>4,065,214,830</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 35 CONCENTRATION OF ASSETS AND LIABILITIES

The following disclosures of Assets and Liabilities pertain to the Financial Statements of Bartlett Finance PLC as required under Sri Lanka Accounting Standards (SLAS)

31 Revenue Recognition and Disclosures in the Financial Statements of Finance Companies.

	Leasing and Hirepurchase	Term Loans	Margin Trading	Pledge Loans	Real Estate	Government Securities	Other	Total
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Segmental Assets	4,675,167,386	157,171,717	94,118,162	30,245,155	149,277,318	650,493,469	985,484,941	7,194,810,733
Segmental Liabilities	6,272,440,140	-	-	-	-	-	257,756,379	6,530,196,519

### 36 COMPARATIVE INFORMATION

The accounting policy have been consistently applied by the company consistent with those of the previous year. The comparative information is re-classified wherever necessary to conform with the current year's presentation in order to provide a better information.



# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

Real Estate		Government Securities		Others		Total	
2011/12	2010/11	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
-	-	37,049,655	34,624,134	100,395,786	105,633,621	1,069,329,053	780,286,524
31,044,541	5,096,735	-	-	-	-	31,044,541	5,096,735
-	-	-	-	52,072,345	319,234,786	92,586,142	365,442,952
31,044,541	5,096,735	37,049,655	34,624,134	152,468,131	424,868,407	1,192,959,735	1,150,826,211
2.69%	0.46%	0.00%	0.00%	13.19%	38.06%	100.00%	100.00%
(14,745,043)	(2,103,931)	-	-	(72,416,894)	(175,385,598)	(614,203,212)	(487,490,995)
-	-	-	-	426,998	(13,797,488)	(20,725,292)	(83,792,077)
16,299,497	2,992,804	37,049,655	34,624,134	80,478,235	235,685,321	558,031,231	579,543,139
-	-	-	-	-	-	(459,102,833)	(252,577,275)
-	-	-	-	-	-	98,908,398	226,965,864
-	-	-	-	-	-	(9,635,665)	(4,902,492)
-	-	-	-	-	-	89,292,733	222,063,372
149,277,318	175,402,363	650,493,469	505,606,471	985,484,941	790,151,553	6,741,958,148	4,437,912,298
-	-	-	-	-	-	452,852,585	452,566,267
149,277,318	175,402,363	650,493,469	505,606,471	985,484,941	790,151,553	7,194,810,733	4,890,478,565
2.21%	3.93%	9.65%	11.39%	14.62%	17.80%	100%	100%
-	-	-	-	-	-	6,272,440,140	4,065,214,830
-	-	-	-	-	-	257,756,379	204,312,454
-	-	-	-	-	-	6,530,196,519	4,269,527,284

# Notes to the Financial Statements

## SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

### 37 MATURITY OF ASSETS & LIABILITIES

An analysis of the total assets employed and total liabilities as at the year end, based on the remaining period at the Balance Sheet date to the respective contractual maturity dates is given below.

	Less than 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	Over 3 Years Rs.	Total as at 31.03.2012 Rs.
<b>ASSETS</b>					
Cash and Balances Due from Banks	118,154,287	-	-	-	118,154,287
Treasury Bills and other Bills eligible for re-discounting with Central Bank	201,636,885	425,797,550	-	23,059,034	650,493,469
Placements with other Banks and Financial Institutions	18,429,267	24,780,921	-	-	43,210,187
Loans & Advances	668,801,621	1,725,953,291	2,079,427,529	544,603,864	5,018,786,305
Real Estate Stocks	-	-	-	149,277,318	149,277,318
Amount Due from Related Parties	-	5,000,000	-	-	5,000,000
Economic Service Charges Recoverable	-	6,235,348	6,235,348	6,235,348	18,706,043
Other Debtors, Deposits and Pre- payments	66,202,633	-	-	-	66,202,633
Investment in Dealing Securities	-	327,459,716	-	-	327,459,716
Investment Securities	-	-	215,498,941	-	215,498,941
Other Investments	75,536,334	-	-	-	75,536,334
Tax Refund	-	-	54,021	-	54,021
Three-wheeler Stock	-	-	38,692,840	-	38,692,840
Property, Plant and Equipment	-	-	-	219,021,040	219,021,040
Capital Work-in-Progress	-	-	-	248,717,598	248,717,598
<b>Total Assets</b>	<b>1,148,761,026</b>	<b>2,515,226,826</b>	<b>2,339,908,679</b>	<b>1,190,914,202</b>	<b>7,194,810,733</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from Non-Bank Customers	1,630,691,063	2,473,147,659	969,921,425	1,650,001	5,075,410,149
Borrowings - Repayable within One Year	145,152,724	325,093,756	-	-	470,246,480
Creditors and Accruals	219,349,804	-	-	-	219,349,804
Deferred Tax Effect	-	-	11,391,740	-	11,391,740
Borrowings - Repayable After One Year	-	-	490,483,511	32,300,000	522,783,511
Retirement Benefit Obligations	-	-	-	27,014,836	27,014,836
Debentures	-	-	-	204,000,000	204,000,000
Total Funds Employed	-	-	-	664,614,214	664,614,214
<b>Total Liabilities and Equity</b>	<b>1,995,193,590</b>	<b>2,798,241,415</b>	<b>1,471,796,676</b>	<b>929,579,051</b>	<b>7,194,810,733</b>
Net Liquidity Gap - 2012	(846,432,564)	(283,014,589)	868,112,002	261,335,150	-
Net Liquidity Gap - 2011	(857,449,008)	(641,042,590)	837,833,888	660,657,710	-

## Value Added Statement

	2011/2012 (Rs.)	%	2010/2011 (Rs.)	%
Net interest income earned by providing financial services	455,125,841		292,795,529	
Cost of Services	(284,205,956)		(201,988,473)	
	170,919,885		90,807,056	
Non Financial income	123,630,682		370,539,687	
Provision for Bad Debts	(20,725,292)		(83,792,077)	
Value added	273,825,275		377,554,666	
<b>Distribution of value added</b>				
<b>To employees</b>				
salaries, wages and other benefits	122,522,898	45	102,166,609	27
<b>To providers of capital</b>				
Dividend to shareholders	6,120,499	2	36,722,994	10
<b>To government</b>				
Value added tax	14,395,418	5	14,049,287	4
Income Tax	9,635,665	4	4,902,492	1
Debit Tax	-	-	4,482,946	1
<b>To expansion and growth</b>				
Retained as reserves	83,172,234	30	185,340,378	49
Retained as depreciation	37,978,561	14	29,889,960	8
	273,825,275	100	377,554,666	100





## Shareholders' Information

The Company's Ordinary Shares were not listed with the Colombo Stock Exchange (CSE) whilst the company's debentures were listed in the Main-board of the CSE by way of Introduction with effect from 30<sup>th</sup> June 2011.

### Twenty Major Shareholders

Name	31 <sup>st</sup> March 2012 No of Shares	%	31 <sup>st</sup> March 2011 No of Shares	%
1 Bartleet TransCapital Limited	5,311,997	86.79	5,299,997	86.59
2 Mr. Susantha De Alwis	199,000	3.25	199,000	3.25
3 Mr. Mallory Eraj Wijesinghe	135,500	2.21	135,500	2.21
4 Ms. Gayani Weerasekera Abeywardena Nee	115,500	1.89	115,500	1.89
5 Yoropa Investment And Trading (Pvt) Ltd	94,000	1.54	94,000	1.54
6 Mr. Sunil Charita Wijesinghe	46,500	0.76	46,500	0.76
7 Mr. Isuru G. Samarasinghe	28,000	0.46	28,000	0.46
8 Dr. S. Samarasinghe	24,000	0.39	24,000	0.39
9 Mr. D. Lionel Jayanetti	20,000	0.33	20,000	0.33
10 Dr. P. N. Thenabadu	20,000	0.33	20,000	0.33
11 Mr. Mallory Eraj Wijesinghe & Mr. Percy Abeywardena	15,500	0.25	15,500	0.25
12 Ms. Sheana De Lanerolle	15,000	0.25	15,000	0.25
13 Ms. Shalini De Kanagasabai	15,000	0.25	15,000	0.25
14 Mrs. J. Esther Wijesinghe	14,500	0.24	14,500	0.24
15 Mr. J. F. Soza	-	-	12,000	0.20
16 Mr. D. Amal Cabraal	11,000	0.18	11,000	0.18
17 Mr. R. Muralidaran	10,000	0.16	10,000	0.16
18 Mr. Prianka Perera	10,000	0.16	10,000	0.16
19 Mr. M. Eshanth Wijesinghe	7,500	0.12	7,500	0.12
20 Estate of the Late Mr. N. R. Hariharan	4,000	0.07	4,000	0.07
21 Mr. S. G. Amarasinghe	4,000	0.07	4,000	0.07
	6,100,997	99.68	6,100,997	99.68
Others	19,502	0.32	19,502	0.32
Total	6,120,499	100.00	6,120,499	100.00

### Public Holding

The percentage of shares held by the public as at 31<sup>st</sup> March 2012 is 5.07%.

### Distribution of Shareholdings as at 31<sup>st</sup> March 2012

No of Shares held	No of Holders	No of Shares	%
1 - 1,000	3	2002	0.03
1,001 - 10,000	11	53,000	0.87
10,001 - 100,000	11	303,500	4.96
100,001 - 1,000,000	3	450,000	7.35
Over - 1,000,000	1	5,311,997	86.79
Total	29	6,120,499	100.00

#### Analysis of Shareholders as at 31<sup>st</sup> March 2012

Category	No of Holders	No of Shares	%
Local Individuals	27	714,502	11.67
Local Institutions	2	5,405,997	88.33
Foreign Individuals	-	-	-
Foreign Institutions	-	-	-
<b>Total</b>	<b>29</b>	<b>6,120,499</b>	<b>100.00</b>

#### Directors' Shareholdings as at 31<sup>st</sup> March 2012

Name	No of Shares	%
Mr. Susantha De Alwis	199,000	3.25
Mr. Mallory Eraj Wijesinghe	135,500	2.21
Mr. Sunil Charita Wijesinghe	46,500	0.76
Mr. M. Eshanth Wijesinghe	7,500	0.12

#### Dividend Payments

The directors had declared a final dividend of Rs. 1/- per share which was amounting to the total of Rs. 6,120,499/- for the year ended 31<sup>st</sup> March 2012.

#### BFN Debentures 2011

Listed 2,040,000 Rated Unsecured Redeemable Debentures 2011/16 of Rs. 100/- each, issued for the purpose of funding the future lease and hire purchase lending activities of the Company, at fixed interest rate of 13% p.a. payable monthly.

Debenture Market Prices	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
Highest	115.50	N/A
Lowest	99.77	N/A
Last Traded	105.74	N/A

Ratios	31 <sup>st</sup> March 2012	31 <sup>st</sup> March 2011
Debenture to Equity Ratio (%)	30.69	-
Debenture Interest Cover (times)	5.70	-
Liquid Assets Ratio (%)	15.57	19.72

## Ten Years Statistical Summary

Year ended 31 <sup>st</sup> March	2011/12 Rs.'000	2010/11 Rs.'000	2009/10 Rs.'000	2008/09 Rs.'000
Income	1,192,960	1,150,826	909,391	899,197
Interest Income	1,069,329	780,287	777,519	833,921
Interest Expenses	(614,203)	(487,491)	(529,864)	(566,458)
Net Interest Income	455,126	292,796	247,655	267,462
Other Operating Income	123,631	370,540	131,872	65,276
Total Operating Income	578,757	663,335	379,527	332,738
Operating Expenses	(465,433)	(422,320)	(289,927)	(286,437)
Vat On Financial Services	(14,395)	(14,049)	(10,011)	(7,693)
Net Profit/(Loss) Before Tax	98,928	226,966	79,589	38,609
Income Tax Expenses	(9,636)	(4,902)	(21,774)	(6,810)
Net Profit/(Loss) After Tax	89,293	222,063	57,814	31,799

### Balance Sheet

#### Assets

Cash & Other Liquid Assets	811,858	717,148	694,952	261,930
Loans & Advances	5,018,786	3,022,942	2,339,380	2,325,422
Inventories	149,277	175,402	108,740	102,459
Investment Securities	542,959	343,180	181,369	34,940
Other Assets	452,909	432,822	342,645	156,164
Property, Plant & Equipment	219,021	198,984	157,231	155,236
Total Assets	7,194,811	4,890,479	3,824,317	3,036,151

#### Liabilities

Customer Deposits	5,075,410	3,630,633	2,997,786	2,156,384
Bank & Other Borrowings	993,030	434,581	187,031	214,899
Debenture	204,000	-	-	-
Other Liabilities	257,756	204,312	234,492	320,270
Total Liabilities	6,530,197	4,269,527	3,419,309	2,691,553

Stated Capital	61,205	61,205	61,205	61,205
Statutory Reserves	160,234	142,375	97,963	87,757
Revenue Reserves	70,000	70,000	70,000	70,000
Revaluation Reserves	39,108	41,400	41,400	41,400
Retained Earnings	334,067	305,970	134,440	84,235
Shareholders' Funds	664,614	620,951	405,008	344,597

### Key Indicators

Earnings per share (Rs.)	14.59	36.28	9.45	5.20
Net assets per share (Rs.)	108.59	101.45	66.17	56.30
Dividend per share (Rs.)	1.00	6.00	1.00	1.00
Return on Average Equity (%)	13.89	43.29	15.43	9.67
Return on Average Assets (%)	1.48	5.10	1.69	1.07



2007/08 Rs.'000	2006/07 Rs.'000	2005/06 Rs.'000	2004/05 Rs.'000	2003/04 Rs.'000	2002/03 Rs.'000
723,872	539,872	436,235	316,589	217,059	153,849
677,132	507,914	414,343	298,791	203,742	141,278
(369,266)	(211,304)	(171,792)	(134,856)	(107,980)	(95,993)
307,865	296,611	242,551	163,935	95,762	45,285
46,741	31,958	21,892	17,798	13,317	12,571
354,606	328,569	264,443	181,733	109,079	57,855
(292,761)	(263,922)	(160,759)	(147,617)	(98,359)	(56,704)
-	-	-	-	-	-
61,845	64,646	103,684	34,116	10,720	1,151
(12,747)	-	-	-	-	-
49,098	64,646	103,684	34,116	10,720	1,151
382,875	245,075	222,564	172,150	63,952	70,925
2,157,041	1,701,007	1,497,685	1,136,861	836,836	545,101
54,942	30,303	21,086	11,018	30,370	32,636
37,650	32,368	31,207	29,565	31,610	43,640
132,845	40,651	38,541	5,429	3,217	3,559
156,367	133,286	132,727	105,304	73,009	63,203
2,921,720	2,182,691	1,943,811	1,460,327	1,038,994	759,063
2,067,445	1,395,966	1,197,286	918,534	761,108	569,982
55,541	38,565	50,054	248,283	42,007	32,813
-	-	-	-	-	-
485,935	447,849	442,445	130,928	158,103	87,215
2,608,921	1,882,381	1,689,785	1,297,745	961,218	690,010
61,205	61,205	61,205	61,205	30,602	29,540
81,394	70,000	39,065	18,329	16,623	14,479
70,000	70,000	14,000	14,000	14,000	14,000
41,400	41,400	41,400	41,400	15,192	15,192
58,799	57,705	98,354	27,648	1,358	(4,158)
312,799	300,310	254,025	162,582	77,776	69,053
8.02	10.56	16.94	5.57	3.50	0.39
51.11	49.07	41.50	26.56	25.41	23.38
2.00	3.00	2.00	2.00	1.00	-
16.02	23.32	49.78	28.39	14.60	2.17
1.92	3.13	6.09	2.73	1.19	0.16

## Branch Network



	Address	Contact No	E-mail
Head Office	Bartleet House, 65, Braybrooke Place, Colombo 02.	Tel: 011-5222444 Fax: 011-5222400	info@bartleetfinance.com
Amuradhapura	523/5A, Maythreepala Senarayaka Mawatha, New Town, Amuradhapura.	Tel: 025-2223838 Fax: 025-5817001	amslaw@bartleetfinance.com
Balangoda	80A, Bams Rathwatta Mawatha, Balangoda.	Tel: 045-5673440-1 Fax: 045-2288393	danthukaa@bartleetfinance.com
Bandarawela	174, Radulla Road, Bandarawela.	Tel: 057-5670135-6 Fax: 057-5670137	nandanae@bartleetfinance.com
Batticaloa	298, Trinco Road, Batticaloa.	Tel: 065-5673330 Fax: 065-2228333	kandiah@bartleetfinance.com
Embilipitiya	15, HKT Building, Pallegama, Embilipitiya.	Tel: 047-5670600-12 Fax: 047-2230997	wasanthap@bartleetfinance.com
Galle	59, Sri Devamithra Road, Galle.	Tel: 091-5673311-2 Fax: 091-5450441	rirawank@bartleetfinance.com
Hambanthota	11C, Tissa Road, Hambanthota.	Tel: 047-5678066 Fax: 047-5679020	asankas@bartleetfinance.com
Horana	254, Panadura Road, Horana.	Tel: 034-5671174 Fax: 034-5570622	nalina@bartleetfinance.com
Jaffna	306A, Hospital Road, Jaffna.	Tel: 021-5672250-40 Fax: 021-2221766	ulagamathank@bartleetfinance.com
Kalutara	195/4, Main Street, Kalutara.	Tel: 034-5588700-2 Fax: 034-2228823	chakaka@bartleetfinance.com
Matara	38, Station Road, Matara.	Tel: 041-5415590-1 Fax: 041-5415593	dilaks@bartleetfinance.com
Negombo	189 1/1, Thaladuwa Road, Negombo.	Tel: 031-5319501-2 Fax: 031-5319500	kasung@bartleetfinance.com
Panadura	51, Horana Road, Panadura.	Tel: 038-5674188 Fax: 038-2230440	prasanna@bartleetfinance.com
Polonnaruwa	11/2, Hospital Junction, Polonnaruwa.	Tel: 027-5671480-7 Fax: 027-2223268	anushaw@bartleetfinance.com
Rathnapura	172, Main Street, Rathnapura.	Tel: 045-2231808 Fax: 045-2231808	ranilp@bartleetfinance.com
Trincomalee	251/B, N.C Road, Trincomalee.	Tel: 026-5673445 Fax: 026-2226651	jayashankar@bartleetfinance.com
Vavuniya	52/G/3, 2nd Cross Street, Vavuniya.	Tel: 024-5678585-6 Fax: 024-2226080	ratnarasa@bartleetfinance.com



### ACCOUNTING POLICIES

The specific principles, bases, conventions, rules and practices adopted by an entity in preparing and presenting Financial Statements.

### CAPITAL ADEQUACY RATIO

The percentage of risk-adjusted assets supported by capital calculated under guidelines issued by the Central Bank of Sri Lanka.

### CONTINGENCIES

A conditions or situations at the balance sheet date, the financial effect of which are to be determined by the future events which may or may not occur.

### CORPORATE GOVERNANCE

Process by which corporate entities are governed to promote stakeholder interest. Shareholders exert collective pressure on management to ensure equitable decision making on matters that may affect the value of their holdings and base their response on statutory requirements or on so called "Best Practice".

### DEALING SECURITIES

Marketable securities that are acquired and held with the intention of reselling them in the short term.

### DEFERRED TAX

Sum set aside in the financial statements for taxation that may become payable in a financial year other than the current financial year.

### DEPRECIATION

The systematic allocation of the depreciable amount of an asset over its useful life.

### DIVIDEND PER SHARE (DPS)

Value of the total dividend paid out and proposed to ordinary shareholders divided by the number of

ordinary shares in issue; this indicates the proportion of current year's dividend attributable to an ordinary share in issue.

### EARNINGS PER SHARE (EPS)

Profit attributable to ordinary shareholders, divided by the number of ordinary shares in issue.

### FINANCE LEASE

A lease that transfers substantially all the risks and rewards incidental to the ownership of an asset to the lessee. Title may or may not eventually be transferred.

### GROUP

A group is a parent and all its subsidiaries.

### HIRE PURCHASE

A contract between hirer and financier where the hirer takes on hire a particular article from the financier, with the option to purchase the article at the conclusion of the agreed rental payments.

### INTEREST COVER

Earnings before interest and tax divided by interest expenses; this indicates the ability to cover or service interest charges of the debt holders.

### INTEREST IN SUSPENSE

Interest suspended on nonperforming loans and advances.

### KEY MANAGEMENT PERSONNEL

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

**LEASE**

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time.

**LIQUID ASSETS**

Assets that are held in cash or in a form that can be converted to cash readily, such as deposits with other banks, bills of exchange and treasury bills.

**NET ASSET VALUE PER SHARE**

Shareholders' funds divided by the number of ordinary shares in issue.

**NON-PERFORMING LOANS AND ADVANCES**

All loans are classified as nonperforming when a payment is 182 days in arrears.

**PARENT**

A parent is an entity that has one or more subsidiaries.

**PROVISION FOR BAD AND DOUBTFUL DEBTS**

A charge to income which is added to the allowance for loan losses. Specific provisions are established to reduce the book value of specific assets (loans and advances) to estimated realizable values.

**RELATED PARTIES**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**RELATED PARTY TRANSACTIONS**

Is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged or not.

**RETURN ON AVERAGE ASSETS (ROA)**

Net income expressed as a percentage of average total assets.

**RETURN ON AVERAGE EQUITY (ROE)**

Net income, less preferred share dividends if any, expressed as a percentage of average ordinary shareholders' equity.

**REVENUE RESERVE**

Reserves set aside for future distribution and investment.

**SHAREHOLDERS' FUNDS**

Shareholders' funds consist of stated capital plus capital and revenue reserves.

**TIER I CAPITAL**

Core capital representing permanent share holders' equity and reserves created or increased by appropriations of retained earnings or other surpluses.

**TIER II CAPITAL**

Supplementary capital representing revaluation reserves, general provisions and other capital instruments, which combine certain characteristics of equity and debts, such as, hybrid capital instruments and unsecured subordinate term debts.

## Notice of Meeting

### BARTLEET FINANCE PLC

NOTICE IS HEREBY GIVEN THAT THE 29<sup>TH</sup> ANNUAL GENERAL MEETING OF BARTLEET FINANCE PLC WILL BE HELD AT THE "BARTLEET HOUSE", NO.65, BRAYBROOKE PLACE, COLOMBO 02 ON FRIDAY, 28<sup>TH</sup> SEPTEMBER, 2012 AT 9.30 A.M



### AGENDA

1. To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the statement of accounts for the year ended 31<sup>st</sup> March 2012 and the Report of the Auditors thereon.
2. To re-elect Mr. M. Eraj Wijesinghe, who in terms of Article 25 (7) and 25 (8) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
3. To re-elect Mr. S. Raghavan, who in terms of Article 25 (7) and 25 (8) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
4. To re-elect Mr. K.G.D.D. Dheerasinghe, who in terms of Article 25 (3) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
5. To re-elect Mr. S. Sirikananathan, who in terms of Article 25 (3) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
6. To re-elect Justice R.K.S.S. Chandra, who in terms of Article 25 (3) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.
7. To re-appoint Messrs. BDO Partners, Chartered Accountants, as the Auditors of the Company and to authorize the Directors to determine their remuneration.
8. To authorise the Directors to determine contribution to charities for the financial year ending March 31<sup>st</sup>, 2013.

BY ORDER OF THE BOARD OF DIRECTORS OF  
BARTLEET FINANCE PLC  
S S P CORPORATE SERVICES (PRIVATE) LIMITED



SECRETARIES

30<sup>th</sup> August 2012  
Colombo

#### Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint a Proxy to attend and vote on behalf of him/ her. A Form of Proxy is enclosed for this purpose.
2. The complete Form of Proxy must be deposited at the Registered Office of the Secretaries, 101, Inner Flower Road, Colombo 03



# FORM OF PROXY

I / We\* \_\_\_\_\_ (holder of SIC No. \_\_\_\_\_) of \_\_\_\_\_ being member/s\* of the above Company hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him\*;

Mr. K.G.D.D. Dheerasinghe  
Mr. Malory Eraj Wijesinghe  
Justice R.K.S.S. Chandra  
Mr. Sunil Charita Wijesinghe  
Mr. W.S.A.B.S. Subasinghe  
Mr. Mahik Eshanth Wijesinghe  
Mr. Asela Indrajith Fernando  
Mr. Susantha De Alwis  
Mr. Selvaratnam Raghavan  
Mr. S. Sirkkanathan

of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo or failing him\*  
of Colombo

as my / our 'Proxy to represent me / us\* and vote for me/us on my / our behalf at the Annual General Meeting of the Company to be held on the 28<sup>th</sup> day of September 2012 at "Bartleet House", No. 63, Braybrooke Place, Colombo 02 at 9.30 a.m and at any adjournment thereof.

	For	Against
1 To receive and consider the Annual Report of the Board of Directors on the affairs of the Company and the statement of accounts for the year ended 31 <sup>st</sup> March 2012 and the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2 To re-elect Mr. M. Eraj Wijesinghe, who in terms of Article 25 (7) and 25 (8) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
3 To re-elect Mr. S. Raghavan, who in terms of Article 25 (7) and 25 (8) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
4 To re-elect Mr. K.G.D.D. Dheerasinghe, who in terms of Article 25 (3) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
5 To re-elect Mr. S. Sirkkanathan, who in terms of Article 25 (3) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
6 To re-elect Justice R.K.S.S. Chandra, who in terms of Article 25 (3) of the Articles of Association of the Company retires at the Annual General Meeting as a Director.	<input type="checkbox"/>	<input type="checkbox"/>
7 To re-appoint Messrs. BDO Partners, Chartered Accountants, as the auditors of the Company and to authorized the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8 To authorise the Directors to determine contribution to charities for the financial year ending March 31 <sup>st</sup> , 2013.	<input type="checkbox"/>	<input type="checkbox"/>

In witness my / our\* hand this \_\_\_\_\_ day of \_\_\_\_\_ Two Thousand and Twelve.

\_\_\_\_\_  
Signature of Shareholder/s

\*Please delete what is inapplicable.

Note: Instructions as to completion appear on the reverse hereof.

## INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the form of proxy by filling in legibly your full name and address, your instruction as to voting, by signing in the space provided and filling in the date of signature.
2. Please indicate with a 'X' in the cages provided how your proxy is to vote on the Resolutions. If no indication is given the proxy in his/her discretion may vote as he/she thinks fit.
3. The completed Form of Proxy should be deposited at the Registered Office of the Secretaries at No.101, Inner Flower Road, Colombo 03 at least 48 hours before the time appointed for the holding of the Meeting.
4. If the form of proxy is signed by an attorney, the relative power of attorney should accompany the form of proxy for registration, if such power of attorney has not already been registered with the Company.

### **Note:**

If the shareholder is a Company or body corporate, Section 138 of Companies Act No.7 of 2007 applies to Corporate Shareholders of Bartleet Finance PLC. Section 138 provides for representation of Companies at meetings of Companies. A Corporation, whether a Company within the meaning of this act or not, may where it is a member of another Corporation, being a Company within the meaning of this Act, by resolution of its Directors or other governing body authorized as aforesaid shall be entitled to exercise the same power on behalf of the Corporation which it represent as that Corporation could exercise if it were an individual shareholder.

## Corporate Information

### Name of the Company

Bartleet Finance PLC

### Legal Form

A Public Quoted Company incorporated on 24<sup>th</sup> July 1981 under the Companies Act No.17 of 1982 and was re-registered in terms of the new Companies Act No. 07 of 2007 on 27<sup>th</sup> July 2009.

The Company is registered under the Finance Leasing Act No. 56 of 2000.

The Company is registered under the Finance Business Act No. 42 of 2011.

### Registration No

PB 1079 PQ (previous PVS/PBS 7651)

### Tax Payer Identification Number

104076513

### Board of Directors

Mr. K.G.D.D. Dheerasinghe - Chairman  
Mr. M. Eraj Wijesinghe - Managing Director / CEO  
Mr. Sunil C. Wijesinghe  
Mr. Eshanth Wijesinghe  
Mr. Indrajith Fernando  
Mr. Buwaneka Subasinghe  
Mr. Susantha de Abwis  
Mr. S. Raghavan  
Mr. S. Sirikananathan (Appointed w.e.f. 01.04.2012)

### Registered Head Office

Level 2, Bartleet House,  
65, Braybrooke Place,  
Colombo 02.  
Tel : 0115 222 444  
Fax : 0115 222400  
E-mail : [info@bartleetfinance.com](mailto:info@bartleetfinance.com)

### Company Secretary

S.S.P. Corporate Services (Pvt) Ltd.  
101, Inner Flower Road,  
Colombo 03.  
Tel: 0112 576871  
Fax: 0112 573609

### External Auditor

BDO Partners,  
Chartered Accountants,  
"Charter House", 65/2,  
Sir Chittampalam A Gardiner Mawatha,  
Colombo 02.  
Tel : 0112 421 878  
Fax : 0112 336 064

### Bankers

Seylan Bank PLC  
Commercial Bank of Ceylon PLC  
People's Bank  
Deutsche Bank AG

### Accounting Year End

31<sup>st</sup> March







