

Creating Enterprise Value

Softlogic Holdings PLC | Annual Report 2013-14

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Creating Enterprise Value

Creating enterprise value happens all the time.
Every decision we make impacts shareholder value and
the business in some way. The sectors we focus on are
growing; we naturally gather more from what we do well.
At Softlogic, we have a shared vision of the enterprise
and the meaning of “value” is well understood. For us,
“The whole is greater than the sum of its parts!”



Company Profile

Generating revenues of nearly Rs.30 Bn (USD 221 Mn) in FY 2013/14, Softlogic Holdings PLC is one of the most diversified and fastest developing companies in Sri Lanka, creating solid value in the medium-to-long term.

From an IT developer led by strong entrepreneurial enterprise and a talent pool of just 12 employees in 1991, Softlogic Holdings PLC has grown into one of the country's most progressive conglomerates, employing over 6,500 people across 32 subsidiaries delivering the highest quality products and services across six high growth sectors.

Company Snapshot

- Founded in 1991 in Sri Lanka; listed on the Colombo Stock Exchange in June 2011.
- Prime geographical focus presently remains in Sri Lanka, with rapid expansion to capture larger market share with its brands.
- Has achieved notable market positions across six business sectors - ICT, Healthcare Services, Retail, Financial Services, Automobiles and Leisure.
- Strategy focused on 5 pillars for sustained, profitable growth:
 - An island wide expansion of retail space and international brand acquisitions.
 - Continued innovation and investment in technology in healthcare, coupled with laboratory and hospital expansion.
 - Enhanced market positions to optimise performance.
 - Continued application of clear, disciplined operational and financial management practices underlying growth initiatives.
 - Longstanding alliances with reputed international organisations and brand principals.
- Softlogic Holdings is one of the first corporates in Sri Lanka to access international funding agencies and equity partners such as IFC, DEG, FMO and Actis.

➔ Vision

To be the most preferred and trusted product and service provider, delivering high quality solutions to corporates and retail customers so as to set new industry standards and enhance shareholder value.

➔ Mission

Making the right decisions to increase returns on money invested. Employing and rewarding the best, to leverage market potential and become the most admired corporate in Sri Lanka.

➔ Values

High Performance Culture

A "can do" attitude drives our performance.

Integrity

Ethics and transparency guide all our dealings.

Corporate Responsibility

We respect the duties we owe our customers, business partners and society.

Simplicity

Simple processes transform small innovations into big solutions.

Innovation

Creative thinking brings streamlined solutions.

Human Capital

Enhanced talent management raises employees' effectiveness.

Accountability

Our guiding principle is accountability starts with "me".

Dynamism

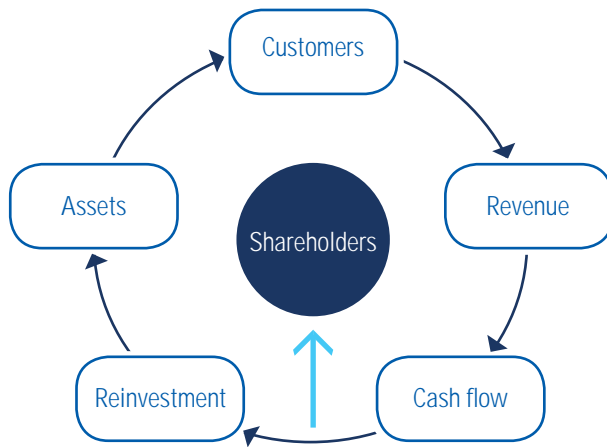
We embrace and manage change.

Success

Our values are the key elements of our success.

Investment Strategy

We seek to maximise the future value of our business, focusing on investments that also contribute to current financial performance.



'Our decisions are made with long-term value creation in mind, whilst respecting short term earnings expectations. We will make shareholders' wealth move in the right direction with the right investments' – Ashok Pathirage

Investment Rationale

- **Growth platform**

Diversity, with quality engagement in growth sectors.
Strong market positions in key sectors.
A combination of assets which promise a solid ROI and growing enterprise value.

- **Balance sheet strength**

A growing asset base.
Access to international funding and local financial markets.
Leveraging brand assets to maximise enterprise value.

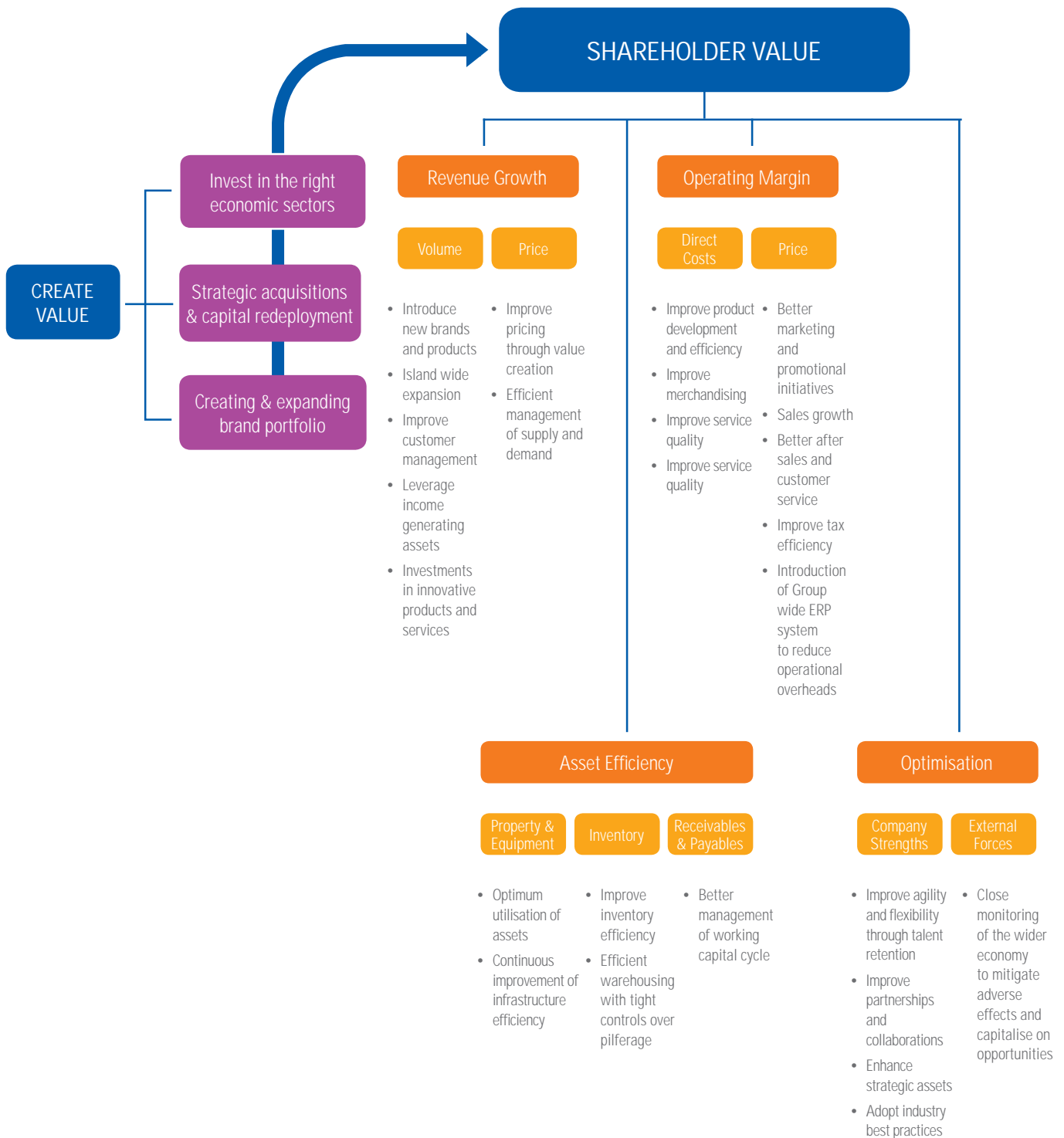
- **Returns**

Investment decisions use appropriate financial models, with consideration of future valuations of "going-concerns" acquired.

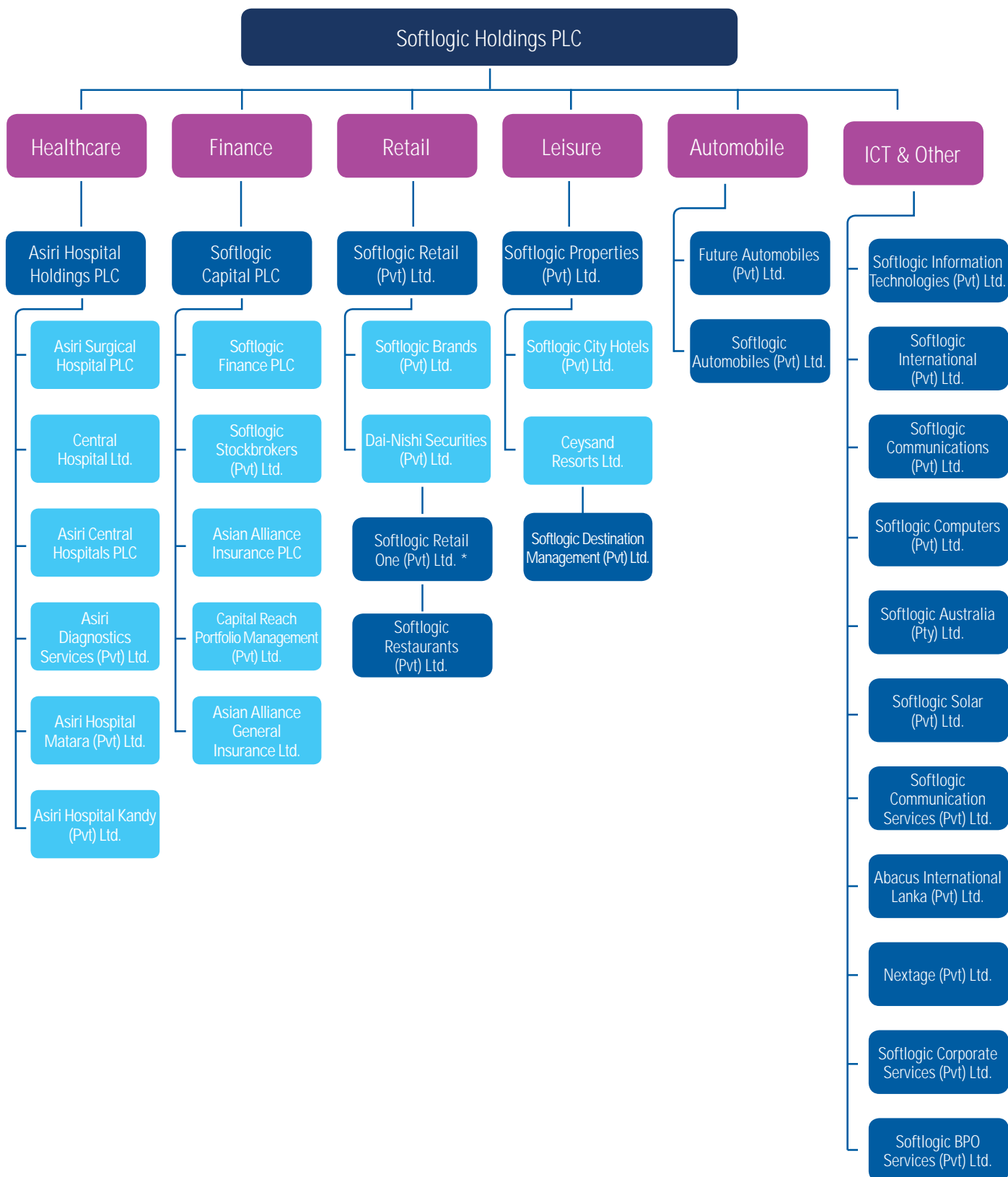
- **Management**

The strength of experience is combined with good corporate governance and effective risk control to achieve superior value creation.

Shareholder Value Map



Group Structure



* Softlogic Retail One (Pvt) Ltd. was incorporated on 4 July 2014

Highlights of 2013/14

It has been an eventful year. We introduced a number of leading global retail brands to Sri Lanka, entered the fast food industry with franchise rights for BURGER KING® and came near to completing Centara Ceysands Resorts & Spa. And that was not all...

APRIL 2013



Facility for Keyhole Surgeries

Asiri Hospital Group is continuously upgrading its medical technology in keeping with advancing global healthcare standards. Asiri Surgical Hospital PLC, the preferred hospital for surgeries in Sri Lanka, introduced precision - based keyhole surgeries which are minimally invasive and allow faster recovery.

Catheterisation Lab

Central Hospital Ltd. introduced Sri Lanka's first technologically advanced Neuro Bi-Plane Catheterisation Laboratory capable of performing all types of neuro-vascular interventional radiologic procedures for the treatment of acute strokes, cerebral aneurysms, brain tumours and a host of other conditions.

MAY 2013

The Future of Insurance in Sri Lanka

Asian Alliance Insurance PLC, with DEG & FMO of the Netherlands, successfully hosted a seminar themed "The Future of Insurance in Sri Lanka" for participants in Sri Lanka's Insurance Sector and other stakeholders of the industry. This event offered an insight into the challenges associated with segregating insurance operations, which is required by February 2015 and how these can be met. The seminar featured high- profile local and overseas insurance professionals, who shared their experiences on segregation of Life and Non-life operations.



Softlogic Finance PLC in Rs.500 Mn Securitisation deal

Softlogic Finance PLC concluded a securitisation deal of Rs.500 Mn to further develop its medium term lending business.

Softlogic Finance PLC awarded ISO 9001 certification

Softlogic Finance PLC was awarded ISO (International Standards Organisation) 9001 certification for its Quality Management System, ensuring it remains in the forefront of evolving technology. ISO certification is only awarded to organisations which maintain sound quality management systems. This certificate added to the numerous accolades Softlogic Finance PLC has gained including the recent Merit Award at the National Business Excellence Awards 2013 hosted by the National Chamber of Commerce.

JUNE 2013



Softlogic MAX and LifeStyles flagship home store opened in Thalawathugoda

Pursuing our retail expansion, a Softlogic Max and LifeStyles home store covering 10,000 sq.ft of retail space was opened in Thalawathugoda. This store has a homely, comfortable ambience and gives customers space to move around and shop at their own pace. This store houses our electronic brand range, our watches and our array of stylish furniture.

Softlogic introduced the latest TCL Brand of Air Conditioners

Striving to ensure our pace of development remained in step with that of our principals, we introduced the latest models of Air Conditioner in the JA series across all Softlogic Max and Softlogic stores island wide.

Strokes Unit

Central Hospital Ltd. reached another milestone with the launch of Sri Lanka's first Strokes Unit, inclusive of clot retrieval facilities. Three successful clot retrievals have been performed, with subsequent reversal of limb paralysis.

JULY 2013



Charles & Keith, the first international footwear specialist in Sri Lanka

Satisfying the Sri Lankan desire for global brands, Softlogic introduced yet another top fashion brand, Charles & Keith, a trend setter for ladies footwear, handbags and accessories across the globe.

Multi Brand Store

The success of our mini department store in Havelock Road led us to open another in one of the busiest cities in the Colombo suburbs, Ja-Ela. We are confident about the future of our retail business given the rising number of brand conscious shoppers and substantial investments by the private sector and Government in premier shopping space in Colombo and the suburbs.

Panasonic beauty product range launched

Panasonic Consumer Marketing Asia Pacific, which is partnered by Softlogic, unveiled its latest range of innovative Panasonic beauty products in Sri Lanka. Softlogic aims to ensure that Sri Lanka does not miss out on the latest innovations available elsewhere.



Thoracic surgery & thoracoscopy

Asiri Surgical Hospital PLC, which remains very conscious of breakthrough medical solutions, introduced the thoracic surgery unit dedicated to prevention, early diagnosis and treatment of diseases of the chest.

Asiri Laboratory Expansion

Asiri Laboratory Services opened its 13th fully - fledged laboratory in Anuradhapura, taking a further step in making its services available island wide.

AUGUST 2013

Asian Alliance Insurance PLC credit rating

Fitch Rating Lanka assigned Asian Alliance Insurance PLC an Insurer Financial Strength (IFS) rating of 'B', with a Stable Outlook, while also assigning a National Insurer Financial Strength rating and National Long-Term Rating of 'BBB+' (lka) respectively.



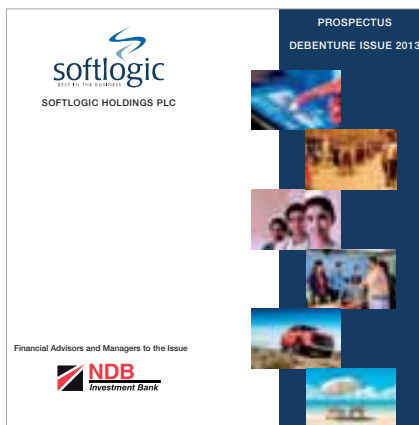
SEPTEMBER 2013

Successful issue of Rs.1 Bn Debentures by Softlogic Holdings PLC

Five million Rated Unsecured Redeemable Listed Three Year Debentures with a value of Rs.500 Mn were offered, with an option to upsize the issue by a similar amount in the event of oversubscription. A sum of Rs.1 Bn was raised from this issue by the issue of ten million Debentures each with a Face Value Rs.100. This was a balance sheet restructuring strategy to refinance short term borrowings.

Laser Surgery for Kidney and Urinary Stones

Central Hospital Ltd. is the pioneer for advanced medical treatment in the country. The hospital has been seeking to reduce invasive surgeries and post - operation side effects. Flowing from this, it introduced a new laser service to treat painful kidney and urinary stones. This facility delivers short, intense pulses of infrared light that can break any form of stone into tiny fragments that can be flushed out or excreted in urine. It is less invasive than surgery and patients recover more quickly and are less likely to experience complications.



Highlights of 2013/14

OCTOBER 2013

Mothercare in Ja-Ela

A successful launch of Mothercare last year led to the opening of another exclusive maternity, baby and childcare store in the busy town of Ja-Ela. Mothercare Sri Lanka meets the quality requirement of brand conscious parents who, instead of buying these items overseas, can now find them in our showrooms. The tourist market is also showing an incipient shopping interest in the brand.



NOVEMBER 2013



Mothercare in Kandy

The third Mothercare store was opened in the Kandy City Centre. The store occupies 3,000 sq.ft., with a lay-out in line with the global blueprint.

Asiri secured all awards for the Healthcare Sector at the National Business Excellence Awards 2012/13

Asiri Surgical Hospital PLC won the National Business Excellence Gold Award for 2012/13 in the Healthcare Sector. It also won the Silver Award for Corporate Governance. Central Hospital Ltd. received the National Business Excellence Silver Award for 2012/13 in the Healthcare Sector.

DECEMBER 2013

Another Splash of Style

Splash, a high street fashion retailer for men, women and teens, opened its first store in K-Zone, Ja-Ela. This Middle Eastern brand has presence in 13 countries in the MENA, Asian and East African regions and offers fashion that satisfies chic and stylish audiences. This affordable clothing store targets the growing middle income segment.

Master Franchise signed with Burger King Worldwide

Softlogic Restaurants (Pvt) Ltd. is the group's newest subsidiary. This venture opened with a franchise signed with the US chain, BURGER KING®, the world's second largest hamburger chain serving over 11 million guests per day across 91 nations. Most BURGER KING® restaurants are owned and operated by independent franchisees with strong local presence. Three restaurants were opened simultaneously in December 2013 - in Rajagiriya, Mount Lavinia and Kollupitiya - serving the same flame-grilled flavour to burger lovers in Sri Lanka.

A roll-out plan is in place which envisages Softlogic working closely with BK AsiaPac to expand its supply chain infrastructure in Sri Lanka over the next few months, strengthening BURGER KING®'s brand presence in the country.

Softlogic Finance PLC in Rs.1.4 Bn deal with GuarantCo

Known for groundbreaking offshore business alliances, Softlogic Finance PLC signed an agreement with GuarantCo who will provide a guarantee supporting the issuance of Softlogic Finance PLC Debentures for an amount of Rs.1.4 Bn. The Debenture Issue is expected to be the first listed Triple A Debt Issuance in Sri Lanka.

GRI B+ grading for Asian Alliance Insurance PLC

Softlogic is initially implementing Global Reporting Initiative (GRI) reporting in its subsidiaries. Asian Alliance Insurance PLC obtained an Application Level B+ grading on its Sustainability Report from the GRI Organisation, Netherlands.



JANUARY 2014

LenovoEMC re-invents Iomega storage business with Softlogic in Sri Lanka

Dynamism is one of our corporate values. Our ICT business has stayed in step with market developments and innovations.

Softlogic Information Technologies (Pvt) Ltd. was appointed an Authorised Distributor for Lenovo Think products and LenovoEMC storage products in Sri Lanka. Through this partnership we are able to consolidate and add value to the enterprise solutions offered in Sri Lanka. LenovoEMC offers a range of Network Attached Storage (NAS) and IP SAN storage ranging from a 2 TB Tower form factor to a 48 TB Rack form factor. These industry leading solutions suit storage consolidation and Disk Backup, Video Surveillance, Storage Virtualisation and VDI.



Softlogic Finance PLC in USD4.8 Mn Cross Currency Swap with TCX

Softlogic Finance PLC concluded the first ever such transaction by an NBF with the execution of a medium term Cross Currency Swap with an offshore counterpart, completing a four year transaction for USD4.8 Mn with TCX. The transaction enabled Softlogic Finance PLC to cover its forex and interest rate risk exposure in respect of medium term lending products including the Leasing and Hire Purchase contracts that form the bulk of its business. TCX, owned by Global Development Financial Institutions such as DEG, FMO, IFC, JBI, EBRD and Proparco, is a special purpose fund that provides OTC derivatives to hedge currency and interest rate mismatches in cross-border investments between international investors and local borrowers in emerging markets.

FEBRUARY 2014

Softlogic appointed as Authorised Service Provider and Distributor for Apple products

Softlogic Information Technologies (Pvt) Ltd. was appointed Authorised Service Provider (ASP) and Distributor for Apple products in Sri Lanka. Through this partnership, we are able to deliver an enhanced experience to Apple corporate and retail customers in Sri Lanka. The partnership was a result of customer demand to expand our product range so customers can experience an even wider choice of the latest technology on offer.

The French Connection

BMI Wholesale Trading, the master franchisee for French Connection in India and the sub-continent entered into an exclusive sub - franchise agreement with Softlogic to market and distribute French Connection U.K. branded products in Sri Lanka. The first exclusive FCUK store in Colombo serves the needs of quality and brand conscious fashion customers. We believe this brand expansion will also appeal to tourists.

Softlogic the Best Performing Business Partner for Dell in Sri Lanka

Softlogic Information Technologies (Pvt) Ltd. won the prestigious "Best Performing Business Partner" in Sri Lanka for the Commercial Business Category at the Dell Power Awards 2014. Softlogic won a total of seven Dell Partner Awards, underscoring its continuous commitment and leadership in this area and marking the company an integral part of Dell in Sri Lanka. Softlogic Information Technologies (Pvt) Ltd. was also adjudged "Best Performing Business Partner 2014" in both the Enterprise Business Awards Category and the Commercial Small and Medium Business Awards Category and won the "Commercial Tier 1 Business Partner Award".

Softlogic Finance PLC to automate with SkyBank

The Group has continuously refined and re-defined its processes and procedures and recruited specialised personnel to build on market changes. Softlogic Finance PLC is working to digitalise the company's operations with "SkyBank Banking & Finance" to allow customers operate seamlessly on a single platform from multiple locations.



Highlights of 2013/14

MARCH 2014

RAM Ratings Lanka assigned BBB-/P3 Corporate Credit Ratings to Softlogic Retail (Pvt) Ltd.

RAM Ratings Lanka assigned long- and short-term corporate credit ratings of BBB- and P3 respectively to Softlogic Retail (Pvt) Ltd.; the long-term rating carries a stable outlook. The ratings are based on the company's strong competitive position, its diversified target markets and its retail branding strategy.

Pan Oceanic Bank contracted Softlogic to be their premier technology partner in the Solomon Islands

Softlogic Information Technologies (Pvt) Ltd. secured a multi-million rupee project for the delivery and implementation of a core IT infrastructure to Pan Oceanic Bank (POB), Solomon Islands. POB will be Solomon Islands' 4th commercial bank providing a range of banking services to the public.

Panasonic identified by Brands Annual as one of the leading brands in Sri Lanka in 2014

Panasonic has been one of Softlogic's longstanding retail brands. Softlogic Retail obtained the authorised distributorship for Panasonic in 1978 and since then has taken the brand across Sri Lanka. Given the brand's high profile, we will take the Panasonic brand to new heights with on-going expansion.

173rd Softlogic Consumer Electronics showroom in Jaffna

Strengthening our presence in the North, a Softlogic Max store occupying 2,100 square feet was opened in the Cargills Square in Jaffna town. We are confident that with the expected footfall in this store-- with the Cargills Square, a mini department store incorporating two cinemas, a supermarket and a fast food outlet commanding the attention of the town -business will grow.

Incorporation of Asian Alliance General Insurance Ltd.

Asian Alliance Insurance PLC is preparing for the changes the insurance industry will undergo with the separation of Life and General Insurance segments into separate entities. Asian Alliance General Insurance Ltd., a subsidiary of Asian Alliance Insurance PLC, was incorporated to respond to the regulatory requirement and will commence operations in January 2015.

Equity infusion in Softlogic Stockbrokers (Pvt) Ltd.

Our equity broking company received a boost when its capital was increased by Rs.100 Mn to enhance its financial profile. The company is looking to move ahead briskly and has lined up an impressive range of clients whom they will serve.



Asiri Laboratory celebrates 30 years' of excellence

Asiri Hospital Holdings PLC achieved a significant milestone when Asiri Laboratory Services celebrated its 30th anniversary in March 2014. Our laboratory services hold a near 60% market share. In addition to the main laboratory in Kirula Road, Colombo 5, we have three laboratories at Asiri Surgical Hospital PLC, Central Hospital Ltd. and Asiri Hospital Matara (Pvt) Ltd., 9 satellite Labs in Negombo, Kurunegala, Kandy, Ragama, Kalubowila, Jaffna, Batticaloa and Anuradhapura together with an island wide network of over 400 collection centres.

Asiri Group, Pioneers for Medical Innovation

Asiri Group of Hospitals has been the forerunner in the innovation of medical solutions. Innovation is a key ingredient of our service proposition. We introduced a number of revolutionary diagnostic methods during the year:

- New Urea Breath Tests to diagnose Helicobacter Pylori, one of the main causes of chronic gastritis.
- Installation of:
 - A state-of-the-art hematology analyser - SYSMEX XN 1000 – which helps generate faster and more comprehensive information in Dengue diagnostics tests.
 - Sri Lanka's first allergy testing machine to help diagnose a host of hitherto unknown allergic conditions.
 - Numerous new tests in clinical medicine.



Financial Highlights

Year Ending March		2014	2013	2012	2011
Earnings Highlights					
Group Revenue	(Rs. Mn)	29,208	25,361	21,819	10,788
Gross Profit (Rs. Mn)	(Rs. Mn)	10,007	8,209	7,167	2,880
Earnings Before Interest Tax, Depreciation & Amortisation	(Rs. Mn)	4,698	3,919	3,998	2,007
Finance Cost - Gross		2,660	2,755	2,007	857
Finance Cost - Net		1,465	1,929	1,611	824
Group Earnings Before Interest & Taxation	(Rs. Mn)	2,619	2,300	2,855	1,904
Group Earnings Before Taxation	(Rs. Mn)	1,258	453	1,601	1,047
Group Earnings After Taxation	(Rs. Mn)	1,009	153	1,016	971
Total Comprehensive Income Net of Tax	(Rs. Mn)	1,237	2,077	856	969
Group Earnings Attributable to Equity holder	(Rs. Mn)	156	(371)	448	829
Group Comprehensive Income Attributable to Equity holder	(Rs. Mn)	220	557	340	829
Gross Profit Margin	(%)	34%	32%	33%	27%
Net Profit Margin	(%)	3.5%	0.6%	4.7%	9.0%
Earnings Per Share	(Rs.)	0.20	(0.48)	0.60	1.30
Dividends	(Rs. Mn)	120	234	101	-
Interest Cover	(x)	3.2	2.0	2.5	2.4
Financial Position Highlights					
Total Assets	(Rs. Mn)	65,863	53,836	44,644	29,204
Current Ratio	(x)	0.9	0.8	0.7	0.5
Quick Asset Ratio	(x)	0.7	0.67	0.57	0.35
Asset Turnover	(%)	44%	47%	49%	37%
Total Interest Bearing Borrowings	(Rs. Mn)	31,518	23,037	22,782	17,938
Shareholders' Funds	(Rs. Mn)	6,802	7,288	7,142	3,003
Net Asset per Share*	(Rs.)	8.8	9.4	9.5	4.7
Total Equity	(Rs. Mn)	13,351	13,568	11,245	7,064
Debt : Equity **	(x)	2.4	1.7	2	2.5
Debt : Total Assets	(x)	0.5	0.4	0.5	0.6
Return on Capital Employed***	(%)	7%	8%	10%	9%
Operating Cashflow	(Rs. Mn)	1,775	1,777	157	(1,916)
Capital Expenditure	(Rs. Mn)	3,764	2,270	1,138	245
Cash Earnings per Share	(Rs.)	2.3	2.3	0.2	(3.0)
Investor Information					
Market close price as at 31st Mar	(Rs.)	10.6	10.4	11.2	-
Shares in Issue	(Mn)	779	779	779	640
Market Capitalization as at 31.03.2013	(Rs. Mn)	8,257	8,102	8,725	-
52-week Market Share Price High	(Rs.)	12.7	13.3	28	-
52-week Market Share Price Low	(Rs.)	8	9	11.1	-
Price to Book Value	(x)	1.2	1.1	1.2	-
Enterprise Value	(Rs. Mn)	38,014	29,816	30,592	17,658
Enterprise Value : EBITDA	(x)	8.1	7.6	7.7	8.8
Dividend Pay Out	(%)	78%	-	23%	0%
Dividend per Share	(Rs.)	0.155	0.3	0.14	-
Dividend Yield	(%)	1%	3%	1%	0%
Other Information					
Economic Value Created	(Rs. Mn)	31,005	26,739	23,025	11,652
Economic Value Distributed					
Government	(Rs. Mn)	1,903	1,587	1,943	119
Employees		3,746	3,079	2,002	707
Others		24,467	22,153	18,079	9,539
Retained Earnings		889	-81	1,001	1,288
Group Employment ****		6,614	6,400	6,085	4,581

* Net Asset Value calculated based on weighted number of shares as at 31.03.2014.

** Debt to Equity calculated based on Total Equity Capital.

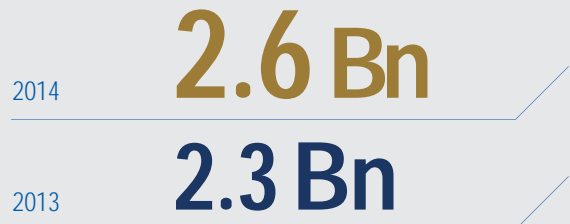
*** Return on Capital Employed calculated as percentage of EBIT and Total Capital Employed (Equity plus interest bearing borrowings).

**** Excluding employees of the associate companies of the Group.

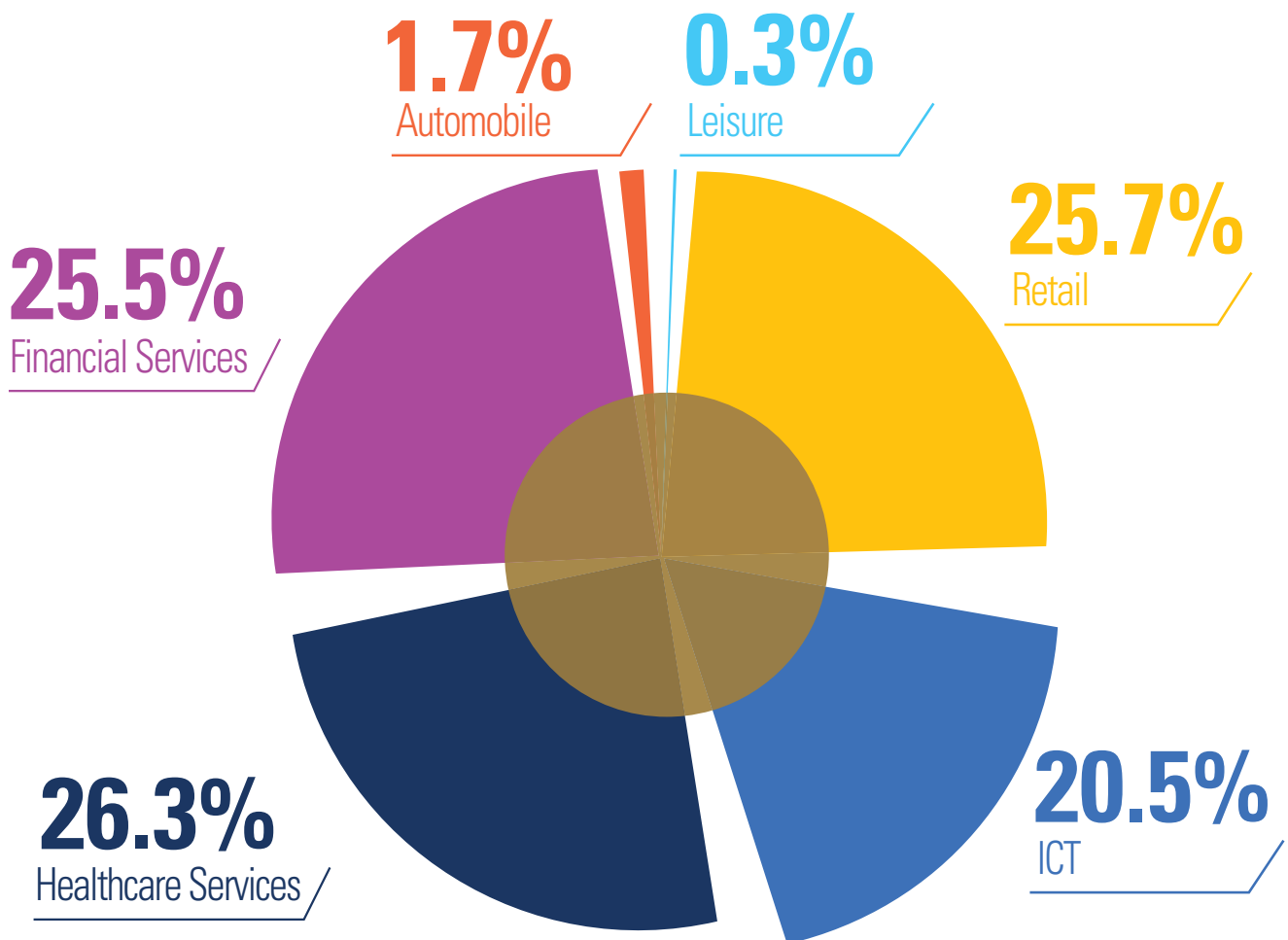
Revenue (Rs.)



Operating Profit (Rs.)



Revenue Contributors



Chairman's Review



Entrepreneurship is about making decisions; the right decisions come from experience and instinct. We have a purpose to fulfill; we will create value in all businesses we are involved in. We have 35 companies engaged in key economic sectors, and employ over 6,500 people. We have taken Softlogic from a small business to a vibrant, growing conglomerate. We are not satisfied with being merely good; we are striving, through the unremitting pursuit of excellence, to achieve unrivaled market positions in all our businesses.

Dear Shareholders,

On behalf of the Board of Directors, I am very pleased to share with you the events, developments and progress in your Company during the year. Overall, Group performance was very satisfying due to better resource management and improved macro-economic conditions. The year's activity and performance reflects the value Softlogic creates for its stakeholders. As a conglomerate with diverse business interests, we pursue growth by vigorously developing our core businesses and sharpening our existing business model. We will continue to invest in the businesses that give us profitable returns and opportunities for capital appreciation over the next 3 – 5 years.

This year's Annual Report stresses the need for Creating Enterprise Value to provide genuine value to our stakeholders. We have continuously focused on growing Softlogic's portfolio in our six business segments, in which we enjoy competitive advantage and see opportunities for development and growth.

Macro Economy

The global economy registered 3% growth in 2013, led by improved economic activity in the US and Europe in the second half of the year. Since mid-2013, developed economies have shown strong signs of growth, supported by improved business and consumer confidence and easier financial market conditions. Emerging market economies were sluggish with softening domestic demand, weaker investor sentiment despite improved prospects for export business and challenging financial market conditions. Developing economies, in contrast, continued their growth momentum amidst challenges of employment, infrastructure development and diversification into higher value - added production.

The Sri Lankan economy moved in the right direction, with a strong 7.3% growth in 2013 (6.3% in 2012), led by strengthened domestic and export demand and tourism. Per capita income reached USD3,280 (2012 - USD2,922). Inflation was at single digit levels for the fifth year running and unemployment rose slightly with the growth in the labour force. Exchange rates stabilised, with strong FOREX inflows from workers'

The Sri Lankan economy moved in the right direction, with a strong 7.3% growth in 2013 (6.3% in 2012), led by strengthened domestic and export demand, and tourism

Creating Enterprise Value

Sustaining its growth, the Sri Lankan economy showed a 7.6% growth in the first quarter of 2014

remittances, tourism and international State bond issues which all improved the Balance of Payment. The annual average exchange rate for 2013 against the US dollar was Rs.129.1, with March 2013 averaging to Rs.130.7. With easing of inflation, the relaxed monetary policy helped gradually decline market interest rates. The completion of infrastructure projects is expected to enhance social and economic conditions and increase productivity in the years ahead. Tourist arrivals for 2013 reached 1.27 Mn (1 Mn in 2012) and arrivals in the first quarter of 2014 totalled 421,501. We are confident about Sri Lanka reaching its target of 2.5 Mn tourists by 2016.

Sustaining its growth, the Sri Lankan economy showed a 7.6% growth in the first quarter of 2014. Monetary policy contained inflation in the mid-single digits. Annual average headline inflation was 6.9% in 2013 and 6% in March 2014.

Share market performance remained volatile during most of the year. The benchmark All Share Price Index recorded a small gain of 5%, while the Standard & Poor's SL20 Index reflected a marginal decline during the financial year.



Corporate Performance

Your Group's performance was strong, with Consolidated Revenue reaching Rs.29.2 Bn during the year to register a 15.2% growth from the previous year. Gross Profit increased by 21.9% to Rs.10.0 Bn and Consolidated Net Earnings reached Rs.1.0 Bn.

Company performance reflected a net loss of Rs.23.5 Mn during the year, due to significantly higher finance costs and a much lower level of profit on sale of investments than in the previous year.

Information & Communication Technology

Your Company's B2B IT business progressed satisfactorily, with a number of notable projects signed with leading corporates. We have always sought to stay ahead as a software and hardware solutions provider, and are diversifying our range of solutions to meet new customer needs responding to technological advancement. We have moved into enterprise computing and target leadership in end-to-end computer enterprise solutions in Sri Lanka. The outcome has been gratifying, with Softlogic Information Technologies (Pvt) Ltd. already providing 50-60% of the requirements of the largest storage supplier in Sri Lanka.

Our unceasing efforts to provide leading-edge solutions for the Sri Lankan market has helped us build a strong product portfolio, as one of the very few players with authorisation for leading global technological brands. The latest partnership with EMC and LenovoEMC for back-up and recovery space has given your Company the competitive advantage to provide state-of-the-art solutions for mid-sized and large organisations in backup and recovery for their data centres.

Your Company's Communications arm encountered a number of challenges during the year, including seepages through the "grey" market and stiff price competition from industry rivals. The handset business also carries the risk of shortened product life-cycles due to swift model changes. Despite this challenge, we always seek to offer the latest range of models to our customers. Nokia Lumia continued its initiatives in the Android market and Samsung remained dominant in smart phones. Overall, we continue to lead in the handset market as the country's leading handset importer in 2013.

Retail

Performance of Softlogic's Retail operations continued to progress on the back of its showroom roll-out strategy. Our island wide expansion of retail space and our brand acquisitions are backed by careful assessments. In Consumer Electronics, where we currently have 173 showrooms with 230,000 sq.ft., we target a total retail space of 335,000 sq. ft. in three years. Our portfolio of prestigious apparel brands expanded during the year, with acquisition of distributorship rights for "Charles & Keith", "Splash", "French Connection" and "Dockers" in Sri Lanka. We will continue to build brands, promote authenticity and encourage a sense of value and style in the market, to counter the imitations crowding out the sale of the genuine article.

Our retail presence strengthened further with diversification into fast foods through the chain of BURGER KING® restaurants we opened. This business has attracted excitement and continues to do well owing to its established global brand. A plan to roll-out further restaurants is being developed.

Healthcare Services

Asiri Hospital Group is the leading multiple specialist in the country's private healthcare sector, setting the trend by continuously investing in state-of-the-art facilities. It has produced excellent results with Central Hospital Ltd. performing better than expected and with good returns from recently commissioned high - tech medical facilities, such as the enhanced Catheterisation Laboratory, the Strokes Unit, and laser surgery for kidney and urinary stones.

We maintain our leading position in this fast - evolving business by also focusing closely on the training of our medical staff in line with our state-of-the-art medical investments. We are steering steadily towards becoming a leading healthcare provider in South Asia with the highest quality of clinical performance and patient care, with cutting - edge technology. We have prioritised medical tourism given the Joint Commission International Accreditation (JCIA) we are currently working on. This is the highest international quality standard a hospital can obtain, and requires staff with the knowledge and skill to deliver these services.

We are steering steadily towards becoming a leading healthcare provider in South Asia with the highest quality of clinical performance and patient care, with cutting-edge technology.

Your Group's performance was strong, with Consolidated Revenue reaching Rs.29.2 Bn during the year to register a 15.2% growth from the previous year. Gross Profit increased by 22% to Rs.10 Bn and Consolidated Net Earnings reached Rs.1.0 Bn.

Asiri Hospital Holdings PLC consolidated its ownership of Central Hospital Ltd. after buying-out a minority stake of 37.34% in February 2014 and now holds 90% of that hospital. We expect contributions from this investment to benefit us substantially in the future.

Asiri has been the first private hospital to look beyond city limits having two units in Matara. We are confident that our most recently initiated hospital project, Asiri Kandy, will tap profitably into the high potential market in the Central Province.

Financial Services

Our Financial Services sector has performed creditably, with our growth strategy in this area now starting to deliver solid results. Asian Alliance Insurance PLC, currently ranks 6th overall and 5th in Life Insurance, outstripping industry growth to generate a combined Gross Written Premium of Rs.4 Bn, an increase by 26% on the previous year. Life business enjoyed another good year as premiums reached Rs.2.5 Bn, showing growth of 24%, while General Insurance premiums (in which Motor and Health classes dominate) rose 31% to Rs.1.5 Bn. The performance was boosted by exceptional investment portfolio gains, both fixed income and equity portfolios significantly outperforming the respective benchmarks. We are pleased to have as partners, "gilt-edged" shareholders DEG and FMO who provide great value and whose involvement helped set up an important event - "The Future of Insurance in Sri Lanka" - that prepared the ground for the separation of insurance activities now mandated by the Regulator.

Softlogic Finance PLC, now ranked 10th in the Industry with Total Assets of Rs.18 Bn (up 38%) saw Customer Deposits rise 34% to Rs.9.3 Bn, and Customer Loans increase 15.4% to Rs.12.1 Bn. It was impacted by the general stresses affecting the entire industry and this saw impairment provisions climb.

We executed landmark transactions during the year. An agreement was signed with GuarantCo, an UK DFI who will guarantee Rs.1.4 Bn of Debentures that will be rated 'AAA' and probably stand as the first Triple A rated debt issuance in the market. We also transacted the first Cross Currency Swap by an NBF1 with an Offshore counterparty, in a deal worth USD4.8 Mn concluded with TCX, who are backed by major DFI's including IFC and FMO. We presented our credentials with two well attended seminars for the industry; "Financing Sri Lanka's Development" in collaboration with GuarantCo and "Hedging Currency Risk in Sri Lanka" in collaboration with TCX. These were well received. A number of other initiatives have been launched, some of which have already been completed; they include a Rights Issue at Softlogic Capital PLC and the quality staffing of Softlogic Stockbrokers (Pvt) Ltd.



Rs. 10.0 Bn
Consolidated Gross Profit up 21.9%

Chairman's Review

Automobiles

Our Automotive business ran in low gear, affected by the duty waiver permits issued by the Government. We took bold steps to diversify into related businesses to offset the disadvantage this imposed. Short- and long- term rent-a-car operations, commercial and passenger van sales and an expansion of body repair and paint operations are among the plans we will pursue. Group synergies will accelerate the execution of these plans. We recently launched FORD's new state-of-the-art 3-S Facility in Pelawatte- Sales, Service and Spare Parts all available under one roof. We are confident this sector's contribution to the Group will improve in the future, when consumers increasingly see us as a reliable and up to date authorised dealer, well equipped to service their vehicles.

Leisure

We take pride in the recent opening of our first 4-star+ 165-room resort, Centara Ceysands Resorts & Spa. Set on the Bentota Peninsula, the resort enjoys a ideal location with the meandering Bentota River on one side and an expansive stretch of golden sand spilling into the Indian Ocean on the other. Spa Cenvaree is a refuge for the senses offering a selection of signature Thai massages and holistic solutions including authentic Ayurvedic therapies that use indigenous products, including Ceylon tea, and whose diversity reflects the island's wonders.

Restaurants will include Café Bem- offering an eclectic mix of Sri Lankan, Asian and international cuisines reflected in delectable buffets and Chef's choice menu and live cooking stations that bring an interactive facet to the relaxed dining experience. 360 Seafood- specialising in sumptuous locally sourced seafood prepared in a variety of ways and Ceylon Club- which will have a gourmet selection of Ceylon teas, unique cocktails with a focus of Ceylon tea and a light snack menu that will appeal to all. Inn Between - For a convivial bar experience, guests will look no further than Inn Between where cocktails, beers and a variety of snacks are served in a modern and warm Pub-style setting. The swim-up pool bar will tease and tantalise offering a wide range of fruity cocktails that will enhance the sunshine.



In addition to the Water Sports Centre and a Kid's Club, a magnificent oceanfront swimming pool with Jacuzzi and a children's pool are in place. These many aspects of this stunning new resort will help unlock the potential of this exciting investment. Thus far, reservations and guest/ agent feedback received have been extremely positive and growth in forward bookings is excellent.

Our Mövenpick City Hotel has completed Level 20 and anticipates project completion by October 2014, in line with its target opening in 2015.

I am happy to record that the Company successfully concluded its Rs.1 Bn Debenture Issue during the year. Softlogic Finance PLC successfully closed a number of securitisation deals and rights issues in a capital market which is still at its early stages, reaffirming the faith of the investor community in your Company.

We have declared a Interim dividend of Rs.0.155 per share for the year, providing a cash return to investors despite capital being locked in investments which are yet to see fruition.



Future Outlook

Accelerating Our Growth Strategy by Strengthening and Expanding Core Businesses

While today's bottom line is important, we believe in long term value creation for our shareholders.

Many things at Softlogic are progressing well – some very well. All in all, the results and the value creation during the year have demonstrated a promising future.

We shall stay committed to improving operational efficiencies, building and strengthening alliances and deriving value from group synergies, all with a strong commitment towards profitability and sustainability.

Acknowledgements

On behalf of the Board, I welcome two Independent Non-Executive Directors, Mr. G L H Premaratne and Mr. R A Ebell, who joined the Board in February and March 2014 respectively. We are privileged to draw upon their experience, expertise and individual perspectives as we continue to grow our businesses. We thank Desamanya Deva Rodrigo, who has relinquished his position as a Director on 30th June 2014, for the yeoman service he has rendered during his tenure on the Board.

I extend my gratitude to my fellow Board members and to Directors of all the subsidiary companies for their vision and unstinting commitment to Softlogic and for the support they have given me. I extend special thanks to the Senior Management and to all employees for their dedication and achievements.

I would also like to extend my gratitude towards our business partners, associates and vendors for their continued support.

And to all of our shareholders, I express sincere appreciation for your continued faith and trust in us. I am aware that you, our shareholders, have high expectations of us – and rightly so. We will work hard to meet your expectations. In doing this, we will act judiciously, rigorously and decisively, while maintaining unwavering focus on our sustainability. Our actions are geared to earning quality profits and seeking long-term success for your Company.



Ashok Pathirige
Chairman

31 July 2014

Board of Directors



Left to right

Harris Premaratne - *Non-Executive Independent Director* • Ashok Pathirage - *Chairman/ Managing Director*
• Dr. Sivakumar Selliah - *Non-Executive Independent Director* • Hemantha Gunawardena - *Executive Director* • Richard Ebell - *Non-Executive Independent Director* • Haresh Kaimal - *Executive Director* • Desamanya Deva Rodrigo - *Non-Executive Independent Director* • Ranjan Perera - *Executive Director* • Prashantha Lal De Alwis - *Non-Executive Independent Director* • Roshan Rassool - *Executive Director*

Our Board provides leadership ensuring formulation and implementation of sound business strategy within a frame of effective management. Board members bring to the table a blend of entrepreneurial, management and professional skills and experience, with the diversity of thought this provides.



Board of Directors

Ashok Pathirage

Chairman/ Managing Director

With a visionary outlook, Mr. Pathirage, provides strategic leadership to a conglomerate whose turnover is nearly Rs.30 Bn. He was appointed Chairman of Softlogic in 2003. Six other entities under his Chairmanship are listed on the Colombo Stock Exchange. He is the Chairman/Managing Director of the country's leading private healthcare provider, Asiri Group of Hospitals. He is also Chairman of Softlogic Capital PLC, Softlogic Finance PLC, Asian Alliance Insurance PLC, Asian Alliance General Insurance Ltd. whilst also being Chairman of other Group companies that operate in Leisure, Retail, Automobile and ICT businesses. He also serves as Deputy Chairman of National Development Bank PLC and is Chairman of NDB Capital Holdings PLC.

Hemantha Gunawardena

Executive Director

Mr. Hemantha Gunawardena is one of the co-founders of Softlogic and has served Softlogic as a Director from its inception. He has extensive experience in the field of IT, both front and back-end, and counts over 25 years in this field. He was a Senior Software Manager at a leading Sri Lankan Blue Chip before joining Softlogic. He is presently the Director/CEO of the Software Division of Softlogic Information Technologies (Pvt) Ltd.

Haresh Kaimal

Executive Director

Mr. Haresh Kaimal is a co-founder of Softlogic and a Director since its inception. With over 25 years of experience in IT and operations, he currently heads the IT division of the Group to drive advancements in Information Technology and Enterprise Resource Management within Softlogic. Prior to taking over this role, he was heading a Joint Venture of Softlogic's overseas subsidiary.

Ranjan Perera

Executive Director

Mr. Ranjan Perera is one of the co-founders of Softlogic. He is Sector Head – Mobile Business and also the Managing Director of Softlogic International (Pvt) Ltd. He possesses extensive knowledge from his many years of experience in senior managerial positions handling world renowned brands in mobile telecommunication.

Roshan Rassool

Executive Director

Mr. Roshan Rassool joined Softlogic in 1995 and was appointed to the Board in 2009. He is Director/CEO of the Computing Systems & Systems Integration Solutions Division of Softlogic Information Technologies (Pvt) Ltd., which has business partnerships with Dell Corporation, Apple computers, LENOVO, CISCO, EMC storage systems, Microsoft, HP imaging products and VMware. He was appointed as a member of Dell South Asia Partner Advisory Council in 2011. He served as Chairman of Infotel Lanka in 2006/2007 and was President of SL Computer Vendors Association at the same time. He was also Chairman of Federation of Information Technology Industries, Sri Lanka in 2007.

He holds an MBA from the University of East London. He is also an Associate Member of the Association of Business Executives and a Member of the Cyprus Institute of Marketing. He has over 25 years of experience behind him in the ICT industry having worked at senior managerial positions in reputed companies.

Dr. Sivakumar Selliah

Non-Executive Independent Director

Dr. Selliah holds a MBBS degree and a Masters Degree (M.Phil). He joined the Board of Softlogic in 2010. He has many years of experience in varied fields. He is Deputy Chairman of Asiri Hospitals Holdings PLC, Asiri Surgical Hospital PLC and Central Hospital Ltd. He is a Director of Lanka Walltiles PLC, Lanka Floor Tiles PLC, Horana Plantations PLC and Lanka Ceramics PLC. He is also the Chairman of Cleanco Lanka (Pvt) Ltd. Dr. Selliah serves on the Remuneration and Audit Committees on some of the companies on whose Board he serves.

Desamanya Deva Rodrigo

(resigned from the Board w.e.f 30 June 2014)

Non-Executive Independent Director

Desamanya Deva Rodrigo was appointed to the Board in February 2011. Mr. Rodrigo, a Chartered Accountant, had a career with the International Accounting and Consulting Firm, Pricewaterhouse Coopers (PwC), joining it in East Africa in 1974 and serving in its London Offices in 1980. Being a Founding Partner of PwC Sri Lanka since 1981, he held the position of Senior Partner from 1992 to 2006, until he retired from the firm.

He is a past Chairman of the Ceylon Chamber of Commerce. He has previously held public office as a Director of People's Bank and as a member of the Telecommunication Regulatory Commission. He was a

member of the Monetary Board of the Central Bank of Sri Lanka and a member of the National Council for Administration.

After retiring from PwC he served as an Independent Director and Audit Committee Chairman of John Keells Holdings PLC until 2011 and of Ceylon Tobacco Company PLC until 2013. He presently serves on the Board of Chevron Lubricants Lanka PLC and Cargills Bank Limited as a Non-Executive Director and Audit Committee Chairman.

Prashantha Lal De Alwis, PC

Non-Executive Independent Director

Mr. Prasantha Lal De Alwis joined the Softlogic Board as a Non-Executive Director in 2011. He obtained his LL.B (Bachelor of Law) and LL.M (Masters in Law) from the University of Colombo and was enrolled as an Attorney-at-Law in 1983. He started his career as a State Counsel at the Attorney General's Department of Sri Lanka in 1983 and had served in that capacity until 1990. He subsequently joined the private bar and since then practised in both Appellate and Trial courts, specialised in Criminal and Family Law. He was appointed as a President's Counsel in 2012. He is a visiting Lecturer at Faculty of Law, University of Colombo, and a member of the Board of Management of the Lakshman Kadiragamar Institute for International Relations and Strategic Studies. Mr. De Alwis was a Director of Sampath Bank from 2002 to 2011 and was Chairman of its Human Resources, Remuneration and Risk Management Committees. He presently serves as the Director, Sampath Leasing and Factoring Ltd. He is an Associate Member of the Chartered Institute of Marketing (CIM) U.K. and is presently the Honorary Legal Advisor of this Institute and the Ayurveda Doctors (Gampaha Wickremarachchi) Association of Sri Lanka. He was a founder member of the Consumer Affairs Authority of Sri Lanka in 2002. He was appointed as the Honorary Consul for Seychelles in Sri Lanka by the President of the Republic of Seychelles in October 2013.

Harris Premaratne

Non-Executive Independent Director

Mr. Harris Premaratne was appointed to the Board of Softlogic on 20 February 2014. He has extensive banking experience, having held several top positions and accolades in the banking industry. He is an Associate Member of the Chartered Institute of Bankers, London. Mr Premaratne is a Past President of Sri Lanka Banks' Association. He is currently on the Board of Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC, Asiri Central Hospitals PLC and Central Hospital Ltd. and is Chairman of Remuneration Committee and member of the Audit Committee of all those hospitals.

Richard Ebell

Non-Executive Independent Director

Mr. Richard Ebell was appointed to the Board of Softlogic on 20 March 2014.

Mr. Ebell is a Fellow of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and of the Chartered Institute of Management Accountants (CIMA), UK. He also holds a Diploma in Marketing from the Chartered Institute of Marketing (CIM), UK. He possesses experience in finance and commercial activity gained over 35 years at Hayleys PLC and Loadstar (Pvt) Ltd. He is a Past President of CIMA, Sri Lanka Division and is a member of the CA Sri Lanka's Quality Assurance Board.

He also serves on the Boards of Finlays Colombo PLC and Laugfs Capital Ltd.

Our Value Based Management



“Our management team executes the Group’s strategy.
To increase shareholder wealth, we have built a talent pool
with in-depth expertise drawn from best-in-class industry
practices and diverse areas of interest.”

Left to right

Iftikar Ahamed - *Financial Services* • Dr. Stephan Anthonisz - *Leisure*
• Dr. Manjula Karunaratne - *Healthcare Services* • Nasser Majeed - *Retail*
• Suminda De Silva - *Automobile* • Suraj Fernando - *Restaurants Franchise*

SECTOR HEADS

Iftikar Ahamed

Sector Head – Financial Services

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

Dr. Manjula Karunaratne

MBBS, M.Sc (Trinity, Dublin), Dip. MS Med (UK) MSOrthMed. (Eng)

Sector Head – Healthcare Services

Dr. Manjula Karunaratne was appointed to the Board of Asiri Hospital Holdings PLC and Asiri Surgical Hospital PLC in 2006. He also serves on the Boards of Central Hospital Ltd, Asiri Central Hospital PLC, Asiri Hospital Matara (Pvt) Ltd., Asiri Diagnostic Services (Pvt) Ltd. and Asiri Hospital Kandy (Pvt) Ltd. He previously held the position of Medical Director, Asiri Hospital Holdings PLC. Dr. Karunaratne is a Specialist in Sports/ Orthopedic Medicine. He possesses over 25 years of professional medical experience both in Sri Lanka and overseas, and is responsible for the overall medical policy of the Group.

Nasser Majeed

Sector Head – Retail

Nasser Majeed assumed duties as CEO –Retail Sector in 2013. Nasser counts over 25 years of Multi Discipline experience. He counts over 25 years of varied business experience, starting his career at KPMG Ford Rhodes Thornton & Company in 1981 and moving to Singer Industries (Ceylon) Ltd in 1984. Joining the latter as an Assistant Accountant, he was cross-posted to the Marketing Team as a Product Manager. He served as Director / General Manager of Singer Company in Indonesia, PT and Singer Indonesia Tbk from 2005 to 2006 and took the role of Marketing Director at Singer Sri Lanka PLC in 2007.

Dr. Stephan Anthonisz

Sector Head – Leisure

Dr. Stephan Anthonisz joined Softlogic in 2012 as CEO/ Director of Softlogic Properties (Pvt) Ltd. He is responsible for our two leisure

projects of which one, Centara Ceysands Resorts & Spa, is now in operation. Stephan has held managerial positions covering diverse roles in Sri Lanka and overseas with leading conglomerates. He previously held the position of Head of Value Added Tea Exports at Unilever Ceylon Ltd., before taking on the role of CEO - Property Development with Asian Hotel & Properties PLC. Dr Anthonisz holds an MBA and a Doctorate in Business Administration from the Australian Institute of Business Administration, Adelaide.

Suminda De Silva

Sector Head - Automobiles

Suminda De Silva joined Softlogic in 2013 as Head of the Group's Automobile Sector. He has many years of varied experience at both manufacturers and dealerships, gained in Sri Lanka, Australia and the Middle East. His experience covers Sales, Dealer Development & After Sales Service, Marketing & CRM, Finance, Rental & Leasing, Human Resource Management and Training & Development, with iconic brands such as Ford, General Motors (Hummer, Chevrolet, GMC, Cadillac), Toyota, and Daihatsu. Mr. De Silva was involved in developing dealership operating standards which are being observed internationally to meet manufacturers' requirements, with focus on low performing dealerships.

He is a regular competitor at motorsport events, driving in circuit races, rallies and speed hill climbs. He is an Associate Fellow of the Australian Institute of Management.

Suraj Fernando

Sector Head – Restaurants Franchise

Suraj Fernando joined Softlogic in 2009 as an Executive Director and overlooked the Automobile and Office Automation divisions until 2013. He currently heads the Restaurants Division of the Group. He also leads the Group's Special Projects team, using his experience as Managing Director and CEO in diverse businesses to assist the Group in new areas. He serves on the Board of a few other subsidiary companies. He is a Fellow of the Chartered Institute of Management Accountants, UK (CIMA), the Chartered Association of Certified Accountants, UK (ACCA) and the Chartered Institute of Marketing, UK (CIM). Mr. Fernando has served as the President of CIMA, Sri Lanka Division, and Chairman of the Ceylon Chamber of Commerce – Import Section.

Our Value Based Management



Standing left to right

Hiran Perera - *Head of Corporate Finance and Treasury* • Natasha Fonseka - *Group Head of Human Capital & Taxation* • Meneka Galgamuwa - *Head of Corporate Planning* • Vindya Solangarachchi - *Group Head of IT* • Ruwanthi Fernando - *Head of Business Consultancy and Resource Planning*



Seated left to right

Erandi Wickramaarchchi - *Group Chief Financial Officer* • Damith Vitharanage -
Group Head, Audit and Risk • Desiree Karunaratne - *Group Director Marketing*
• Linton Nelson – *Director, Logistics*

Our Value Based Management

FUNCTIONAL HEADS

Damith Vitharanage

Group Head - Audit and Risk

He joined Softlogic in 2013 and has over 15 years of Senior Managerial experience in Audit, Investigation, Financial Management, Financial analysis, Administration, Human Resource Management, Information security, Risk management and General management in both the state and private sectors in Sri Lanka and the Middle East. He is a Management Graduate from the University of Colombo, holds a Post-graduate diploma in HR and possesses a management MBA specialised in transformational leadership.

He has Associate memberships from the Institute of Chartered Accountants of Sri Lanka, Chartered Institute of Management Accountants (CIMA), UK, the Chartered Institute of Marketing (CIM), UK, Certified Information system Audit (CISA) USA and Project Management Institute (PMP) USA.

Desiree Karunaratne

Group Director Marketing

She joined Softlogic in 2003 and is now Group Director Marketing. She holds an MBA from the University of Wales. She has over 15 years of senior management experience across a diverse field of businesses; retail, information technology, travel and media.

Erandi Wickramaarchchi

Group Chief Financial Officer

She joined Softlogic in 2004 and is currently Group Chief Financial Officer. She holds a Special Degree in Accountancy and Financial Management from the University of Sri Jayawardenepura. She is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and an Associate Member of the Institute of Certified Management Accountants, Sri Lanka. She holds an MBA in Finance from the Cardiff Metropolitan University. She is also a Member of the Institute of Certified Public Accountants (CPA), Australia.

Hiran Perera

Head of Corporate Finance and Treasury

He joined Softlogic in 2013 as the Head of Corporate Finance and Treasury. Prior to this appointment he was Head of Wholesale Risk, Sri Lanka and the Maldives at HSBC, a senior member of the Management Committee and acted as Chief Risk Officer, Sri Lanka and the Maldives. He counts 28 years of experience in banking at HSBC, including three years of cross-border exposure.

Linton Nelson

Director - Logistics

He joined Softlogic in 2013 as Director - Logistics and is responsible for Group Shipping & Logistics and Group Security. He counts over 37 years of experience in the Department of Customs of Sri Lanka with 15 years of senior managerial experience as Head of Intelligence and Director Sea Cargo Clearance. He is in the final stages of a Bachelor's Degree in Law at the Open University of Sri Lanka and holds a Higher National Certificate in Business Studies. He has had special training in the UK, USA, Japan, Australia and China to strengthen his expertise in logistics.

Meneka Galgamuwa

Head of Corporate Planning

She joined Softlogic in 2011 and currently serves as Head of Group Corporate Planning. She is an Associate Member of the Chartered Institute of Management Accountants (CIMA), UK, an Associate Member of the Chartered Institute of Marketing (CIM), UK and holds an MBA from the University of Sri Jayawardenepura. She has over 15 years of senior management experience in diverse industries in Sri Lanka and the UK.

Natasha Fonseka

Group Head of Human Capital & Taxation

She joined the Group in 2010 and is currently Group Head - Human Capital & Taxation. She is an Associate Member of the Chartered Institute of Management Accountants (CIMA), UK and a Chartered Global Management Accountant (CGMA), USA. She counts over 20 years of experience in senior managerial positions in taxation, financial advisory services, finance and human resources in reputed professional firms and in the private sector.

Ruwanthi Fernando

Head of Business Consultancy and Resource Planning

Ruwanthi joined Softlogic in 2014. She brings on board more than 17 years of experience as a senior manager in various MNCs based in Sri Lanka and the USA. Her career in finance and in ICT spans corporate banking, venture capital, equity research, technology advisory and business process outsourcing (BPO)/ offshoring.

Ruwanthi holds an MBA from the University of New Haven, Connecticut, USA and completed a Programme on Investment Appraisal, Project Finance and Risk Analysis, Harvard International Institute of Development (HIID), Harvard University, USA. She is also a finalist of the Chartered Institute of Management Accountants (CIMA), UK.

Vindya Solangarachchi

Group Head of IT

He joined Softlogic in 2013 as Group Head of IT. He holds a Master's of Science Degree in Technology Management (from Staffordshire University), a Bachelor's Degree in Information (from Charles Stuart University), a Higher National Diploma (from Edexcel) and a Diploma in Computer Studies (from NCC, UK) and is a Member of the British Computer Society. He counts nearly 14 years of senior management experience in ICT, retail and insurance.

Management Discussion & Analysis

The Economy

Economic Indicators	2013	2012	2011	2010	2009
GDP (Market Prices - USD Bn)	65.7	59.4	59.2	49.6	42.1
GDP per Capita (USD)	3,280	2,922	2,836	2,400	2,057
GDP Growth (%)	7.3	6.3	8.2	8.0	3.5
Unemployment Rate (%)	4.4	4.0	4.2	4.9	5.8
GDP Deflator	6.7	8.9	7.9	7.3	5.9
Export (USD Mn)	10,394	9,774	10,559	8,626	7,085
Imports (USD Mn)	18,003	19,190	20,269	13,451	10,207
Workers' Remittances (USD Mn)	6,407	5,985	5,145	4,116	3,330
Current Account Balance (% of GDP)	(3.9)	(6.7)	(7.8)	(2.2)	(0.5)
Tourist Arrivals ('000)	1,275	1,006	856	654	448
Overall Balance (USD Mn)	985	151	(1,061)	921	2,725
Total External Debt (USD Mn)	39.7	37.1	42.2	43.3	44.4
Annual Average Exchange Rate (Rs./ USD)	129.1	127.6	110.6	113.1	114.9
Budget Deficit (% of GDP)	5.8	6.5	6.9	8.0	9.9
Government Debt (% of GDP)	78.3	79.2	78.5	81.9	86.2
Interest Rate (91-Day T-Bill), (% p.a)	7.5	10.0	8.7	7.2	7.7
Inflation Rate (Annual Avg CCPI Change - %)	6.9	7.6	6.7	6.2	3.5
Year End All Share Price Index	5,912.8	5,643.0	6,074.4	6,635.9	3,385.6
Population ('000)	20,483	20,328	20,869	20,653	20,450
Doing Business Ranking	85	83	102	105	97
Sovereign Ratings:					
Fitch	BB- Stable	BB- Stable	BB- Stable	B+ Positive	B+ Negative
Standard & Poor's	B+ Stable	B+ Stable	B+ Positive	B+ Stable	B Negative
Moody's	B1 Positive	B1 Positive	B1 Positive	B1 Stable	-

Growth Rebound

Sri Lanka's growth momentum continued after a slowdown last year, with per capita income reaching USD3,280. Contributions came from all economic sectors, as favourable weather conditions and a gradual recovery of external demand took effect. The pillars of the economy – Agriculture, Industries and Services– contributed well. The Industrial sector, propelled by Construction and Manufacturing, recorded a 9.9% growth, while the Services sector exceeded expectations, growing 6.4%. Within this sector, Wholesale & Retail Trade grew by 5.5%. This strongly supported Softlogic's ICT and travel sectors growth impetus during the year.

The Agricultural sector grew by 4.7% in 2013. The resurgence of external trade during the second half of the year was due to improved global and domestic trade, particularly in wholesale and retail trade which contributed to the strong recovery.

Sri Lanka's growth momentum continued with per capita income reaching USD3,280 triggered by contributions from all economic sectors

Improved infrastructure and promotion helped Sri Lanka attract a larger number of tourists, exceeding the prediction of one million to reach 1.27 Mn arrivals in the year (up 26.7%), the trend continuing to see 421,000 tourist arrivals in the first quarter of 2014 (up 24.8%).

The increase in average spending by tourists raised earnings from tourism by 65.1% in 2013. Our two international hotel chain operators, needless to say fills the skill gap of the industry. We understand the importance of completing our city hotel project on time, so that we can reap dividends from the increasing tourist inflow.

Private Healthcare raised its profile, with total bed strength increasing to 5,309 in 206 private hospitals across the country (vs 74,636 beds in 603 Government hospitals). Asiri Group Hospitals account for 619 beds, and provide some of the most complex treatments available albeit at affordable prices as opposed to international standards.

Financial Sector

The regulatory framework in the Financial Services sector became more stringent during the year. The sector remained resilient despite volatility and uncertainty in financial markets. Total assets rose, helped by branch expansion. The Group's Financial Services sector performance was satisfactorily managed overall, but pawning advances, resulted in some losses in the face of declining gold prices. Our broking firm performed satisfactorily, especially in the aftermath of its tie-up with Auerbach Grayson. The insurance sector recorded growth both in terms of assets and premium income, with Asian Alliance Insurance PLC exceeding industry averages during the year.

The Central Bank of Sri Lanka continued to focus on moderating inflation in 2013. Year-on-year headline inflation reached a low of 4.7% in December; annual average inflation fell to 6.9% (against 7.6% in 2012) and to 6% in March 2014.

Market interest rates continued to decline. Deposit interest rates and rates on Government securities have shown signs of stabilisation after falling; longer-term lending rates have room to reduce further. Low interest rates reduced the Group's financial cost, but the Group's finance business saw shrinkage in its net income spread.

External Developments

Export earnings grew 6.4% to USD10.4 Bn in 2013, while imports fell 6.2% to USD18.0 Bn. Inflows from workers' remittances and tourism made strong contributions and helped bridge the trade deficit. Growth in Foreign Direct Investments helped improve Sri Lanka's reserve position to USD7.5 Bn, with the Balance of Payment recording a surplus of USD 985 Mn. The Rupee remained fairly stable, with slight depreciation in mid-2013.

Outlook

Global

% year-on-year	Projections			
	2012	2013	2014E	2015E
World Output	3.1	3.0	3.7	3.9
Advanced Economies	1.4	1.3	2.2	2.3
Emerging Market & Developing Economies	4.9	4.7	5.1	5.4
World Trade Volume	2.7	2.7	4.5	5.2
Commodity Prices				
<i>Oil</i>	1.0	-0.9	-0.3	-5.2
<i>Non-fuel (average based on world commodity export weights)</i>	-10.0	-1.5	-6.1	-2.4
Consumer Prices				
<i>Advanced Economies</i>	2.0	1.4	1.7	1.8
<i>Emerging Market & Developing Economies</i>	6.0	6.1	5.6	5.3
London Interbank Offer Rate				
On USD deposits (6 Month)	0.7	0.4	0.4	0.6
On EUR Deposits (3 Month)	0.6	0.2	0.3	0.5
On JPY Deposits (6 Month)	0.3	0.3	0.2	0.2

Source: World Economic Outlook

Global activity and world trade, which picked up in the second half of 2013, are expected to grow further in 2014. Emerging and developed market economies saw growth led by improving consumer demand and a gradual recovery of exports. Growth in the United States is expected to be 2.8% in 2014, up from 1.9% in 2013. The Euro area is turning the corner from recession to recovery. Growth is projected to be 1% in 2014.

Local

Selected Economic Indicators (%)	2014E	2015E
GDP Growth	7.8	8.2
Current Account as a % of GDP	-2.5	-0.9
Overall Budget Deficit as a % of GDP	-5.2	-4.4
Private Sector credit Growth	14.0	15.0

Source: World Economic Outlook

With the recovery of global markets and promising local economic conditions, a steady Sri Lankan economic performance is expected for the immediate term. This broad-based growth is expected to reach 8% in the medium-term, with per capita income surpassing USD4,000 by 2015. Inflation is expected to settle at mid-single digit levels. The recent

Management Discussion & Analysis

relaxation in monetary policy should allow more lending to the private sector and provide an impetus for investment. Interest rates are expected to remain low and stable in the medium term. With the completion of large hotel projects in progress, foreign exchange earnings from tourism, and employment in this sector, are likely to grow.

Consolidated Financial Review

Positive Impacts

- Growth in turnover
- Improved Gross Profit margins
- Reducing interest rates
- Reduction in effective tax rate

Negative Impacts

- Increase in administrative expenses
- High profit share accruing to minority shareholders
- Significant growth in bank borrowings and payables, to fund investment and growth in inventories & receivables

Financial Reporting Compliance

The financial performance and position for the period under review and the comparative year are based on Sri Lanka Accounting Standards (SLFRS/LKAS) in adherence with the directives of Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) for the second consecutive year with a restatement of some of the comparative year figures (Note 43 of Financial Statements). The statements are in line with the requirements of the Colombo Stock Exchange and Companies Act No.07 of 2007.

Revenue

For the Financial year ended 31 March 2014, Softlogic and its companies delivered revenues of Rs.29.2 Bn (up 15.2%). The year saw continuing investment and expansion across all business segments. Healthcare Services remained the major contributor, with a 26.3% contribution to the topline, followed by Retail and Financial Services with shares of 25.7% and 25.5% respectively. ICT contributed 20.5%. Automobiles, whose potential is yet to be realised, contributed 1.7%.

Healthcare Services remained the major contributor followed by Retail, Financial Services, ICT and Automobiles.

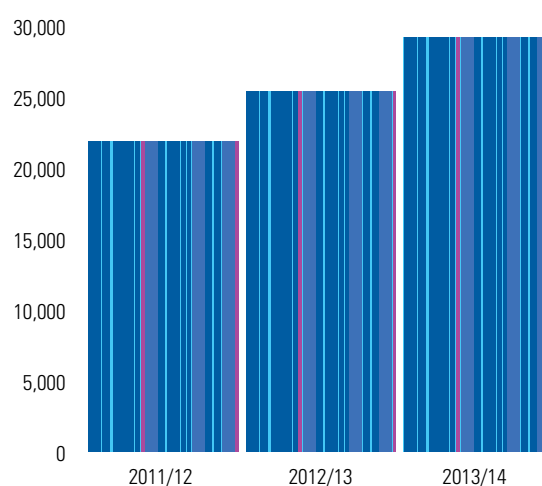
Group performance was boosted by the Financial and Healthcare Service sectors. The Financial Services performance was helped by returns from Asian Alliance Insurance PLC. Healthcare Services continued to produce strong returns from its recently commissioned medical facilities. Consumer Electronics, a part of the Group's Retail operations, expanded its market reach, while the Apparel, Footwear & Accessories business continued to acquire distributor rights for new international brands to Sri Lanka. We diversified into the fast food market, opening three BURGER KING® restaurants in December 2013. The ICT business met fierce competition, worsened by grey market activity. It was however successful in contracting to supply hardware and software solutions to a number of state institutions and corporates. Low interest rates and stable exchange rates had a positive impact on the Group's trading businesses.

Year Ending March	2014		2013	
	Revenue Contribution (%)	Year-on-year Change (%)	Revenue Contribution (%)	Year-on-year Change (%)
ICT	20.5%	-4.8%	24.8%	-9.5%
Retail	25.7%	32.8%	22.3%	21.2%
Healthcare Services	26.3%	11.0%	27.3%	15.4%
Financial Services	25.5%	31.3%	22.4%	79.2%
Automobile	1.7%	-39.9%	3.0%	-28.8%
Leisure	0.3%	67.2%	0.2%	79.2%

Our business model has proved to be efficient thus far as we have maintained a steady growth trend over time.

Revenue

Rs. Mn



Results from Operating Activities

	Operating Profit (Rs. Mn)		Year-on-year Change (%)		Contribution to the Group (%)		Operating Profit margin (%)	
	2014	2013	2014	2013	2014	2013	2014	2013
Year Ending March								
Information & Communications Technology	574	684	-16.2%	5.4%	21.9%	29.8%	9.6%	10.9%
Retail	653	700	-6.8%	9.2%	24.9%	30.4%	8.7%	12.4%
Healthcare Services	1,839	1,747	5.3%	9.3%	70.2%	75.9%	23.9%	25.2%
Financial Services	(216)	(374)	-42.4%	-459.2%	-8.2%	-16.3%	-2.9%	-6.6%
Automobile	(4)	17	-125.1%	-85.3%	-0.2%	0.7%	-1.0%	2.3%
Leisure	(93)	(93)	0.8%	151.7%	-3.6%	-4.0%	-101.6%	-168.7%

Gross Profit reached Rs.10.0 Bn in the year, a 21.9% increase over the previous year. Gross Profit margins improved significantly.

Other operating income - disposal gains / losses, exchange rate impacts and sundry income - improved 5.7% to Rs.497.3 mn during the year.

Operating expenses increased 23.6% to Rs.7.9 Bn. Consequently, operating cost margin increased to 27.0% from 25.2%. This was primarily due to increase in administrative costs, influenced by the strengthening of corporate management and new appointments in business units to complement our business imperatives.

Results from operating activities reached Rs.2.6 Bn during the year, up 13.9% on last year's result. Healthcare continued to perform strongly, contributing 70.2% of Group Operating Profit, followed by Retail (24.9%) and ICT (21.9%).

We have operationally remained strong despite expanding new businesses aiming at medium-term value creation.

Financial Services did not contribute positively to operating results as their investment income is recognised under Finance Income.

Automobile sector is yet to contribute to Group profit. The sector is now diversifying into related businesses such as rent-a-car operations, while the Sales, Service and Support functions in the Ford business were enhanced with the launch of its state-of-the-art 3S Facility in June 2014. Leisure is still in start-up mode, with our first leisure business, Centara Ceysands Resorts & Spa being opened in June 2014.

Group Debt position

Net debt, comprising short- and long-term interest-bearing borrowings (overdrafts included) less cash and cash equivalents, increased 37% to Rs.29.8 Bn as at 31 March 2014, from Rs.21.7 Bn a year before. This increase arose due to growth in working capital and new investment and expansions, which added the new businesses / brands indicated in the table below.

Sector	Value (Rs. Bn)	Comment
Leisure	2.5	We successfully completed the redesigning of Centara Ceysands Resorts & Spa while ensuring that construction of Mövenpick City Hotel stayed on course to open in 4Q2015. The sector generates its revenue in cash and insofar as operating cash flows are strong, debt is comfortably serviceable. With the hotels in operation, goodwill and capital appreciation accrue.
Retail	3.0	The Consumer Electronics business has seen rapid island wide expansion. Currently, we have 230,000 sq. ft. in 173 showrooms; we target to reach 335,000 sq. ft. in the next three years. Our Branded Apparel business continues to add well-reputed international fashion brands to its portfolio. The sector's debt relates significantly to working capital. To reduce debt and financing costs, we are concentrating on achieving optimal working capital levels given the growth seen in the hire purchase books.
Financial Services	7.5	Borrowings of the Finance sector are within the normal scope of funding activities in respect of asset creation. Such debts should be treated differently from that of other sector exposures but should correlate to the asset creation by funding agencies.
Automobiles	0.1	The state-of-the-art 3S Ford facility, which opened in June 2014, has required significant investment.

Management Discussion & Analysis

Sector	Value (Rs. Bn)	Comment
ICT	2.4	Debt finances working capital facilities for the import of handsets and computers.
Healthcare Services	7.4	The acquisition of a minority stake in Central Hospital Ltd. for Rs.2.4 Bn led to increased borrowing, as did continuing investment in equipment and new facilities.
Others	8.7	The Holding Company invested in various expansion projects via borrowings. It should be noted that the Holding Company is the primary owner of the Group's investments in prime public quoted subsidiaries. Aggregate market capitalisation of such investments far exceeds leverage. We believe the investments thus made are capable of generating substantial capital gains.
TOTAL	31.6	

Nonetheless, Fitch Ratings Lanka downgraded Softlogic Holdings PLC's National Long Term Rating to 'BBB+(lka)' from 'A-(lka)' on 10 April 2014. The Outlook is Stable. Fitch also downgraded the National Long Term Ratings on SHL's listed redeemable debentures to 'BBB+(lka)' from 'A-(lka)'.

Profit for the year reached Rs.1 Bn, against Rs.152.9 Mn last year.

Net Financial Expenses

During the year, Finance Income recorded a 44.8% increase to reach Rs.1.2 Bn. The increase arose primarily from investment income and disposal gains in Asian Alliance Insurance PLC. We benefited from declining interest rates; finance expenses declined by 3.4% to Rs.2.7 Bn despite an increase in overall borrowings. Consequently, Net Finance Cost declined 24.1%, to Rs.1.5 Bn.

Taxation

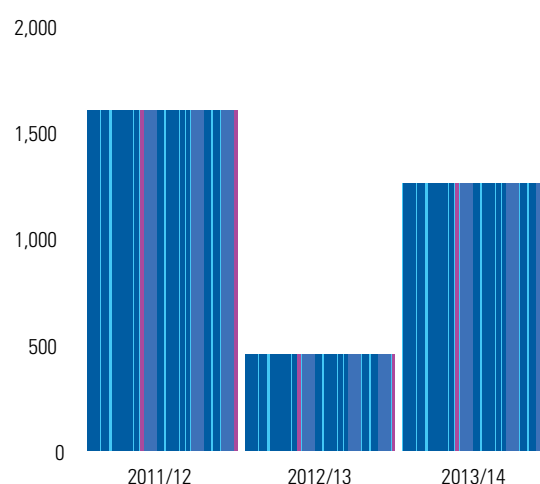
Tax expense decreased 17.0% to Rs.249.2 Mn, compared with Rs.300.0 Mn last year. The effective tax rate declined to 19.8% from 66.2% last year. (Refer Note 09 of the Financial Statements for a detailed explanation).

Profit after Taxation

Group profit for the year reached Rs.1 Bn in the financial year, against Rs.152.9 Mn last year. The net profit margin improved to 3.5% compared with 0.6% last year. Following the fair value gain of Asiri Central Hospital PLC's prime land and Group's other investment property, the change in fair

Profit Before Tax

Rs. Mn



value recorded a gain of Rs.91.1 Mn which is an increase of 48.6% from its previous year of Rs.61.3 Mn.

Comprehensive Income Statement

The Group recorded a revaluation gain on its Central Hospital Ltd's land & building and other Group free hold property. Consequently, a gain of Rs.314 Mn was reported during the year as opposed to Rs.1.7 Bn in the previous year. Currency translation of Softlogic Australia (Pty) Ltd., a fully owned software developing subsidiary based in Australia, led to report a gain of Rs.18.5 Mn in comparison with Rs.2.4 Mn (up 656%). Following an addition of Rs.227.5 Mn as other comprehensive income (Rs.1.9 Bn in FY2012/13), total comprehensive income for the year was Rs.1.2 Bn.

Cash flow

Cash and cash equivalents increased by Rs.2 bn to Rs.1.7 Bn as at 31 March 2014. Net cash flow from operating activities decreased by Rs.1.1 Mn to Rs.1.8 Bn. This was primarily triggered by increases in other current assets and inventories with the expansion of business segments. Net cash outflow used in investing activities increased by Rs.1.5 Bn to Rs.5.1 Bn from Rs.3.6 Bn reported in the previous year. This outflow was led by the increased investment in Property, plant and equipment and short term investments. Net cash flow from financing activities increased by Rs.4 Bn to Rs.5.3 Bn (FY2012/13 : Rs.1.4 Bn) chiefly led by increased short term borrowings while the minority stake acquisition at Central Hospital Ltd. added to the outflow of the financing activity component.

Non-Controlling Interest

Non-Controlling interest increased 62.7% to Rs.853.0 Mn. This is attributed to increased profit in the Healthcare and Financial Services sectors. Softlogic Holdings has an effective holding of 51% in Asiri Hospital Holdings PLC, the parent of the Hospitals Group, and a 72.34% effective holding in Softlogic Capital PLC, the investment holding company of Softlogic Finance PLC, Asian Alliance Insurance PLC and Softlogic Stockbrokers (Pvt) Ltd., as at 31 March 2014. The Non-Controlling share of profit for the year was 84.6%.

Profit attributable to equity holders

Profit attributable to equity holders was Rs.155.9 Mn, against a loss of Rs.371.4 Mn last year.

The Holding Company is the primary owner of the Group's investments in prime public quoted subsidiaries. Aggregate market capitalisation of such investments far exceeds leverage

Profit After Tax

Rs. Mn



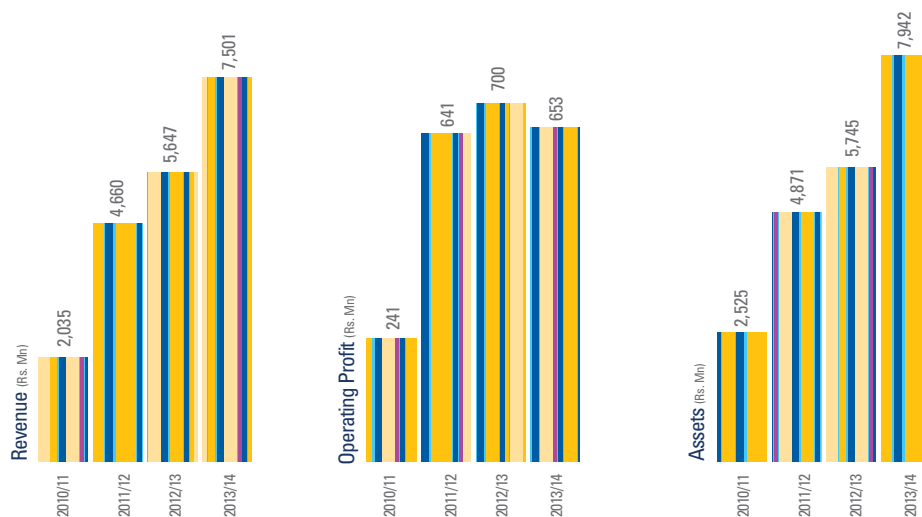
Group Outlook

With the continuing decline in interest rates and the economic growth anticipated, we are optimistic that strong performance will be possible in all our business segments. We believe the current business and economic climate would help us develop our existing portfolios. Our aim to replace debt with equity will continue as we seek appropriate private equity partners for projects. We would also increase focus on achieving the optimal level of Group borrowings for such expansions on a longer tenor with a view to increase the liquidity profile. The issue of Rs.1 Bn three year listed redeemable debenture is an initiative already taken in this direction. It should be noted that the Holding Company is the primary owner of the Group's investments in prime public quoted subsidiaries. Aggregate market capitalisation of such investments far exceeds leverage. We believe the investments thus made are capable of generating substantial capital gains. As a going-concern should the decision to dispose of any such entity with brand value be made at the right time, Group leverage would reduce substantially thereby elevating performance and giving room for further investments in existing ventures.

Retail Sector



To encourage and satisfy the demand for authenticity.



Segmental Analysis	2014	2013	% YoY
<i>Profitability</i>			
Revenue (Rs. Mn)	7,501	5,647	32.8%
EBITDA (Rs. Mn)	752	751	0.2%
EBT (Rs. Mn)	288	365	-20.9%
PAT (Rs. Mn)	250	283	-11.6%
<i>Financial Position</i>			
Total Assets (Rs. Mn)	7,942	5,745	38.2%
Total Liabilities (Rs. Mn)	5,870	4,438	32.3%
Capital Employed (Rs. Mn)	2,161	1,797	20.3%
No. of Employees	805	746	

Multiplier Effect...

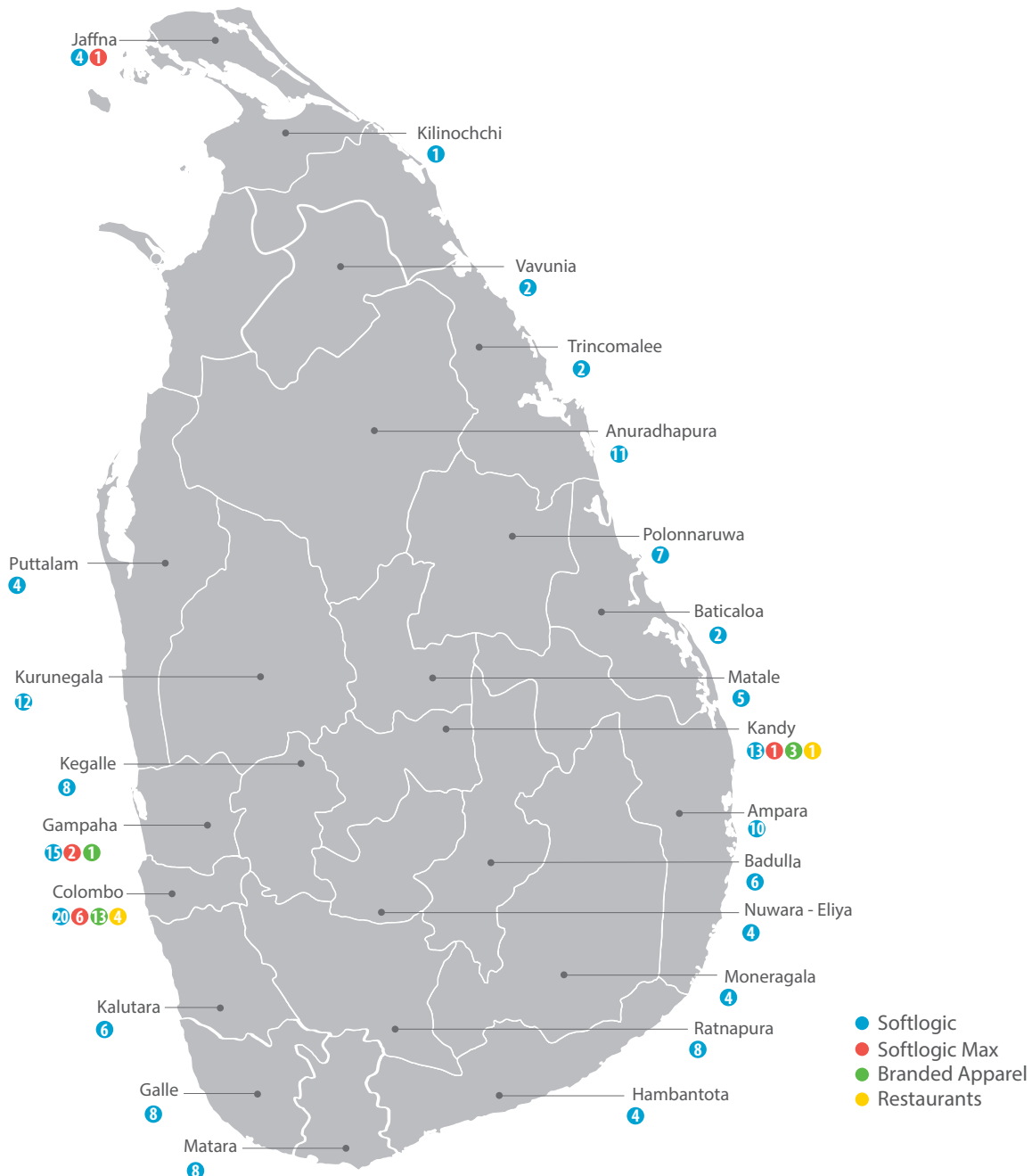
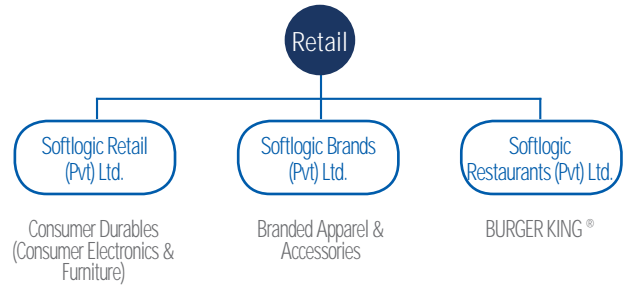
Retail Sector's revenue grew significantly with the opening of new showrooms for both Consumer Durables and Branded Apparel. This strategy of expansion was complemented by brand acquisitions and new product introductions. Softlogic Restaurants took the Sector's involvement into fast foods during the year, with encouraging results.

Consumer Durables focused primarily on improving geographical presence while Branded Apparel focused on introducing new apparel & accessories brands to the local market. Restaurants, whose operations commenced in December 2013, saw encouraging early results and will expand its BURGER KING® chain by opening five more outlets in 2014/15.



Retail Sector

The sector stayed ahead of the market growth curve, maintaining its market position amidst challenging market conditions.



Consumer Electronics



Branded Apparel & International Watches



Furniture



Restaurants



Retail Sector



Consumer Durables

Island wide footprint

Softlogic Retail is a leading distributor and retailer in the expanding Consumer Durable market in Sri Lanka. It retails Consumer Electronics, household appliances and furniture and provides hire-purchase facilities to support sales to all strata of society. Our product portfolio is based on a multi-brand strategy combining global marques with our own brands, Softlogic and Softlogic Max. Our focus has been on expanding our retail network and widening our product offerings.

The Sector stayed ahead of the market growth curve, maintaining its market position amidst challenging market conditions. Our growth was led by the expansion of our network and increased footfall in our stores.

Branded Apparel & Accessories

To encourage and satisfy the demand for authenticity

Our Branded Apparel & Accessories business is based on authenticity. We strive to create a portfolio of top notch international brands of garments and footwear which provide this authenticity, while reflecting modern fashion trends. We ensure the latest seasonal picks are available at all our showrooms. The increase in the number of shoppers who choose originals from global fashion icons encourages our initiative.

Our niche market includes middle-to-high income Sri Lankans, as well as tourists. We have thus differentiated ourselves from other fashion retailers in the country. This will stand us in good stead as Sri Lanka grows to become a prosperous nation.

Our brand portfolio now covers 14 high profile clothing, footwear and accessory brands. We have also now focused on presenting our fashion brands under one roof, named "Galleria". We will continue to expand our brand portfolio while growing existing market share our current brands enjoy.

We opened our first exclusive stores for "Charles & Keith", "Splash" and "French Connection" during the year. The success story of "Galleria" was taken to Ja-Ela, and "Mothercare" was opened in Kandy City Centre and in Ja-Ela during the year.

Restaurants

Dine with the King!

Having observed the cost and time-consciousness of busy customers who prefer Quick Service Restaurants (QSR) over sit-down restaurants, Softlogic took a bold step in signing a master franchise agreement with BURGER KING® (BK), one of the world's largest hamburger chains, and opened three restaurants simultaneously in Mount Lavinia, Kollupitiya and Rajagiriya in December 2013.

BK serves over 11 Mn guests each day in 91 nations. Most BK restaurants are owned and operated by independent franchisees with strong business presence locally. Softlogic was their partner of choice in Sri Lanka. This new business model for us is backed by principal-supported training. Most ingredients used are sourced from Indonesia and Malaysia to maintain the quality and uniform taste associated with BURGER KING®. An aggressive roll-out will happen over the next few months with Softlogic working closely with BK AsiaPac to strengthen BK's brand position in the country.

We believe in BK's establishing relevance in the Sri Lankan market, while providing exciting choices leaving no customer disappointed. Encouraged by the initial market response, we increased the range of foods offered. "THE KING RICE", "SPICY CHICKEN BURGER" and "FISH & CHIPS" were specially developed with an additional touch of spice. Our updated menu will provide choices in line with the standards mandated by our principal. We launched a milkshake range under the Australian brand "Frosty Boy" recently. Responding to the growing demand for coffee, we introduced the premium coffee brand "Lavazza" in our three BK outlets, offering Americano, Café Latte and Cappuccino in addition to a standard menu of hot chocolate and iced Milo.

Financial Review

Our retail business moved forward strongly, helped by stable exchange rates and declining interest rates, and despite the negative effects of VAT changes imposed by the Government. A steady increase in revenue was

registered during the year with turnover growing 33%, to Rs.7.5 Bn. We capitalised on market gaps left by small players exiting the industry due to tough market conditions. Furniture sales maintained their momentum with introduction of new models and higher-than-expected sales of our new range of furniture and household accessories.

Operating profits slipped 8% to Rs.652.8 Mn due to increased operational costs and costs brought connected with the new stores and the launch of BK. Despite the decline in interest rates, finance costs increased by 13% to Rs.523 Mn due to increased funding requirements. Finance income increased 21% to Rs.151.3 Mn. Profit Before Taxation dipped 21%, to Rs.288.5 Mn; Profit After Taxation decreased 12%, to Rs.249.9 Mn.

Outlook

A calculated, yet aggressive, expansion strategy...

Electrification in Sri Lanka is at 96%, and increasing. This, coupled with improving income levels, has driven spending on household electrical appliances and on clothes, footwear and accessories. Tourist shopping adds to the growth potential of our branded apparel operations.

The consumer-spend on Consumer Electronics and white goods is estimated at around Rs.70 Bn per annum. We expect this to grow, with higher income driving quicker replacement and with increased



Retail Sector



Improving income levels, has driven spending on household electrical appliances and on clothes, footwear and accessories. Tourist shopping adds to the growth potential of our retail operations...



"aspirational" purchases of the "latest models". We envisage an island wide expansion aiming for 335,000 sq.ft of showroom space by 2017.

	Consumer Electronics Showroom Count	Retail Space (Sq. ft)
31st March 2013	156	187,916
31st March 2014	173	230,000
31st March 2017E	-	335,000

Branded Apparel is expected to see growth over the next few years. We support the Government's strategy of increasing the number of high-end shopping malls. Meticulous renovation of the former Auditor General's Building has given us a luxurious shopping complex, Arcade, at Independence Square in the form of a grand, restored colonial complex. Softlogic Retail occupies nearly 15,000 sq. ft. in the mall, selling prestigious brands such as "Nike", "Dockers", "Levis" and "Giordano", and introducing a luggage corner with brands such as "VIP", "Carlton"

and "Samsonite". Our second exclusive stores for "Charles & Keith" and "French Connection" is also at the Arcade. Softlogic Restaurants has housed another BURGER KING® outlet in this mall.

BK's roll-out plan looks beyond Colombo, to capitalise on the development of other cities; an outlet will soon open in Kandy, in the Central Province.

We also see growth in the demand for contemporary furniture such as bed suites, sofa and sofasets, and for household accessories.

E-Commerce – Our Next Frontier for Growth

We continuously seek new paths of growth. Growing interest in e-commerce is evident in countries like ours, though Sri Lanka is yet to leverage the online interest of retail customers.

Softlogic Retail decided to provide this option to customers finding this convenient. The convenient mode of shopping offered by www.mysoftlogic.lk offers a user friendly portal providing easy browsing options and assured service from product purchase to delivery on stipulated time frames and secure payment mode. Building an online presence is relatively low cost and it supplements our physical footprint across the island. This initiative has helped us tap further into the Sri Lankan market and reach overseas buyers desiring product delivery in Sri Lanka. It also helps us build our brands and learn better about consumers. Plans are in hand to increase our online portfolio with vouchers of Asiri Hospital Group and Centara Resorts & Spa. Payment options would extend to cash on delivery or payment via eZ Cash or mCash. Additional services such as gift wrapping and store pick-ups at the closest Softlogic store will also be available soon.

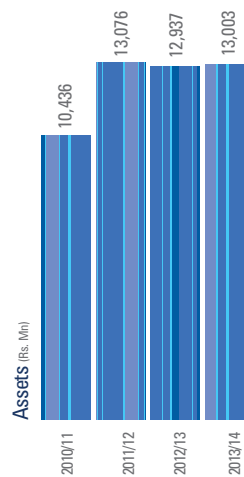
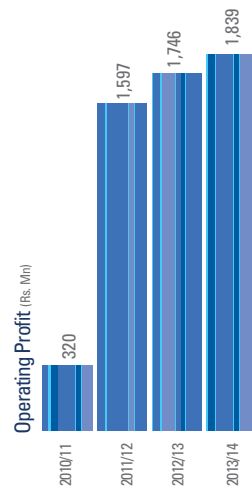
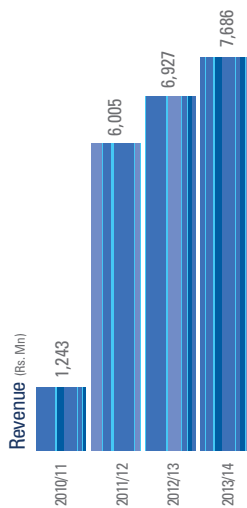
We are aware that social media and e-Marketing work hand in hand. We launched our Softlogic Group Facebook age during the year with an excellent response from our fans, making it easier to deal with their queries, complaints and suggestions.



Healthcare Sector



Technology in competent hands for exemplary care and world class medical attention...



Segmental Analysis

	2014	2013	% YoY
<i>Profitability</i>			
Revenue (Rs. Mn)	7,686	6,927	10.9%
EBITDA (Rs. Mn)	2,502	2,389	4.7%
EBT (Rs. Mn)	1,385	1,165	18.9%
PAT (Rs. Mn)	1,235	997	23.9%
<i>Financial Position</i>			
Total Assets (Rs. Mn)	13,003	12,937	0.5%
Total Liabilities (Rs. Mn)	8,845	6,674	32.5%
Capital Employed (Rs. Mn)	20,541	17,709	16.0%
No. of Employees	3,596	3,635	

The Asiri Hospital Group is a leading Sri Lankan hospital chain, with a record of many "firsts" in introducing cutting edge technologies to the country. It is widely known for reliable medical solutions across a wide range of medical treatments. Since its beginnings as a laboratory service provider in 1980 and through its evolution, most recently marked by the installation of a Bone Marrow Transplant Unit, Asiri's mission has focused on reliable medical care, alongside continuous research and public education, and the pursuit of ever-higher medical standards.

Softlogic proudly showcases the exceptional growth of Asiri since it became part of the Softlogic Group in 2006. Many developments since then, in the form of new hospital projects and state-of-the-art investments are the cornerstone of its success.

Softlogic proudly showcases the exceptional growth of Asiri since it became part of the Softlogic Group in 2006...

The year gone by has seen the successful commissioning of a number of pioneering solutions: the Bone Marrow Transplant Unit, a Strokes Unit, and Laser Surgery for Kidney and Urinary stones.

Having identified medical tourism as an area of great potential, Asiri is working on JCI (Joint Commission International Accreditation), the highest international quality standard a hospital can obtain, which



Healthcare Sector



requires staff having high levels of knowledge and skill. We are confident, with the facilities and expertise available to us, that we can benefit from medical tourism, operating as we do, at lower costs than in markets such as India and Singapore.

Financial Review

Healthcare Services sustained its momentum during the year to record a topline of Rs.7.7 Bn (up 10.9%) to maintain its dominant rank as a contributor to Group turnover. The Sector's growth was broad-based, with all four of its hospitals delivering outstanding results. Strong ROIs were registered by its latest investments in state-of-the-art medical facilities.

The Sector's Operating Profit increased marginally to Rs.1.8 Bn, whilst Profit Before Tax moved up 18.9%, to Rs.1.4 Bn. Rs.1.2 Bn was contributed to the Group's bottom line, showing strong growth of 23.9%.

Sector Potential

Sri Lanka's efforts to become a hub in South Asia make qualitative improvements to education and health sectors vital. Asiri works towards providing curative care to help achievement of these imperatives.

Public healthcare still dominates the country's healthcare, but is only able to provide 3.6 beds per 1,000 people. This leaves a market gap for private healthcare, which presently accounts for 206 hospitals and a total

bed strength of 5,309. The increasing trend towards private healthcare is strongly positive, with increasing income levels, changing lifestyles and enhanced awareness of medical issues. Medical insurance facilities, provided especially by the corporate sector, make private healthcare a more viable option.

The ensuing year will be a capital intensive year for Asiri. Construction of the Kandy hospital, which recently obtained long-sought lease approval from the Urban Development Authority, will start during the year. The Central Province presently has only a small number of private hospitals, and many patients still travel to Colombo for medical treatments. Asiri is the first major hospital group to execute an outstation roll-out plan in mind.

Asiri Laboratory Services, which celebrated thirty years of excellence, is one of Sri Lanka's most preferred laboratory service providers, with the most up-to-date and reliable technology for medical tests and diagnoses. Our laboratory and collection network has 13 fully-fledged laboratories, 9 satellite laboratories and 400 collection points. We introduced a number of new diagnostic methods during the year, such as a state-of-the-art haematology analyser, allergy testing machine and numerous other "first time" testing methods. Asiri continues to strive for closeness to people in smaller towns and cities and develops its brand equity even further this way.



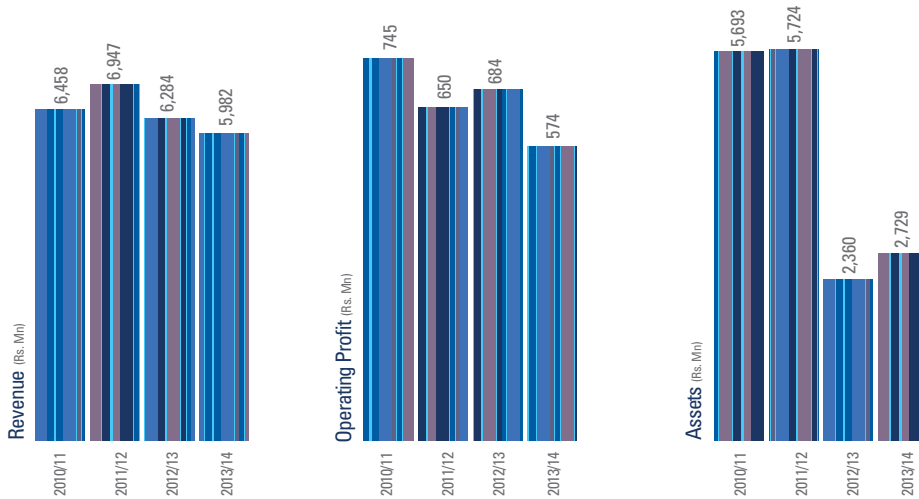
Redefining healthcare to deliver medical excellence of higher benchmark service...



ICT Sector



Passionate about technology...



Segmental Analysis

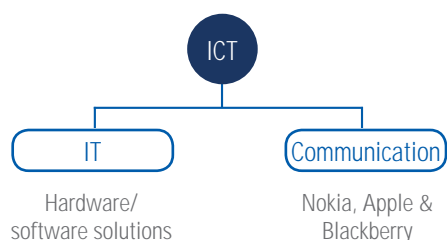
	2014	2013	% YoY
<i>Profitability</i>			
Revenue (Rs. Mn)	5,982	6,284	-4.8%
EBITDA (Rs. Mn)	612	719	-14.9%
EBT (Rs. Mn)	98	183	-46.4%
PAT (Rs. Mn)	88	168	-47.8%
<i>Financial Position</i>			
Total Assets (Rs. Mn)	2,729	2,360	15.6%
Total Liabilities (Rs. Mn)	3,676	3,713	-1.0%
Capital Employed (Rs. Mn)	1,571	887	77.2%
No. of Employees	805	727	

Many years of building relationships with our principals and customers have established the level of trust necessary for these partnerships to flourish...

From a small operation with just 12 employees, Softlogic's ICT sector has become a leader among the country's ICT players. Many years of building relationships with our principals and customers have established the level of trust necessary for these partnerships to flourish. Our passionate, motivated experts provide simple, creative solutions to complex IT problems, with relative ease.



ICT Sector



Information Technology

IT	Operations
Softlogic Information Technologies	We are a leading end-to-end solutions provider focusing on four key areas in IT: End-user computing, Data centre /back-up and recovery systems, Intelligent infrastructure and Security.
Softlogic Computers	We provide customer-specific ICT solutions.
Softlogic Office Automation	We lead by providing the world's best imaging, printing, and audio-visual solutions.

Our IT sector has been successful through the last two decades by being agile and resourceful in responding to emerging market opportunities. Our recent refocus has helped distinguish us from the competition to become a market leader in end-to-end computing solutions, imaging and audio-visual solutions. The data centre for the Sri Lanka Government Portal, the establishment of infrastructure for a treasury management system for the Ministry of Finance and a data centre for the Pan Oceanic Bank in the Solomon Islands, are some of our key projects presently under implementation.

Communications

Telco	Operations
Softlogic Communications	National Distributor for Nokia mobile phones and accessories in Sri Lanka, with over 2,000 retail selling points island wide and twelve Nokia Care and Sales Centres in Colombo, Kandy, Kurunegala, Galle, Anuradhapura and Ratnapura, delivering convenient, comprehensive after-sales service.
Softlogic International	In collaboration with Dialog Axiata PLC, Softlogic offers corporate and individual Dialog GSM packages.

We hold national distributorship rights for “Nokia” handsets in Sri Lanka, and continue to face and combat grey market operations. We were the country's leading mobile phone importer in 2013, with “Nokia” continuing to hold a strong market presence in Sri Lanka.

Financial Review

IT operations registered healthy performance during the year. We recently signed several high-value contracts with leading corporates, to supply them with hardware/ software solutions for new projects. The Communications business continues to be challenged by the grey market and by shrinking product life-cycles as advancements in technology emerge; the “Nokia Lumia” range and the “Samsung” Android range continued to perform well. ICT Sector revenue slipped by 4.7% to Rs.6 Bn, yet remained a significant contributor to the Group's topline. Operating profit dipped 16.2% to Rs.573.8 Mn. Finance costs moved downward by 8.2% to Rs.481.4 Mn, helped by the decline in interest rates. The Sector's Profit After Taxation however declined 47.8% to Rs.87.8 Mn for the year.

Sector Potential

Softlogic's ICT has remained a preferred vendor of IT solutions for corporate clients. We have maintained a leadership position in the IT solutions market in Sri Lanka. We are now looking beyond end-user computing to align our range of offerings with consumer demands and the technological enhancements that have become possible. We have taken steps in the direction of enterprise computing, towards our goal of being an end-to-end computer enterprise solutions provider. We presently provide over 50% of the storage requirement of the largest storage supplier in Sri Lanka. Our competitive edge in providing backup and recovery solutions for mid- to-large scale companies sharpened following our partnership with EMC and LenovoEMC. We expect strong earnings to flow from these developments.



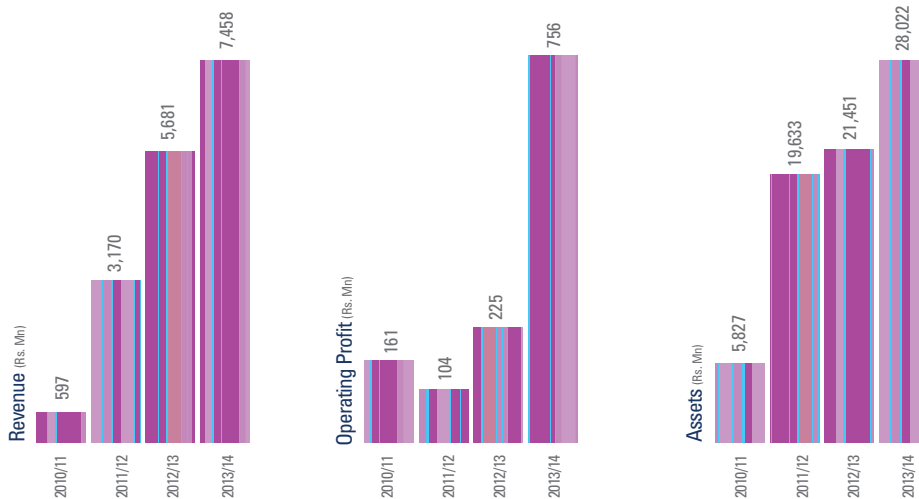
We have maintained a leadership position in the ICT solutions market in Sri Lanka. We are now looking beyond end-user computing to align our range of offerings with consumer demands and the technological enhancements that have become possible. We have taken steps in the direction of enterprise computing, towards our goal of being an end-to-end computer enterprise solutions provider...



Financial Services



Growing stakeholder platform...



Segmental Analysis

	2014	2013	% YoY
<i>Profitability</i>			
Revenue (Rs. Mn)	7,458	5,681	31.3%
EBITDA (Rs. Mn)	978	433	126.0%
EBT (Rs. Mn)	404	(212)	290.5%
PAT (Rs. Mn)	341	(246)	238.7%
<i>Financial Position</i>			
Total Assets (Rs. Mn)	28,022	21,451	30.6%
Total Liabilities (Rs. Mn)	25,135	20,174	24.6%
Capital Employed (Rs. Mn)	8,291	7,290	13.7%
No. of Employees	1,134	1,041	

* Graphical representation of the Operating Profit includes Finance Income of the sector for better performance assessment

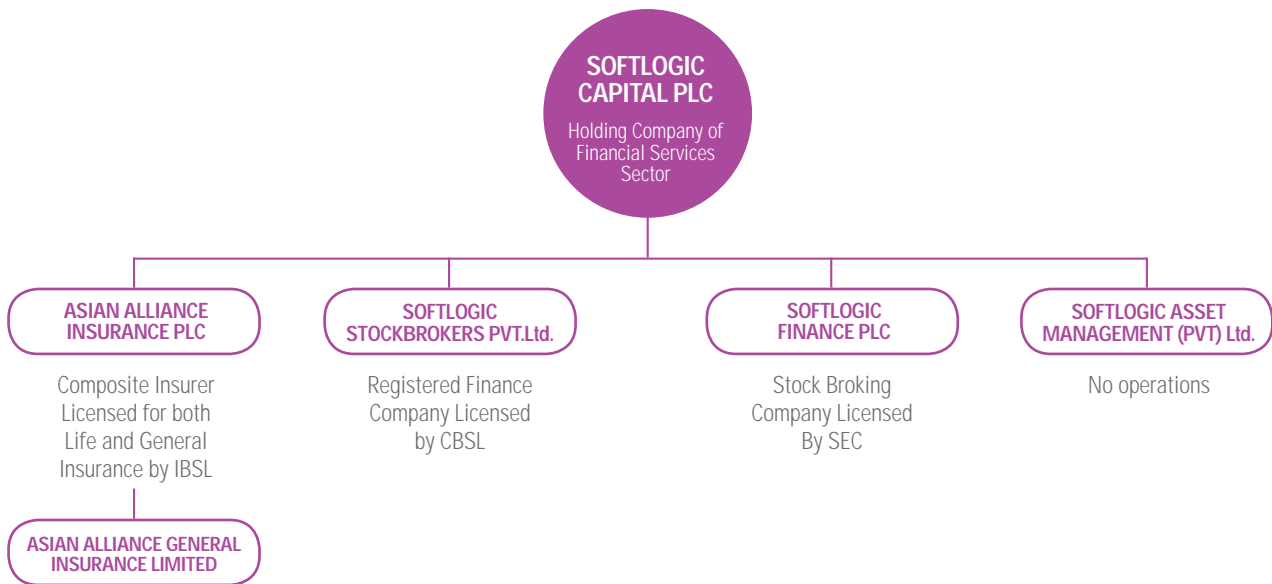
Softlogic Capital PLC is at the apex of the Financial Services Sector of the Group, which aims to provide comprehensive financial solutions to meet the funding, investment, trading and protection requirements of our customers. Our vision is to make the Softlogic brand of Financial Services available to all Sri Lankans throughout the country.

Our Financial Services acquisitions commenced in 2010 and we have now a portfolio comprising: Softlogic Finance PLC, a Finance Company licensed by the Central Bank of Sri Lanka; Asian Alliance Insurance PLC, an insurer licensed for both Life and General Insurance by the Insurance Board of Sri Lanka; Softlogic Stockbrokers (Pvt) Ltd, a stock broking company licensed and operating on the Colombo Stock Exchange and an Asset

We aim at providing comprehensive financial solutions to meet the funding, investment, trading and protection requirements of our customers...



Financial Services



Management initiative licensed by the SEC. These are now combining to realise the plan and business objectives of the Group.

Financial Review

Revenues for the sector reached Rs.7.5 Bn, an increase of 31.3% from the previous year, making it a substantial contributor to the Group's topline. Profit Before Tax reached Rs.404 Mn from a loss of Rs.212 Mn the previous year. The sector closed the year strongly, with Profit After Tax of Rs.340.8 Mn against the previous year's loss of Rs.245 Mn.

Asian Alliance Insurance PLC's performance continued to build momentum, registering topline growth of 26% for the year with a GWP of Rs.4 Bn. Our Life business achieved 26% topline growth with a Gross Written Premium (GWP) of Rs.2.5 Bn, surpassing the industry average of 10%, whilst General Insurance had a GWP of Rs.1.5 Bn, growing 31% versus the industry performance of 9%. This exceptional performance was spearheaded by the company's Life proposition. General Insurance, mainly Motor and Health, saw good growth but challenges need to be overcome to achieve sustainable profit. A carefully mapped-out investment strategy enabled Asian Alliance Insurance PLC to deliver an excellent bottom line.

Softlogic Finance PLC had its performance impacted by the deterioration in credit quality visible across NBFIs generally. Delayed payments in the construction sector triggered repossessions and a drop in vehicle values in a slowing business environment. The company however recorded excellent growth in Customer Deposits and improved its Total Assets position and Customer Advances portfolio. The Central Bank of Sri Lanka

has classified the company as a "Category A" company in its roadmap for financial sector consolidation, which bears testimony to the performance of the company since becoming part of the Softlogic Group three years ago. The company exceeded the industry growth rate of 26% during the year, achieving an increase of 38% on Total Assets, to close the year at Rs.18.3 Bn. It will continue to focus lending efforts on the fast growing SME base of the country, utilising its excellent Customer Deposit base and valued international connections with Development Financial Institutions.



The outlook for Financial Services in the country seems promising, with measures proposed by the CBSL aimed at greater cohesion and sectoral integration which we believe will propel the country's financial sector towards stability and more sustainable growth...

The performance of Softlogic Stockbrokers (Pvt) Ltd. was tied to the volatility of the stock market. This research driven "boutique" brokerage house will continue to focus on foreign, top-end institutional and high-net-worth-investors in addition to its retail client base in Sri Lanka, offering integrated services. A revamp of the broking firm was carried out with recruitment of dynamic sales and research teams. We now have as our client, Auerbach Grayson, a leading international broking agency with representation in over 129 markets worldwide and handle their equity trading on the Colombo bourse.

We have explored avenues of raising equity to address the high interest costs of the Sector and consequently announced a 13:10 Rights Issue at Rs.3.40 per share in March 2014 through which Softlogic Holdings PLC, the parent of Softlogic Capital PLC, increased its holding to 80.34%. The proceeds of the rights issue was used to retire debt of Rs.1.3 Bn.



Sector Potential

The outlook for Financial Services in the country seems promising, with measures proposed by the Central Bank of Sri Lanka aimed at greater cohesion and sectoral integration which we believe will propel the country's financial sector towards stability and more sustainable growth.

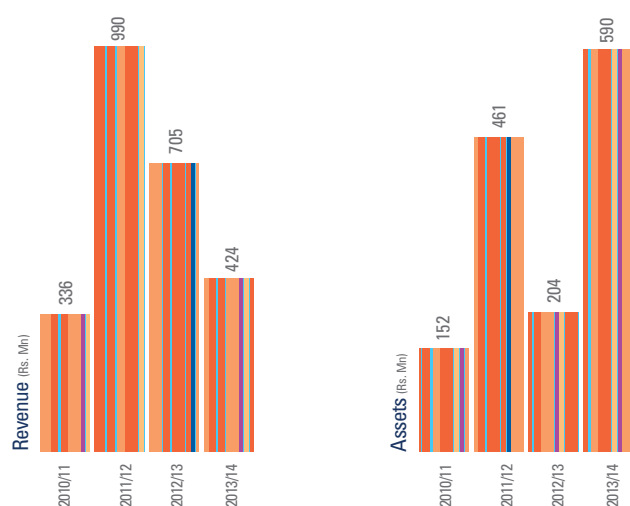
As Sri Lanka pushes towards a USD100 Bn economy, we feel the Sector will be able to attract greater funding, improve cost efficiencies to be competitive and diversify operations, whilst being able to manage risks better.

We see potential in this area as Banks, NBFIs and Insurance Companies are encouraged to develop and introduce effective and innovative superannuation products, including annuities and pensions, to provide more options to long term savers. We continue to build the necessary resources to face this promising future.

Automobile Sector



As we transform challenges into opportunities...



Segmental Analysis			
	2014	2013	% YoY
<i>Profitability</i>			
Revenue (Rs. Mn)	424	705	-39.9%
EBITDA (Rs. Mn)	1	17	-94.1%
EBT (Rs. Mn)	(44)	(48)	8.3%
PAT (Rs. Mn)	(29)	(44)	34.1%
<i>Financial Position</i>			
Total Assets (Rs. Mn)	590	204	189.0%
Total Liabilities (Rs. Mn)	194	206	-5.7%
Capital Employed (Rs. Mn)	35	30	16.4%
No. of Employees	73	76	

Given the challenges faced on new vehicle sales, we have taken steps to diversify into related businesses...

Challenges faced by the automotive industry deepened, with an increase in import tariffs on commercial vehicles coupled with liberal lower-taxed imports arising from duty concessions to state employees. Total vehicle registrations declined to 326,000 during the year, from 337,000 last year.

Financial Review

Revenue shrunk by 39.9%, to Rs.423.6 Mn. The Sector reported an Operating loss of Rs.4.1 Mn against an Operating Profit of Rs.16.5 Mn in the previous year. Finance costs reduced substantially due to declining interest rates. The Sector closed the year with a loss of Rs.28.7 Mn, against the previous year's loss of Rs.43.9 Mn.



Automobile Sector

Sector Potential

Given the challenges faced on new vehicle sales, we have taken steps to diversify into related businesses.

3S Ford facility

A state-of-the-art 3S Ford facility encompassing Sales, Service and Spare Parts was launched in June 2014. It consists of a showroom and after-sales-facility which should establish a new benchmark for automotive dealerships.

Expansion of mechanical, body & paint operations

We see considerable potential in developing our repairs and vehicle upgrade unit. We have increased the floor space for accident repairs to meet demand from the insurance sector. The unit adheres to strict international standards, with quick dry solutions enabling a fast turnaround to all vehicle brands and types. Gearing this operation further, we expect to tie up with our Group company, Asian Alliance Insurance PLC.

Rent-a-car

We are confident we can give our customers very attractive rental deals across a wide variety of vehicles. We possess a modern, brand-new fleet; our services include self/ chauffeur driven short- or long-term rentals, business travel hires, guest and airport transport hires and special occasion hires.

Commercial & Passenger Vans

We have entered this business with "King Long". The decision was taken on the back of increasing tourist travel and the country's economic activity.





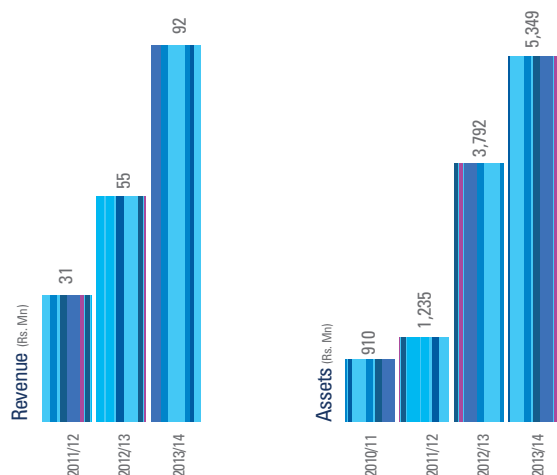
State-of-the-art 3S Ford facility encompassing Sales, Service and Spare Parts consists of a showroom and after-sales-facility which should establish a new benchmark for automotive dealerships...



Leisure Sector



Reaping rewards...



Segmental Analysis			
	2014	2013	% YoY
<i>Profitability</i>			
Revenue (Rs. Mn)	92	55	67.2%
EBITDA (Rs. Mn)	(45.1)	(44.4)	-1.6%
EBT (Rs. Mn)	(86)	(97)	11.3%
PAT (Rs. Mn)	(71)	(79)	10.1%
<i>Financial Position</i>			
Total Assets (Rs. Mn)	5,349	3,792	41.1%
Total Liabilities (Rs. Mn)	2,679	1,764	51.9%
Capital Employed (Rs. Mn)	6,435	5,470	17.6%
No. of Employees	66	73	

Our hopes for the leisure sector for the upcoming periods remain strong with the completion of the resort project which was opened in June 2014. The operational payback estimations have thus far been accelerated on the back of the positive response. The resort is to be managed solely by Centara Resorts & Hotels of Thailand.

Our hopes for the leisure sector for the upcoming periods remain strong with the completion of the resort project which was opened in June 2014...

Centara Ceysands Resorts & Spa

Strategically located on the Peninsula of Bentota between the Indian Ocean and the Bentota River is our brand new resort, Centara Ceysands Resorts & Spa. The resort looks nothing but a jewel placed in the azure waters with a spectacular view of the beach tapering into an



Leisure Sector

Opening of Ceysands Resorts & Spa has been a pioneering step by Softlogic into the Leisure sector. We remain confident of the venture with positive feedback and bookings thus far...

endless sandbank. This stunning resort is a 45-minute quick drive on the expressway from Colombo. Adventure begins from the very second you step into the resort with the arrival lounge situated in Aluthgama, on the inland side of the river, with guests having to travel across the water by boat/ barge. This is a retreat that offers unique experiences in a natural setting of the ocean and river.

The 165 well-appointed rooms feature indulgent fabrics, luxuriant furnishings and a high-end range of amenities, open onto a relaxing lazy river and pool.

Spa rituals are performed by our team of highly trained professionals, from Centara Hotels & Resorts of Thailand.

The resort's restaurants are well-catered to eating and drinking pleasures. Café Bem, serves Sri Lankan and international cuisines along with buffets, whilst the 360 Seafood Restaurant specialises in locally sourced seafood. Ceylon Club holds a gourmet selection of Ceylon teas.

The resort's versatile events' space can accommodate a wide-ranging number of functions including meetings, incentives groups, weddings and outdoor receptions, all supported by state-of-the-art audio visual equipment and other facilities available at the business centre.

Opening of Ceysands Resorts & Spa has been a pioneering step by Softlogic into the Leisure sector. We remain confident of the venture with positive feedback and bookings thus far.

Mövenpick City Hotel

We are in the process of constructing a 5-star city hotel in partnership with Mövenpick Hotels & Resorts of Swiss, an international upscale hotel management with over 16,000 staff across 80 hotels, resorts and Nile cruisers in 24 countries. The upcoming 219-room hotel in the heart of Colombo is strategically located with quick access to the commercial and other entertainment spots. The hotel will feature conference and meeting facilities, three restaurants serving divine cuisines and a full range of recreational facilities including a well-equipped gymnasium, infinity swimming pool and a health spa.



The skull and core construction has reached Level 20 and topping out is scheduled for 30th September 2014. The tenders for other construction disciplines such as interior design, Extra Low Voltage (ELV) and Kitchen Equipment and supplies have been awarded to reputed contractors through professional managed competitive tender based on strict quality standards. Hereto the programme is satisfactory and in line with envisaged timelines to facilitate opening the Mövenpick City Hotel in the latter part of 2015.

Project Summary	
Target Opening Date	4Q2015
Star/ Class	5-Star; Luxury
Concept	City Hotel
Close Proximity	Commercial Capital – Colombo
Built Up Area (Sq. m)	25,631 m ²
Keys on Offer	219
Current stage of development	20th floor transfer plate completed – construction topping out scheduled for October 2014

Financial Review

Performance of the Group Leisure sector continued on a silent mode though expectations are high for FY2014/15, with the resort opening doors in June 2014. The Leisure & Travel arm generated a turnover of Rs.91.8 Mn, up 67.2%, during the period under review. The travel solutions provider, Softlogic Destination Management (Pvt) Ltd., was the sole contributor. We expect to see better performance at our destinations management with synergies after our resort opened for external guests.

The sector concluded the financial year with a loss of Rs.71.0 Mn with pre-operational costs of the resort.

Sector Potential

Tourism is one of Sri Lanka's booming sectors since the end of the civil conflict and the country looks at welcoming 2.5 Mn tourists by 2016 (1.3 Mn in 2013). The World Travel & Tourism expects the direct contribution of Travel & Tourism to the country's GDP to grow by 6.1% p.a to LKR628.2bn (3.7% of GDP) by 2024 (3.9% of GDP in 2013). The World Travel & Tourism anticipates the leisure travel spending to rise by 5.9% p.a to reach Rs.817.7 Bn by 2024 whilst business travel is expected to grow by 4.6% p.a to Rs.164.7 Bn in 2024.

The country is on aggressive tourism construction even shared by many international leading hotel chains. This sector is not only driven by foreign tourists but also the locals. We continue to reiterate on the accommodation gap of the country making it vital that all hotel projects are completed on stipulated timelines to meet the anticipated arrivals. The rapid infrastructure development across the island in terms of new expressways, ports and airports add to the growth plan. Both hotels would be in the hands of internationally renowned hotel chains to ensure the best for our guests.

Leisure Sector



Placed in the azure waters tapering into the river banks encapsulates Centara Ceysands...





Spend hours leisurely exploring the vibrant reefs or an afternoon of extravagance at the spa...



Corporate Governance

HIGHLIGHTS OF THE YEAR

- Two Independent Non-Executive Directors appointed to the Board.
- Continued roll-out of ethics programme, encompassing both training and a whistleblowing system.
- Increased focus on internal control, audit and risk management processes with the appointment of a Group Head of Internal Audit and Risk.
- Four appointments made to the Group Senior Management team.

“We believe that for the Company to achieve its vision to be the best in business and enhance shareholder value, we must meet the highest standards of governance, business conduct and safety across all our thirty five companies. We are committed to a culture that values ethical behaviour and integrity. Our approach to governance is based on the belief that high quality corporate governance supports long term value creation.”

Softlogic is committed to good corporate governance, which protects the long-term interests of shareholders, requires Board and management accountability and builds public trust. We believe that confidence in the integrity and quality of management is essential for investor commitment and support. We aim for high standards and efficient processes through the maintenance of:

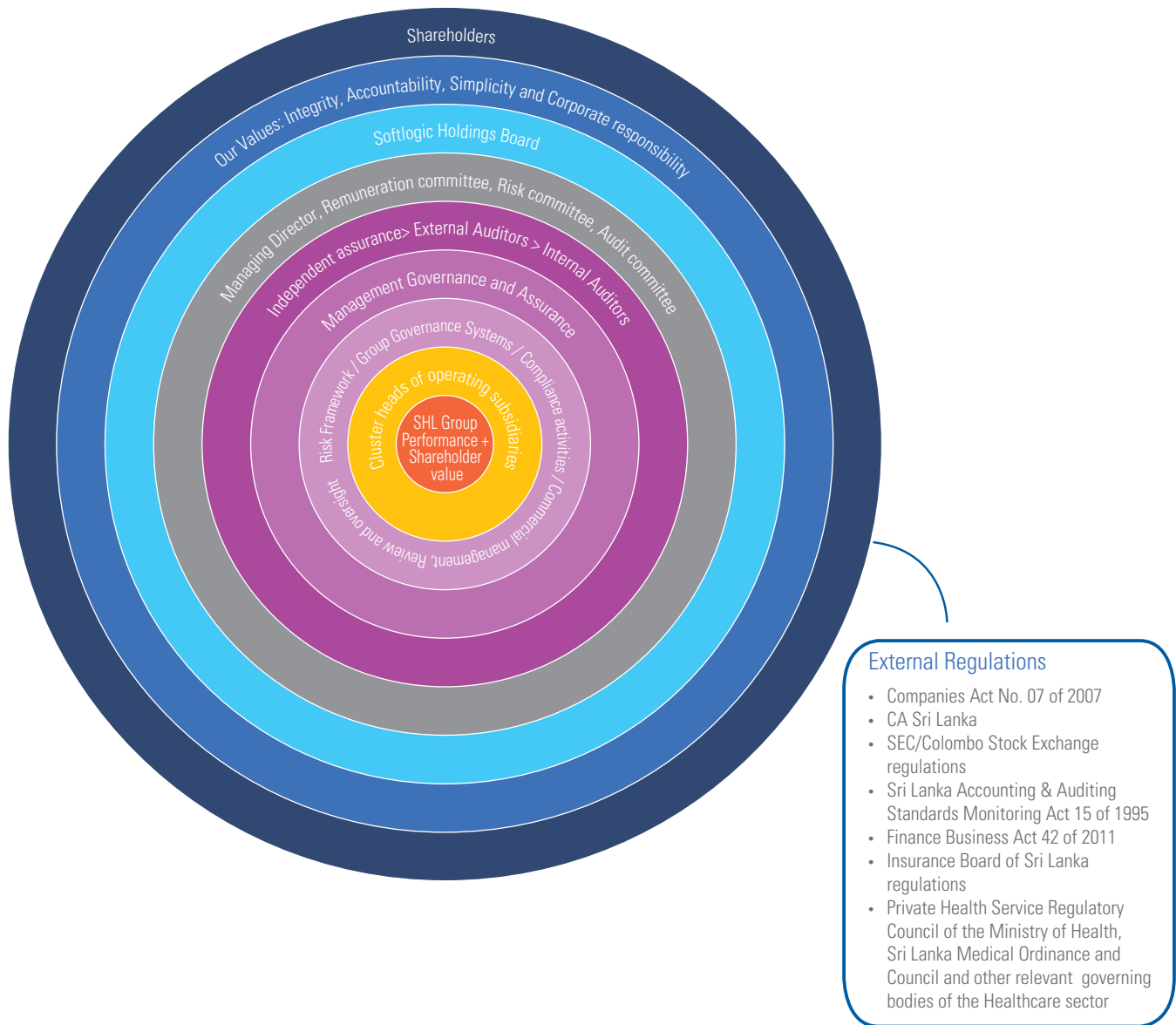
- an effective organisational structure;
- effective systems of internal control and risk management; and
- transparent internal and external reporting.

Softlogic adopts a governance system based on the principles of integrity and transparency, complying with the Code of Best Practice on Corporate

Governance 2013 issued by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Securities & Exchange Commission of Sri Lanka (SEC). The increased attention given to governance recently reflects the Board's commitment to best practice. The Financial Statements for the financial year 2013/14 conform to Sri Lanka Accounting Standards (SLFRS/LKAS) issued by CA Sri Lanka and the Companies Act No. 07 of 2007.

This Report provides an overview of Corporate Governance practices adopted by Softlogic in the financial year in the context of the Code of Best Practice on Corporate Governance, the Company's Code of Business Conduct and its public policy engagement.

Governance structure



Our Corporate Governance practices are set out in a series of documents dealing with the organisation and management of the Company. They include:

- A Code of Business Conduct, setting the framework and laying out legal and ethical compliances required in all our companies; this is tightly aligned with the Code of Best Practice on Corporate Governance 2013 by CA Sri Lanka and SEC;
- The Articles of Association, defining the Company's workings;
- Board Committee charters, outlining the duties and responsibilities of these Committees; and

- Working instructions and road maps, describing work methods, processes and time schedules of the Board and Board Committees.

Governance determines how the objectives of the Company are set and achieved, how risk is assessed, mitigated and monitored and how performance is optimised. Our Corporate Governance model defines how we deliver our business objectives whilst ensuring accountability and control systems synced with the risks involved. The model is based on a system of delegated authority. In line with our Mission and Values, these delegations balance effective oversight with appropriate empowerment and accountability.

Corporate Governance

Our Corporate Governance model ensures that a robust system of responsibility and accountability exists throughout Softlogic. The system establishes guidelines and operating standards across all companies. Each area of business is guided by more detailed operational guidelines that articulate objectives, strategies for management, and control and reporting requirements, which are part of each company's work procedures and practices. These are regularly reviewed to monitor compliance and encourage continuous improvement.

Our Corporate Governance flows from the execution of duties by the Board of Directors, to whom these are assigned by shareholders. Key roles are played by the Audit Committee. External audit is carried out by the firm appointed at the Annual General Meeting. It is our policy to have as auditors leading international audit firms. Group Boards and Managing Director delegate authority to the respective Cluster Heads/ Chief Executive Officers (CEOs) to manage their operations while retaining decision making on matters where this is considered necessary. Cluster Heads/ CEOs delegate authority within their businesses as judged appropriate. These delegations are covered in our business plan and the outcomes are considered in formal annual performance reviews. The Board regularly reviews the functions delegated to management

to ensure that the division of responsibilities between the Board and management remains appropriate.

Objectives of our Governance Model

- Maintain an effective and efficient internal control and risk management system;
- Preserve data integrity;
- Implement appropriate accounting policies in keeping with Sri Lanka Accounting Standards;
- Provide complete, timely, clear and accurate information;
- Adopt measures that satisfactorily address any situation that may involve a conflict of interest;
- Act in the best interests of stakeholders;
- Pursue best corporate governance practices, respecting principles established by relevant industry regulators;
- Actively participate in discussions of Corporate Governance principles, when the opportunity arises.

Corporate Governance Body	Objectives
Softlogic Holdings Board	Acts as required by the Companies Act No. 07 of 2007 and the Company's Articles of Association. Is accountable to the Company's shareholders. Delegates parts of its authority to Board Committees and to the Managing Director.
Softlogic Holdings Board Committees	Have specific responsibilities delegated to them by the Board. Perform the roles /exercises the authorities set out in the Board's delegations and the Committees' charters.
Senior Management	Develop business plans, processes and procedures to execute strategies developed by the Board. Manage business on a day to day basis. Has specific responsibilities concerning information about Softlogic that may have a material impact on the price of Softlogic's securities and determining whether such information should be disclosed.

The Board

'Adopting an Appropriate Decision-Making Process Based on Clearly Defined Mission and Responsibilities'

The Board of Directors is the body which determines management policies, strategies and other important matters relating to business execution. It also has oversight over the conduct of business affairs. The Board is elected by the shareholders to oversee their interests in respect of the health, financial strength and success of the business. The Board is the ultimate decision-making body except in respect of matters reserved for the shareholders. The Board selects members of Senior

Management and oversees their conduct of the business. The Board has established Corporate Governance Guidelines in line with the CA Sri Lanka / SEC Code of Best Practice on Corporate Governance 2013, which provide a framework for effective governance. The guidelines encapsulate matters such as the Board's mission, Directors' responsibilities, Directors' qualifications, determination of Directors' independence, Board Committee structures, the Managing Director's performance evaluation and management succession. The Board regularly reviews developments in Corporate Governance and updates the Corporate Governance guidelines and other governance materials as it deems necessary and appropriate.

Functions	Key Responsibilities of the Board
Corporate Strategy	<ul style="list-style-type: none"> Review and approve Group's business plan. Oversee the financial and human resources that the Group has in place to meet the strategic and business objectives agreed.
Performance	<ul style="list-style-type: none"> Select, appoint and evaluate the performance of any Executive Director, including any subsidiary company Director, and any member of Senior Management. Ensure the management team possesses knowledge, skills and experience required to execute business strategy. Oversee management's performance in achieving strategic and business objectives within a framework of prudent and effective control that enables risk to be assessed and managed. Give emphasis to Corporate Sustainability as a key area of corporate strategy.
Financial and Risk Management	<ul style="list-style-type: none"> Approve changes in the Company's capital, including capital structures, returns on capital and share buy backs. Receive, consider and approve financial and other reports to shareholders. Review and monitor systems of risk management and internal control. Ensure the integrity of financial and other reporting.
Compliance	<ul style="list-style-type: none"> Set, review and monitor compliance with the Group's values and standards of conduct. Set and monitor systems to inform the market and shareholders of the Company's performance and changes in its state of affairs, in accordance with disclosure obligations.
Diversity	<ul style="list-style-type: none"> Promote diversity at all levels, establish objectives and annually assess progress in achieving them.

Board composition

The Company has a broad based Board with an optimal mix of Executive and Non-Executive Directors. The Board consists of five Executive and five Non-Executive Independent Directors as of 31 March 2014. The Board has strictly applied the definition of independence set out in the Code. All the Non-Executive Directors are independent i.e. they do not have any material pecuniary relationship with the Company, its promoters or its management, which may affect the independence of their judgment. In addition to their roles as Directors, some Non-Executive Directors serve on Board Committees.

Independence of the Directors

The Code sets out the circumstances that may be relevant in determining whether a Non-Executive Director is Independent. The Board assesses the independence of Non-Executive Directors upon appointment, and subsequently reviews the independence of each Non-Executive Director as required.

Dr. S Selliah, Desamanya P D Rodrigo*, Mr. W M P L De Alwis, PC, Mr. G L H Premaratne and Mr. R A Ebell function as Independent Directors of the Company.

Board's skills and expertise

The Board is balanced in its composition, with our Directors bringing a range of complementary skills and experience to it. The Non-Executive Directors possess qualifications and experience in general corporate management, finance, banking, healthcare, law and other fields which enable them to contribute effectively to the Board's deliberations in respect of the affairs of the Group. The Executive Directors have a general responsibility to make and implement operational decisions.

Category of Directors	Number of Directors
Executive (including the Chairman)	05
Non-Executive & Independent *	05

Directors' profiles are given on Pages 22 to 23 of the Annual report.

Access to independent professional advice

All Directors have access to the advice of the Company Secretary and may, where necessary, seek independent professional advice at the Company's expense in conducting their duties.

Corporate Governance

Company Secretary

Softlogic Corporate Services (Pvt) Ltd. acts as the Company Secretary. They fulfilled their duties during the period under discussion by;

- acting as interface between the Board and Senior Executives with respect to Corporate Governance;
- assisting the Board and Board Committees in the conduct of meetings and in fulfilling their duties, obligations and responsibilities;
- providing advice to Directors, especially Non-Executive Directors who may need additional support, to ensure they receive timely and accurate information to fulfil their duties in compliance with relevant legislation, rules and regulations, and corporate practices;
- assisting Senior Management to implement Corporate Governance initiatives;
- monitoring compliance with the disclosure requirements imposed on the Company;
- overseeing key corporate activities including the AGM, reporting and announcements.

Board meetings and procedure

The annual calendar of Board Meetings is agreed at the beginning of the financial year. The Board's regular meetings are usually held once a quarter, with additional Board meetings held as required. Directors are provided, at least 7 days in advance, with an agenda, minutes, documents for discussion and other relevant information for each Board, Committee and shareholder meeting they should attend, so they can prepare themselves for these. If a Director cannot be present at a meeting he, as far as possible, joins the meeting via teleconference or is briefed on items to be discussed so he can share his views with the Chairman of the meeting beforehand. Directors also exclude themselves from the discussion when any matter in which they have an interest is discussed and no such situation arose during the Financial Year under review.

The Board is kept informed of major events and matters as necessary. The Managing Director keeps it apprised of overall performance at Board Meetings. At its meetings, the Board also:

- reviews strategy, the annual business plan and the capital expenditure budget;
- reviews reports of compliance with laws applicable and reports of major legal issues;
- reviews significant transactions and arrangements of subsidiary companies;
- adopts quarterly and annual results and authorises their publication.;
- reviews and agrees or ratifies purchases / disposals of property, major accounting provisions and write-offs/ write backs and corporate restructuring;
- reviews the minutes of meetings of its Risk, Audit and Remuneration Committees.

The Board convenes an annual planning session to discuss and approve overall strategic direction. Senior Management meetings with the Board have proved very effective and extremely helpful in sharing knowledge and experience of operations. The Board has focused on critical areas such as Senior Management succession strategy, the protection of data integrity, and internal control. Key appointments were made during the year to acquire skills to help improve business processes and Risk Management.

Name of Director	Category	No. of Board Meetings attended during 2013/2014	Attendance at the last AGM	No. of Directorships in other quoted companies		No. of Committee positions held in other quoted companies		Shareholding in Softlogic Holdings PLC as at 31.03.2014
				Chairman	Director	Chairman	Member	
Ashok Pathirage	Executive	3/3	Yes	07	01	01	04	45.03%
Haresh Kaimal	Executive	3/3	Yes	-	-	-	-	8.33%
Hemantha Gunawardena	Executive	3/3	Yes	-	-	-	-	7.38%
Ranjan Perera	Executive	3/3	Yes	-	01	-	-	7.81%
Roshan Rassool	Executive	3/3	Yes	-	-	-	-	-
Desamanya Deva Rodrigo*	Independent Non-Executive	3/3	Yes	-	01	01	01	-
Dr. Sivakumar Selliah	Independent Non-Executive	3/3	Yes	-	07	-	06	0.26%
Prasantha Lal De Alwis, PC	Independent Non-Executive	3/3	Yes	-	-	-	-	-
Harris Premaratne	Independent Non-Executive	-	N/A	-	02	02	02	-
Richard Ebell	Independent Non-Executive	-	N/A	-	01	01	01	-

Key areas of focus of the Board during the year were:

- policies to improve corporate governance.
- the Board Committees' Charters and the framework for market disclosure and communications.
- the formation of Softlogic Restaurants (Pvt) Ltd. and Softlogic BPO Services (Pvt) Ltd.

Combined role of Chairman and Managing Director

The combination of the roles of Chairman and Managing Director in one individual has proven to be efficient and effective for a Company like ours. The Chairman/ Managing Director is well aware of the importance of sound Corporate Governance across Softlogic and places emphasis on the following:

- participation of all Directors in discussions, ensuring that their views are known and that they contribute effectively for the Company's benefit;
- maintaining a balance of power between Executive and Non-Executive Directors;
- ensuring the Board remains in control of the Company's affairs and is alert to its obligations to all stakeholders.

Details regarding the Chairman/ Managing Director are set out on Page 22 of the Annual report.

Appraisal of the Managing Director

The Managing Director is accountable to the Board and is responsible for the day-to-day operations of the Company while ensuring corporate goals are achieved making optimal use of resources available. A separate evaluation of the Managing Director's performance is undertaken every year by the Board.

Time commitment

The Board dedicates sufficient time to discharge its duties effectively. In addition to attending Board meetings, they attend Committee meetings and make decisions via circular resolutions where necessary.

Directors' selection, appointment and re-election

Board development is a continuous process. We are continuously assessing what the appropriate mix of skills and experience should be, given the diverse markets the Group operates in and the breadth of operations and services offered. The Board aims to appoint Independent Non-Executive Directors who have the skills and experience needed

Corporate Governance

for a comprehensive understanding of the Group's activities. Two new appointments were made during the year. (Refer Page 23 of the Annual Report for the profiles of these appointees.)

Name	Category of Directors	Appointment w.e.f
Harris Premaratne	Non-Executive & Independent	20th February 2014
Richard Ebell	Non-Executive & Independent	20th March 2014

Re-election of Directors

According to the Articles of Association of the Company, three Directors should retire from office at each Annual General Meeting (AGM) and offer themselves for re-election. The Managing Director is not subject to retirement by rotation.

Any Directors appointed during the year also seek re-election at the AGM.

Appraisal of Board Performance

The Board continues to evaluate its performance annually through a self-assessment examining its effectiveness during the year.

Annual reviews of the performance of the Remuneration and Audit Committees have been carried out, led by each Committee's Chairman. These have confirmed that each Committee operates effectively; in each case, however, several actions were agreed to further improve their effectiveness.

Conflict of interest

The Company has comprehensive procedures to deal with any situation in which a Director has an actual or potential conflict of interest. Under these, the Board is required, inter alia, to keep appropriate records and record in Board minutes how such conflicts or potential conflicts were dealt with and authorised by the Board, and to review these conflicts regularly.

No such situations arose during the year.

Board and Other Committees

The two principle Board Committees and Executive Risk Management Committee deliberate on and guide the Board and the Management in specific areas.

Audit Committee

The Audit Committee assists the Board to discharge its responsibilities in respect of the integrity of financial reporting, the effectiveness and

adequacy of financial and internal controls, and regulatory compliance. Members of the Audit Committee of Softlogic are Non-Executive Directors appointed by the Board, with the Committee Chairman having the necessary financial/ accounting background. The Audit Committee is involved in a wide range of activities including the review of quarterly and annual financial statements prior to their approval by the Board for release to the public. The Committee has periodic contact with the external auditors, Ernst & Young, Chartered Accountants, through the engagement partner responsible for the audit, to review necessary matters. The Committee meets with the audit engagement partner at least once annually, without management present. It also reviews the annual audit plan, as prepared by the external auditors, including the adequacy of the scope of the audits and the appropriateness of audit fees proposed. Any engagement of the auditors for non - audit services is approved in advance by the Committee. The Internal Audit function, which reports to the Chairman of the Board, has a direct line of communication with the Committee, which receives Internal Audit reports from the Head of Internal Audit as and when issued. The annual Internal Audit plan is reviewed by the Audit Committee and is approved by the Board. At least once in each year, the management presents to the Committee the risk profile of the Group and the procedures in place for managing risk. The potential impairment of assets and the financial provisions for these are reviewed and discussed with management at least annually. The Committee invites such executives as it considers appropriate, to be present at its meetings from time to time. Members of the Committee brief the Managing Director of the discussions and findings of Committee meetings. The Company Secretary acts as Secretary of the Committee.

The Audit Committee met 12 times during the year under review.

The Committee comprises the following Independent Non-Executive Directors:

- Desamanya Deva Rodrigo - Chairman*
- Dr. Sivakumar Selliah
- Prashantha Lal De Alwis, PC
- Harris Premaratne (appointed to the Committee on 19 June 2014)
- Richard Ebell (appointed to the Committee on 19 June 2014)

Remuneration Committee

The Remuneration Committee assists the Board in establishing remuneration policies, which take into consideration relevant market conditions, and appropriate practices for determining the remuneration of Senior Management. The Committee also reviews and recommends changes to Directors' remuneration to ensure this is appropriately managed.

The following Independent Non-Executive Directors comprised the remuneration committee as at 31 March 2014;

- Prashantha Lal De Alwis, PC – Chairman
- Desamanya Deva Rodrigo*

The Chairman/ Managing Director attends meetings by invitation. He does not participate in any discussion of his own remuneration.

Aggregate remuneration paid to Executive and Non-Executive Directors of the Company is disclosed in Note 08 to the Financial Statements.

Risk Committee

Our business operates in an increasingly challenging environment, particularly with regard to economic, reputational, technological, political and regulatory factors. Consequently there has been a trend towards increased risks in the business. We recognise the importance in reviewing the effectiveness of the Group's internal controls, providing assurance on Group management processes and assessing and acting upon information received by External and Internal Audit. We keep the risk management and internal control framework under review, to ensure it is responsive to the changing environment and remains robust. The Integrated Risk Management Framework of Softlogic has been set up to identify, assess and manage risks, monitor key performance indicators and report to Board Members on current and potential exposures of the Group. The Committee targets strengthening its current framework to form cluster-based Integrated Risk Management Committees, with the appointment of Cluster Risk Officers.

External Audit

Ernst & Young, Chartered Accountants, the Company's auditors, contribute an independent perspective on aspects of our financial control and report to the Audit Committee and Board. The independence and objectivity of the external auditors is reviewed annually by the Audit Committee before it recommends any renewal of their engagement to the Board. The fact that the auditors follow well-established internal guidelines to ensure independence and objectivity provides comfort in this assessment.

The Audit Committee agreed it was in the best interests of the Company for the external auditors to provide a number of non-audit services during the year due to their profile and knowledge of its operations. Auditor objectivity and independence was maintained by ensuring personnel involved in non-audit work were not involved in the audit and by ensuring management responsibility for decisions flowing from the non-audit work undertaken. The fees paid to the auditors in the year are disclosed in Note 08 to the Financial Statements.

The Whistleblower Policy

The Group operates a Whistleblowing policy which is reviewed annually. In every business we operate a confidential telephone and email service is available to enable concerned employees to report, anonymously if they prefer that, any instances of inappropriate behaviour or malpractice within the business. Such issues include unethical or illegal behaviour such as bribery and corruption, fraud, dishonesty and any practice which may prejudice or endanger our employees, customers or the environment. Complaints are treated as confidential and investigated by the relevant department and where the individual discloses his or her identity, they are kept advised. The process is monitored by the Human Capital Division.

No employee of the Company has been denied a fair hearing in this process. The Human Capital Division is alert to these possibilities and is alive to the need for the policy to evolve and improve further.

Employees receive quarterly reminders on insider-trading laws and other areas of ethical conduct and policy.

EMPLOYEE SUGGESTION / IDEA BOX

We Value Your Opinions
TELL US WHAT YOU THINK!

YOUR FEEDBACK IS NEEDED

- In order to improve working and environmental conditions.
- Improve Develop Processes and Procedures.
- Reduction of waste or spillage.
- Feedback on Company organized events.
- Focus on increasing the quality of products and services offered by Softlogic.
- Conservation of energy or time in processes in their utilization for better purpose.
- Compliance and processes, in addition to the Grievance Handling Process and the Whistle Blowing Policy.
- Any suggestion, which is beneficial to the Company.
- Any Malpractices, fraudulent practices etc. that should be brought to the attention of the Management.

THE LOCATIONS WHERE THE SUGGESTION BOXES WILL BE PLACED.

Head Office	8th Floor Lunch Room	Future Automobiles	Lunch Room
Nevada Service Center	Lunch Room	Bullington Automobiles	Lunch Room
Machhapla	ITL Engineering - Lunch Room	(Rajapaya)	
Lakshman's Building	Basement Lunch Room	Workhouse	Lunch Room
Pattinson's Building	Lunch Room	Burger King (23 Outlet)	Staff Room
		Brewed Apparel (Levin Building)	Lunch Room

SOFTLOGIC HOLDINGS PLC - Head of Human Capital

Opposition to corruption

We seek to maintain the highest standards of ethics and integrity in the way we do business. Bribery and corruption in all forms is illegal and is unacceptable to us. Any act of fraud, bribery or corruption is viewed with extreme seriousness by Softlogic. We expect our business partners to adopt the same approach. In accordance with our anti-bribery and corruption policy, the head of each unit is responsible for ensuring compliance with all local legislation and company policies and for relevant reporting to the Softlogic legal team.

Business Conduct

Group has adopted a strict Code of Business Conduct for all employees of Softlogic, which is reviewed periodically. Directors and sectoral heads affirm their compliance with this code. Integrity and transparency are pillars that Softlogic relies on in formulating a management and control structure suited to its size, complexity and operating structure. The Board believes in the importance of clearly defining the values and principles that underlie the Group's activities to ensure all activities are carried out in compliance with applicable regulations and in keeping with the spirit of fair competition, honesty and integrity, fairness and good faith, respecting the legitimate interests of all stakeholders, with whom we deal regularly and in some cases every day. These stakeholders include shareholders, employees, suppliers, customers, commercial and financial partners, local communities and institutions of countries in which we operate. The Code of Business Conduct explains to employees their individual responsibilities and obligations while working for Softlogic, with stipulations that must be strictly complied with. The Code provides guidance on key issues which may arise and indicates who they should contact if they think they, or a colleague, may have breached those rules. Softlogic has a zero tolerance policy towards corruption or any serious violation of the Code of Conduct.

A diversified management team

The Softlogic management team, with their extensive expertise and diverse experience from local and international markets, form an excellent group who are poised to pursue profitable growth in accordance with the Group's strategy. (See management team profiles on Pages 24 to 29)

Relations with shareholders

We are committed to constructive dialogue with shareholders to ensure we understand what is important to them and enable clear communication. The Chairman and the Investor Relations team hold regular meetings with shareholders, prospective investors and analysts.

Investor Relations keeps management regularly informed of investment advisor / analyst views. We ensure shareholders have appropriate access to our financial and non-financial information. Our Company Secretaries & Registrars, who are also in-house, add to our communications with shareholders. We remain keen to develop our engagement with shareholders through various means including the AGM, the Company's website and social media.

Means of communication

The AGM is seen as an opportunity for the Board to communicate progress directly to shareholders. Our AGM for 2013/2014 will be held at "Committee Room C" of Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 07 on 12 September 2014. The Directors are expected to attend the AGM and be available to answer questions from shareholders. At the AGM, resolutions are proposed and voted on individually by shareholders or their proxies. All shareholders registered in the Central Depository System (CDS) at 12 September, 2014 who notify the Company of their intention to attend the AGM are welcome to attend it and vote thereat.

The Annual Report and Quarterly Reports of the Company are means we use to advise the shareholders of performance and prospects.

Quarterly and Annual Reports

Being a listed entity, Softlogic meets timeframes set by the Colombo Stock Exchange in their Listing Rules when releasing quarterly and annual results to the market. Quarterly and Annual Reports are available on the Colombo Stock Exchange website and on our own website: www.softlogic.lk. Each report carries a comprehensive message by the Chairman on performance for the relevant period.

Compliance Disclosure

The Company has complied with all requirements related to capital markets, with no penalties or strictures having been imposed on the Company by the relevant authorities.

** Desamanya P D Rodrigo resigned from the Board w.e.f 30 June 2014.*

Compliances with the Corporate Governance Rules of the Colombo Stock Exchange are set out below

CSE Listing Rule No.	Subject	Condition	Compliance Status	Details
Board of Directors Disclosures				
7.10.1	Non-Executive Directors (NEDs)	Two, or at least one third of the total number of Directors, should be NEDs.	Compliant	50% of the Board comprises NEDs. Refer Page 69 of the Annual Report (on Corporate Governance)
7.10.2 (a) and (b)	Independent Directors	Two, or one third of NEDs (whichever is higher), should be independent. Each Non-Executive Director should submit a declaration of independence/ non-independence in the required format.	Compliant	All NEDs of Softlogic are independent. Refer Page 69 of the Annual Report on Corporate Governance
7.10.3(a) and (b)	Disclosure relating to Directors	Names of Independent Directors should be disclosed in the Annual Report.	Compliant	Disclosed on under Directors' Profiles (Pages 22 and 23) and Corporate Governance (Page 69).
7.10.3(c)	Directors' Resumes	A brief resume of each Director should be included in the Annual Report, including his areas of expertise, with the same being submitted for new Directors on their appointment.	Compliant	Disclosed under Directors' Profiles (Pages 22 and 23). The profiles of new Directors were advised to the CSE on their appointment.
7.10.4	Definition of "Independence"	Requirements for fulfilling criteria.	Compliant	Disclosed on Page 69 under Corporate Governance.
Remuneration & Remuneration Committee				
7.10.5(a)	Requirement and composition of Remuneration Committee	The Committee shall consist of Non-Executive Directors, a majority of whom shall be independent.	Compliant	Disclosed on Page 69 under Corporate Governance.
7.10.5(b)	Disclosure of the functions of the Remuneration Committee	The Committee shall recommend the remuneration payable to the Executive Directors and Chief Executive Officer or equivalent role. Aggregate remuneration paid to the Executive Directors and NEDs.	Compliant	Disclosed in the Corporate Governance Report, (Page 72) the Committee Report (Page 96) and the Annual Report of the Directors (Pages 98 to 100).
Audit Committee				
7.10.6.(a)	Composition of Audit Committee	Shall comprise NEDs, a majority of whom shall be independent. The Chairman or a member should be a member of a recognised professional accounting body.	Compliant	Disclosed in the Corporate Governance Report (Page 72), the Annual Report of the Directors (Pages 98 to 100) and the Committee Report (Page 97).

Corporate Governance

CSE Listing Rule No.	Subject	Condition	Compliance Status	Details
7.10.6.(b)	Functions of the Audit Committee	<p>Overseeing:</p> <ul style="list-style-type: none"> Preparation, presentation and adequacy of the disclosures in the financial statements in accordance with the SLFRS/ LKAS. Compliance with financial reporting, related regulations and requirements. Processes to ensure internal controls and risk management are adequate. Assessment of the independence and performance of the external auditors. Recommendations to the Board on the appointment, re- appointment and removal of the external auditors. <p>Approval of the auditors' remuneration and terms of engagement.</p>	Compliant	Disclosed in the Corporate Governance Report (Page 72) and the Committee Report (Page 97).
7.10.6.(c)	Annual Report disclosures on the Audit Committee	<p>The names of the members of the Audit Committee.</p> <p>A report of the Audit Committee setting out the manner of compliance with their functions.</p>	Compliant	Disclosed in the Annual Report of the Directors (Pages 98 to 100) and the Committee Report (Page 97).

Risk Management Review

“This year, focus was given to understanding our Group-wide risk profile and rolling out our ERM framework across the Group, starting from the Finance Cluster and reaching our other business clusters.”

We at Softlogic believe a successful risk management process balances risks and rewards, relying on sound judgement of the likelihood and impact of risks materialising to yield optimal returns for our stakeholders. Our approach to risk management includes identifying, evaluating and managing risks across the Group to support achievement of our financial and operating objectives. Our employees, as an integral part of their daily activity, take responsibility for risk management. While our risk management framework addresses risk squarely, it does not stifle entrepreneurial spirit.

During the year we focused on better understanding risk profiles and strengthening our approach to risk management. This included the review of risk appetites, the assessment of key areas of risk across the

Group and the analysis of the risk profiles of our diverse businesses. Risk Management worked closely with executive management and Internal Audit to strengthen the ‘Three Lines of Defence’ framework mentioned later. Through the year Risk Management also considered the risks associated with Group expansion plans and risks associated with particular ventures, for instance those relating to our fast food venture BURGER KING®, the continuing expansion of our retail chain and the associated impact on liquidity of these rapid expansions.



Risk Management Review

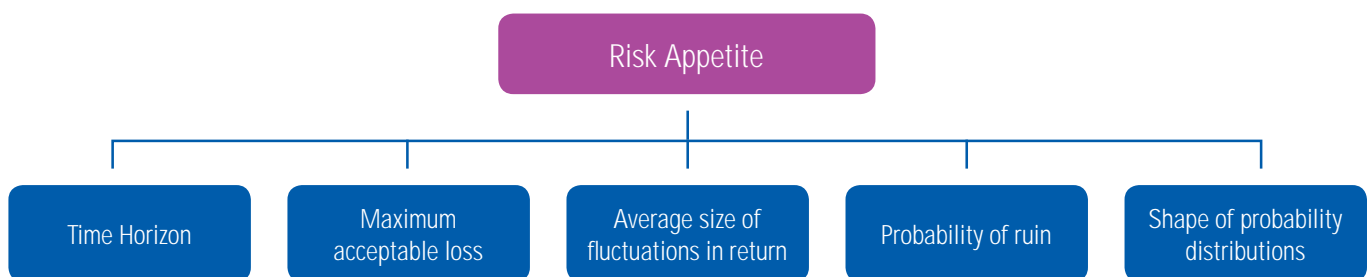
Risk Assessment

Risk assessment includes identifying risks that arise both internally and externally. Risk assessment has been initiated using a cluster- based model.

Risk Appetite

As part of our risk management framework, risk appetites are set for the Group as a whole and for each subsidiary individually.

Parameters determining risk appetite are:



Risk Management Objectives

Objectives for managing risk are stated as follows:

- create an environment promoting sustainable long-term growth in the Group.
- articulate a clear policy and deploy effective and efficient processes.
- clearly define ownership and responsibilities for managing risk across the Group.
- create a risk-aware culture by informing, training and motivating employees to consider risk within their day-to-day decision making.
- deploy effective project risk management processes and controls across all business lines.

appointment of a Group Head of Risk who, following a priority- based business risk review, presented an initial plan to develop the ERM programme. In the year we saw a new Head of Credit Risk appointed in our Finance Cluster, with the Risk & Compliance Officers being made independent and Board Risk Committees established in that cluster. Our Healthcare Cluster too underwent a rigorous review of operational risks and proposed the appointment of an Operational Risk Manager.

Risk Management Model

The Group Head of Risk is responsible for reviewing the adequacy and effectiveness of the Group's risk management process, which is designed to identify and mitigate the key risks facing the Group.

Risk Management Framework

The Group initiated during the year the Enterprise Risk Management (ERM) programme that was proposed last year. The programme was strengthened by creating a new senior managerial position with the

Softlogic's risk management model is built on three lines of defence, and is designed to achieve maximum integration of the risk management process into business processes.



First line of defence – risk management by business operations

Softlogic business units and subsidiaries bear responsibility for managing risks that arise in their day to day operations. Our employees have the best understanding of their particular circumstances, customers and markets.

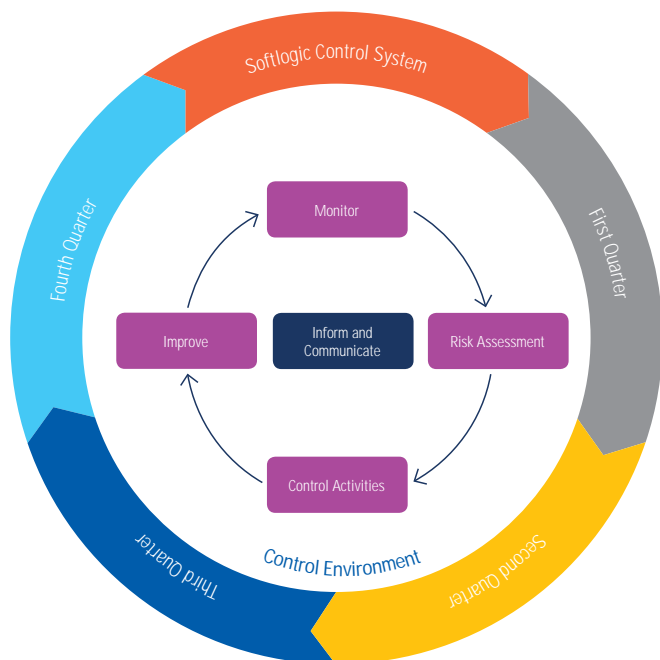
Second line of defence – independent risk control

The Group Head of Risk is independent of the Group's business operations and is responsible for identifying, evaluating, mitigating and reporting risks to the Board of Directors.

Third line of defence – internal audit

The Board Audit Committee is tasked with reviewing the effectiveness of the first and second lines of defence in practice. It does this by reference to internal audit findings in respect of internal control, and to findings of external auditors. When deficiencies are identified, time-based action plans are agreed and implemented to address them.

Effective Risk Management & Internal Control



Communication of Risks

A key part of effective risk management is ensuring good communication of the Group's risk management strategy. We have initiated company-wide awareness programmes, which will be completed in the ensuing year. Risk policies and practices are explained using the Company intranet. Structured communication programmes on risk management for individual company CEOs are also planned.

Risk Management Review

Softlogic's Enterprise Risk Profile

Softlogic defines risks as occurrences which have a potentially negative impact on achievement of Group objectives. The discussion below sets out the principal risks identified by the Group and examples of relevant controls and mitigation mechanisms. The Group considers these risks to be the most significant. Other risks, not presently known or currently deemed less material, may also have an adverse effect on the business as the future unfolds.

The enterprise risk profile is updated quarterly and is the means by which risks are reported to the Board. It uses Key Risk Indicators (KRIs), which record exposure to potentially harmful events. The enterprise profile seeks to identify and measure risk across risk categories and monitor emerging trends and exposures.

Strategic Risks

If our business direction is unfitting or is not effectively communicated or implemented, the business may suffer.

Risk Management Strategy

As a well-diversified conglomerate we pursue growth in many sectors, reducing exposure to any specific business area. Decisions concerning new business are vetted by risk management.

Industry conditions and the general economy (Systematic Risk)

Weak or deteriorating economic conditions or geographical risks could adversely affect achieving our objectives.

Our stakeholder reach with brand principals and financing partners situated across the globe. Consequently, operations and prospects of the Group and individual business units could be adversely impacted by deteriorating economic conditions or political instability in any one of a number of countries in which, or with whom, we deal.

Risk Management Strategy

Our Risk Management Department closely monitors local and foreign systematic changes. We are in close contact with our overseas stakeholders to remain informed of any material economic/ political change in those countries.

Market Risks

Market risk is the risk of movements in such things as interest rates, foreign exchange rates and equity and commodity prices, that will affect our income or the value of our portfolios.

Interest rate Risk

There is a prospect of increased finance costs or reduction in finance income due to changes in domestic or foreign interest rates.

Risk Management Strategy

Our objective is to limit the impact on our income from rising interest rates. Forward rate agreements, interest rate swaps, caps and floors may be used to achieve the desired mix of fixed and floating rate debt. Our centralised Treasury Management monitors volatile market conditions and regulatory changes, to ensure an effective and efficient investment portfolio is held. Good business relationships with lenders help negotiations on terms of credit. Financial statistical models have been developed to support informed decisions on interest rate movements. The Group also uses stress tests to assess the effect of changes on Group earnings and capital and acts on these. Finally, the results and the methodology used are discussed and reviewed by Group specialists and management, to ensure consistency and reliability of assessments.

Exchange Rate Risks

Adverse movements and fluctuations in foreign exchange rates against the domestic currency could affect the Group's pricing, especially in our import and trade sectors.

Risk Management Strategy

Exchange rate movements are predicted and monitored for currencies in which the Group has exposure and where appropriate Group Treasury enters into forward exchange rate contracts to mitigate foreign exchange risk.

Commodity Risks

Fluctuations in prices especially of our retail products could impact on our pricing, making us less competitive in the market.

Risk Management Strategy

The procurement team anticipates escalations and works with Corporate Planning to determine pricing, having a minimal impact on market share. In addition, healthy, long- term partnerships with our overseas principals reduce the prospect of radical price changes.

Credit Risk

Credit risk is the risk of suffering financial loss should Group customers or counterparties fail to fulfill their contractual obligations. Credit risk also includes counterparty concentration and settlement risk. The Group may also suffer loss when the value of Group investments in the financial instruments of an entity falls as a result of that entity's credit rating being downgraded.

Risk Management Strategy

The management closely monitors credit evaluations and credit limits set. Balance Sheet "netting" and guarantees assist us reduce default losses. The Group mostly holds positions with approved counterparties of good credit quality and they and their credit ratings are routinely monitored. A review of credit risk profile across the Group's investment portfolios continues.

Liquidity Risk

This relates to inability to obtain funds to meet cash flow obligations and manage timing risks to compensate for non-receipt of expected fund inflows.

Risk Management Strategy

An annual cash inflow-outflow budget setting out controls and authority limits, identifying maturity mismatches and reviewing

profitable reinvestment opportunities is compiled. The CFO, the Group Head of Risk and the Group Head of Treasury meet regularly to monitor liquidity risks, liquidity needs and gearing.

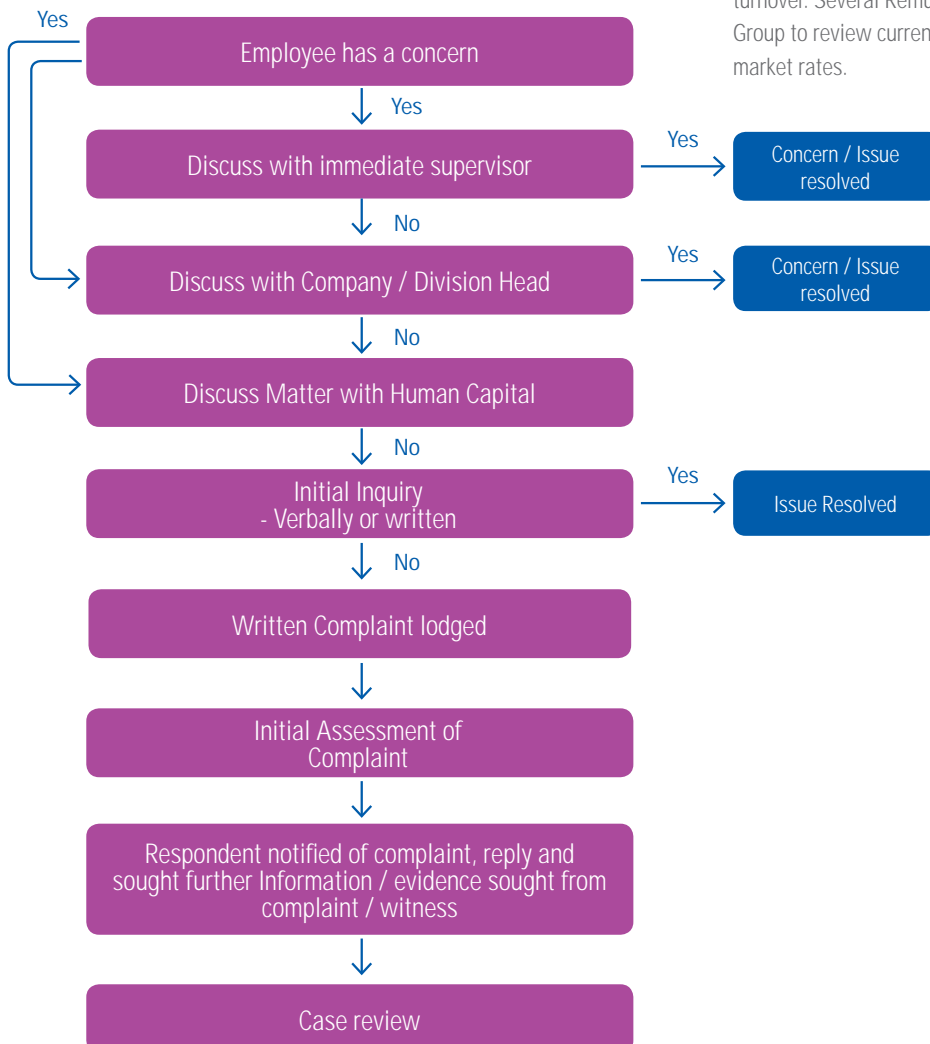
Operational Risks

These are risks relating to the people, systems and processes through which a company operates.

People

Our ability to maintain a competitive position is dependent on the experience and skills of our senior executives. Finding replacements for senior executive positions could be difficult. Losing the services of one or more senior executives could adversely affect and limit our ability to manage our businesses. It is important that we attract, retain, develop and motivate the best people with the right capabilities at all levels. It is people who ensure systems and processes work.

Grievance Handling Model



Our grievance handling process has been strengthened to reduce staff turnover. Several Remuneration Committees have been formed across the Group to review current pay scales and address gaps that exist vis-a-vis market rates.

Risk Management Review

Risk Management Strategy

A clear succession plan for key management positions has been established. The Head of Group Human Capital and Human Resource Cluster Heads regularly reviews and monitors HR policies, procedures and risks. We ensure clear processes are in place to understand and respond to employees' needs, surveys and regular performance reviews. Talent management and people development have always been key objectives for each member of the Executive Committee. Equal emphasis is laid on training, development and incentives.

Systems & Processes

Information systems, internal controls, human errors, system failures, inadequate procedures and external events hold potential for losses of earnings and reputation.

Risk Management Strategy

In order to standardise systems and processes and eliminate inconsistencies among various IT systems in place, an Enterprise Resource Planning solutions (Oracle) is being implemented.

IT systems and infrastructure

Any significant failure in IT processes would disrupt our operations. Failure to invest appropriately in IT could increase vulnerability to cyber-attacks, constrain business growth and fail to safeguard personnel, supplier, customer and financial data.

Risk Management Strategy

IT strategy is approved and reviewed by the Executive Management to ensure investment in IT systems and innovations to improve business efficiency. Group Head - IT, monitors controls and the integrity and efficiency of IT infrastructure and data. He regularly reviews the development and implementation of systems and policies relating to information security. Rigorous governance processes are in place for new and systems implementations and modifications. Several key management personnel will be recruited to manage information security in the ensuing year.

Business Continuity Plan (BCP) and Disaster Recovery (DR)

A major incident could have severe implications on our business.

Risk Management Strategy

Appropriate business continuity and disaster recovery plans are in place for each business cluster. Disaster recovery plans are in place for key IT systems and data bases/ warehouses. Physical and electronic security systems and processes that reflect best practices are also in place to review the risk of incidents across the Group.

Competition

Failure to compete in areas including product range, quality and service in increasingly competitive retail markets could impact our market shares and adversely affect our financial results.

Risk Management Strategy

Our Corporate Planning Division keeps abreast of emerging issues and changes in market trends and patterns. Established procedures are in place to ensure product integrity. Detailed procedures exist for competition management. Customer service skills are regularly enhanced through continuous training and development. Market share strategy focuses on range and store format to allow us to compete in different niche markets. Performances of sales teams are tracked against relevant KPIs linked to customer feedback.

Political & Regulatory Risk

We may be impacted by legal, technological and regulatory change and political developments affecting the sectors in which we operate.

Risk Management Strategy

We engage with governmental and non-governmental organisations to represent the views of our organisation. The Group legal team monitors legal compliance in the Group. We seek to anticipate and contribute to important changes in public policy wherever we operate. Regulatory risks are monitored by compliance officers, whilst technological changes are monitored by product managers.

Reputational Risk

Failure to protect the Group's reputation and negative public opinion in the face of ethical or moral challenges could lead to a loss of trust and confidence and a decline in our customer base and affect our ability to recruit and retain talented people.

Risk Management Strategy

Softlogic values have been embedded in how we do business at all levels. Our Code of Business Conduct guides our employees in dealing with customers, employees, suppliers and society at large. A well-structured stakeholder communication mechanism exists to comprehend all viewpoints and consider those in the strategy executed.

Environmental Risk

The Group's exposure to environmental regulations infringement and quality standard requirements could create loss and damage.

Risk Management Strategy

A sustainability team is in place. All on-going construction projects comply with relevant local and provincial regulations. A Group-wide waste management process has been implemented. We are committed to contribute to the environment and society through our CSR Plan and activities. (Refer Pages 84 to 95) for the Sustainability Report)

Future Plans

The Group will continue to review risk appetites and the Enterprise Risk Profile, with a Risk Register being developed. These will become the means by which the Group's risk appetite and tolerances are defined. To complement Group Corporate Planning Division, we intend to create a senior strategy position in the ensuing year. We believe any framework of internal controls must be underpinned by values and a culture promoting good risk management processes. We continue to emphasise this. Softlogic has spent significant time and Group-based thinking last year to review its own circumstances against various environments in which it operates. It envisages eventually forming cluster-based Integrated Risk Management Committees, with Cluster Risk officers covering all Group companies.

Sustainability Report

Towards a Sustainable Future

This report covers Softlogic's economic, social and environmental activities for the year as they relate to different stakeholder groups indicated in the map below. The scope of Softlogic's environmental activities is not limited to the work place; it goes beyond, to include customers, suppliers and principals and the community as a whole. Thus we continue to embed the Softlogic way of doing things in our value chain. We are working towards enhancing data collection to measure our non-financial performance with the implementation of a Group Enterprise Resource Planning system, while aligning CSR activities to work in harmony to achieve a single set of goals.

As the scope of our business increases, our responsibility towards stakeholders and the country correspondingly increases. For us, a sustainable, well- balanced growth model is sought and refined over time. Our vision for sustainability includes reducing waste and creating efficiency in using resources. Meanwhile, we encourage openness within the Group to enhance our CSR work and its impact.

As the scope of our business increases, our responsibility towards stakeholders and the country correspondingly increases.



Increase profitability through increased revenue and efficiency margins via optimal management of resources

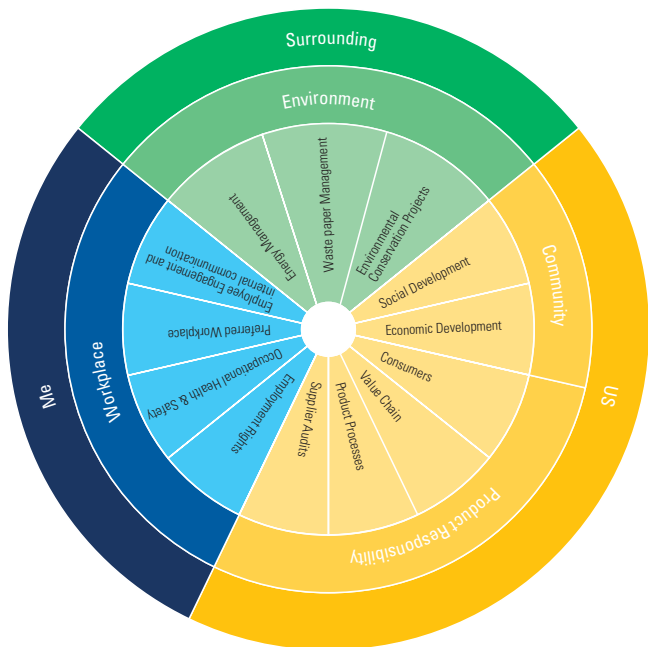
Most preferred business partner and employer

Achieving sustainable resource economy while continuing to invest for the community.

ME

US

IMPACT ON SURROUNDINGS



physical and emotional health. By respecting their diversity, we create an environment in which individuals can use their talents fully whilst working together to achieve ambitious goals. By sharing knowledge based on their unique experiences and ways of thinking, our employees are able to satisfy the diverse needs of our customers. This makes them a driving force for our sustained growth. Our endeavours are guided by principles which we also encourage our customers and suppliers to subscribe to.

Softlogic's Culture

Our culture promotes transformation and responsiveness to changes in the business environment. Softlogic's approach of growth through acquisition has brought into its fold employees from other work cultures, who have been welcomed and have integrated well into Softlogic.

We encourage a culture of growing our human capital by providing continuous development and training.

ME

Power within!

Our actions have always focused on internal improvement. Our metrics for work safety, employee satisfaction and retention, environmental performance, charitable giving and energy and paper conservation, all moved in a positive direction.

People

Highly skilled, competent employees have been the key to our success. Every Softlogic employee can and must continuously expand his or her knowledge whether specific to the job or to the business as a whole, and then extend that to include learning about and from the country and the world. We strive to create a workplace where employees are motivated to take on challenges and work safely and comfortably, enjoying mental,



Good Governance & Employee Issues

Softlogic requires its people to respect the rights of others and forbids discrimination or harassment based on ethnicity, gender, religion, age or physical capability and acts against any discrimination or harassment they see.

Good governance is essential for our success. The Corporate Governance report on Pages 66 to 76, sets out how Softlogic conducts itself in accordance with the principles of good corporate governance.

Future Leaders

Our people are integral to our success. With over 6,500 employees across our Group, we have a wealth of unlimited talent to draw from. We develop our people to meet the needs of our business and our employee engagement continues to shine in the sectors we operate in. We are committed to developing our people throughout their careers, and ensuring that leadership skills are developed at every level of management. We conduct varied programmes for talent pools across all our businesses. These include leaders teaching leaders, enhancing academic achievement through job experience, mentoring and coaching. We sponsor employee participation in external programmes when necessary. We ensure the quality of our management pool, recruiting talent to meet our mid-term business and growth targets. Our annual manpower plan includes a skills audit and a plan for the training and development necessary. Soft skills training covers varied areas such as customer care and telephone etiquette.

Asiri Hospital Group has long been a benchmark for multi-specialty, responsible healthcare for people across the country. From its beginnings

We believe a corporate culture of learning cannot exist without a desire to create value. As an organisation that grows through continuous learning, Softlogic supports employees' personal growth through human capital development.

as a laboratory service provider in 1980, the hospital's aspiration has been to advance in patient-care, education and research. It has steadily set new standards of healthcare and has continuously invested in state-of-the-art technology. Asiri Hospital Group is steering a path "To be the leading healthcare provider in South Asia, with the highest quality of clinical performance and customer care and cutting-edge technology". Its clarity of strategy, discipline and unwavering commitment to a distinctive culture and set of values have been crucial in its continued success.

As medical tourism has become a growing focus, we have embarked on JCIA (Joint Commission International Accreditation), an international quality standard that recognises a patient-centric healthcare provider. JCIA requires staff to have knowledge and skills to deliver these services; staff development and education is key.



Economic Value Statement

Year Ending March	2014	2013	Change (%)
Direct Economic Value Generated			
Revenue	29,208,497,751	25,360,636,147	15%
Interest Income	654,420,002	566,353,601	16%
Dividend Income	146,289,554	150,330,482	-3%
Share of results of Associates	13,280,969	20,823,707	-36%
Value Gain in investment property	91,100,500	61,309,000	49%
Other Income	891,461,650	579,100,934	54%
Total Value Created	31,005,050,426	26,738,553,871	16%
Economic Value Distributed			
Operating Cost	21,686,988,133	19,164,936,603	13%
Employee Wages & Benefit	3,745,816,004	3,078,958,061	22%
Payments to Government	1,903,384,663	1,587,142,503	20%
Capital Providers	2,780,059,888	2,988,333,185	-7%
Total Value Distributed	30,116,248,688	26,819,370,352	12%
Economic Value Created			
Depreciation	901,836,850	824,136,260	9%
Amortisation	204,045,351	194,546,170	5%
Defined Cost Benefit - Net	65,564,273	52,379,272	25%
Retained Profit	888,801,738	(80,816,481)	1200%
Total Retained	2,060,248,212	990,245,222	108%

The Softlogic Way

(speed, simplicity and trust)

We want to be admired for empowering people – making their lives more fulfilling, and a good deal richer. These are the three pillars of the Softlogic Way which is the foundation of our culture.

Customer Centric - We are passionate about understanding customer needs, exceeding their expectations and earning their increasing loyalty.

Innovation Hungry - We promote a climate that fosters innovation and calculated risk-taking for development.

Ambitious and Competitive - We bring energy and passion to our work and set ourselves high standards. We measure our success compared to our competitors; not just to our plans.

The Healthcare cluster recognises the competence of their Human Capital as a crucial contributor to future progress and prosperity. It recognises that meeting the challenges relating to knowledge and skills demands investment in its employees and concentrates on building capacity to achieve service excellence, through a focus on learning.

Obtaining ISO 9001:2008 certification for the Human Resources Department has ensured and validated the Healthcare Group's internal processes and maintains HR processes at a level that brings a competitive edge and global recognition.

Extensive on-the-job training focuses on the value of experience; special on-the-job training is provided to beginners for a period of six to twelve months, depending on needs. In addition, the Learning Plan includes Technical Learning modules to which employees are nominated as appropriate. Asiri Group also place special emphasis on soft skills development. All this requires active and close guiding and coaching by supervisors. Asiri Group have a well-established Nurses' Training School which was initiated in 1986. 39 batches have passed out to date and a 45th was enrolled recently. Presently, over 170 student nurses work within the Group. Their three year Diploma Course covers clinical experience in all general wards and speciality units.

Asiri Hospital Holdings PLC possess the strongest and best-equipped chain of laboratories in Sri Lanka; Trainee Medical Laboratory Technicians



are subjected to three years of rigorous on-the-job training prior to becoming Junior MLTs.

At the beginning of each year, a carefully drafted training plan is put in place for training. In the last year, 378 training sessions were conducted, covering 13,435 man-days. Evaluations monitor the effectiveness of programmes and improve them further. As a healthcare provider, we understand it is our duty to provide medical, paramedical and nursing staff with education and training to improve their skills. Our focus is not only on staff retention and satisfaction, but on individual career development also.

Group support services will be backed by Oracle ERP. Oracle is a big name in software and its market-leading Enterprise Resource Planning (ERP) solutions which include Financials, Project Portfolio Management, Procurement, Human Resources, Governance, Risk and Compliance provide proven and trusted foundations for core business operations.

Stronger internal communication

We understand it is our responsibility to listen to our employees. Several communication channels are open to ensure staff can express themselves freely. These are well explained to new staff members during their orientation programmes. The climate at Softlogic promotes a culture of free speech. We hold one-to-one opinion-exchange sessions with senior staff during the quarterly evaluation process. This has provided a means of building trust and has given employees opportunities to ask questions and voice concerns directly and openly. Sectional leaders also inform employees about performance and developments in the Company and deliver key management messages as required.

Work-Life Balance

We believe that managers and employees share the responsibility to achieve a healthy blend of work, personal and family life for each employee.

Our employee support scheme – ‘Supporting education for a better tomorrow’-- covers many areas including reimbursement of membership fees, alternate working arrangements, employee assistance and counselling, and referrals to local service providers for family, financial and work issues. The Remuneration Committee paid special attention to staff welfare in providing educational sponsorships for employees and for children of the minor staff.

A number of social events were organised to strengthen unity in the growing Softlogic family.

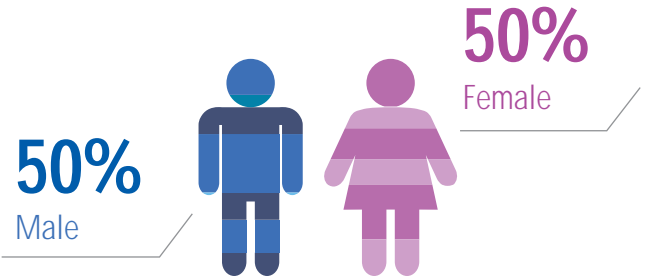
Group Diversity

Our diversity-oriented mindset is at the heart of our efforts to achieve workplace diversity. When people from diverse cultures, ages, gender, academic backgrounds and lifestyles contribute their ideas and perspectives, they generate more creativity and better solutions. We seek to make full use of the talents of female employees and continue advancing the employment of women, with many among our senior management too.

Total Group employment at 31 March 2014 was 6,667, including associate companies. Asiri Hospital Group continue to employ most of this number - over 50%. Women employed were roughly the same in number as men.



Employee Perspective:
“I joined Softlogic while completing my final exams at the Institute of Chartered Accountants of Sri Lanka. I received a friendly welcome, on-the-job training and a work schedule that was very accommodative to my intensive study schedule. Softlogic taught me a number of ways to be creative and contributing to my employer. There’s an atmosphere of inclusion, where everyone’s ideas are valued and respected.”



Human rights

Our commitments to human and labour rights are embedded within Softlogic's business code, where we set out specific behaviours and expectations from our employees. These relate to avoiding child or forced / compulsory labour, offering equal opportunities for promotion and advancement, respecting human rights and providing a workplace which is founded on mutual respect, is safe and secure and is free from harassment.

Employee Health & Safety

We have qualified health and safety professionals in every business to make sure our offices and showrooms are safe places to work and visit.

Independent professional inspections are conducted at regular intervals in our retail showrooms whilst health and safety regulations have been communicated to contract employees at our construction sites. We also provide free insurance packages to employees across the Group.

US

Strengthening our CSR activities

The spirit of contributing to society through our business has taken root in Softlogic's corporate culture. We understand that our prosperity is inextricably linked to the social condition of the communities we interact with regularly.

Customers & Products

Responsiveness and innovation in our markets will always be a cherished aspiration for us at Softlogic.

Community

Softlogic aspires to be a good corporate citizen, recognised in local communities in every province where it does business. We contribute in a variety of ways to support community events, with many of our employees actively participating as volunteers.

Healthy Living with Asiri

The BEAP Project

In association with the Foundation Supporting a National Trauma Service in Sri Lanka, Asiri Hospital Holdings PLC, as platinum sponsor for BEAP (the Batticaloa Teaching Hospital Emergency & Accident Project), will spend Rs.20 Mn on this worthy cause as a clear expression of its philanthropy. BEAP aims to empower doctors in Teaching Hospitals to improve healthcare services by giving them adequate medical resources, training and support to build the infrastructure they need. The long

term aim is to enhance the National Trauma Service from Karapitiya to Batticaloa and beyond.

Blood Donation Campaigns

A Blood Donation Campaign was organised by Asiri Hospital Holdings PLC on Poson Poya day (19th June 2013), at Asiri Surgical Hospital PLC. Over a hundred employees participated in this campaign.

Health Camps for the underprivileged- A Continuous effort

Asiri Hospitals conducted a number of free, regular Health Camps in collaboration with social organisations and the Military Forces in under-resourced locations in Jaffna, Kalutara, Welisara, Marawila, Galle, Kataragama and Anuradhapura.

In November 2013, Asiri Hospital Holdings PLC provided a sponsorship in vouchers for a medical camp organised for underprivileged senior citizens by the People's Church, Kotte.

Asiri believes attention towards senior citizens is critical, with the country's population ageing. To mark the 'International Day of Older Persons', a medical camp was organised by Asiri Hospital Matara at Sri Mahendrama Temple, Thalaramba, in October 2013. This camp treated

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With Smart Energy, it's time to change the future.

65% Energy Savings

99% Pure Air

SRI LANKA'S 1st



around 250 senior citizens, with Asiri's team of consultants offering their services free of charge.

In February 2013, Asiri Hospital Matara (Pvt) Ltd. also organised a Health Camp at Gunarathne Maha Vidyalaya, Palatuwa, which treated nearly 600 students. Central Hospital Ltd. conducted an eye camp at Mahabodhi Vidyalaya, Maradana, in October 2013. The school has around 500 students and the doctors were able to carry out preliminary eye examinations for some 120 students and teachers.

Free dental camps are also conducted regularly for teachers, students and the general public.

Asiri Hospital Matara (Pvt) Ltd. conducted a medical camp in association with the Lions Club of Matara for Samanera monks at Kootikagoda Rajamaha Viharaya in January 2014. Around 120 Samanera monks were treated at this camp. Kotikagoda Rajamaha Viharaya is the most significant temple in the region.

Medical Resource Donations

We donated medicines to Sahanaya, Colombo 8 – the National Council for Mental Health, in March 2014. Wheel chairs were donated to the Base Hospital, Puttalam, at the premises of Asiri Surgical Hospital PLC.

Hand Hygiene Campaign

In celebration of World Hand Hygiene Day 2014, a campaign was organised by Asiri Surgical Hospital PLC at Sujatha Balika Vidyalaya, Colombo 05. Nearly 400 students participated. Students were educated on the value of proper hand hygiene

Free heart surgeries for underprivileged children

Patients needing heart surgery are referred to us by the Lady Ridgeway Hospital, one of the biggest children's hospitals in South Asia. This arrangement has been in operation since 2011. We will continue this lifesaving project giving children from low income backgrounds a new lease of life. Parents of these children look up to us for free heart surgery as the only avenue for vital medical intervention. So far more than 41 surgeries have been completed.

Free laboratory testing for the needy

Asiri is the leading laboratory service provider in Sri Lanka. Free laboratory testing, MRIs and CT Scans were conducted for underprivileged patients referred by the Maharagama Cancer Hospital.

Community Welfare

School Certificate Project

The School Certificate Project within Asian Alliance PLC's CSR Program 'Contributing towards Moulding Future Professionals' continued its activity during the year. This project envisages nurturing and developing the potential of the new generation and helps schools and universities to present recognition to high achievers and encourage them to achieve even better grades. This project reached a milestone in March 2014, with the issue of a total of 91,400 certificates for 100 schools.

Other Donations

Asiri Hospital Matara made donations of stationery to some 115 students at MR/ Ruwanwella Primary School, Nawimana. The students in this school are from very low income families and hospital employees contribute towards this programme. The hospital will also donate a First -Aid Box and provide the medication needed throughout the year.

Abacus International Lanka (Pvt) Ltd. sustained its annual sponsorship for children in SOS Children's Villages in Sri Lanka for the fourth year.

Many individuals throughout the world who are blind or have severe visual impairment use the familiar white cane with a red band at the bottom. Abacus assisted the Society of Handicapped Woman's Ltd, Ragama with the commemoration of Intl white cane safety day commemoration by sponsoring lunch.



Our contribution to the physically challenged continued with Abacus contributing gifts for participants at the Annual General Meeting of the Past Pupil's Association, School for the Blind, Ratmalana.

IMPACT ON SURROUNDINGS

We believe we have a responsibility to the communities we work in. We are committed to supporting these communities and society in general. This commitment includes promoting sustainable development, encourage employee volunteering, opposing forced or child labour and contributing to a number of green and wildlife life projects.

Softlogic does more every year to be sustainable and demonstrate leadership in ways that matter to our stakeholders and the environment at large. As the diversification and globalised nature of our business progresses, peoples' expectations of our Group increase and the social responsibilities we must meet, grows. It is against this backdrop that we took initiatives in July 2013 to consolidate the CSR approaches of our six sectors.

Paper Recycling

Softlogic has been working to reduce its paper usage and switch to a more digitalised platform. One initiative has been the launch of retail website and changes in marketing approaches favouring digital methods over print media.

Our paper recycling effort was extended to the Finance and Healthcare Service sectors.

Staff were notified about these developments through press releases and internal news items, all carrying environmental tips. As a consequence, the employee suggestion box - an opportunity for employees to make environment- friendly proposals – was introduced.

A company cannot endure and develop without the growth of society as a whole. We seek to be a good corporate citizen, contributing to the realisation of a better society while pursuing sound and fair business practices. We employ our resources and develop our business to that purpose, seeking contributions that take community needs into consideration. Softlogic makes a special allocation from its profits to fund and provide for such causes.

Environmental Awareness Campaign

Wildlife and their habitat face a direct threat. The destruction of forests and the pollution of the environment have compelled wild animals to leave their natural habitats and wander into densely populated areas. This has resulted in animals being run over by vehicles and in animals invading villages.

Asian Alliance Insurance PLC put up a number of awareness- creation signs on the outskirts of the Yala Forest Reserve along the Yala - Buttala road. We, as an insurance company, seek not only to provide assurance to our customers but also to mother nature. Within a month, we had placed

The initiative has saved approximately:

80

fully grown Trees.



8,300

litres of Oil.



19,000

kwh of Electricity.



151,000

litres of Water.



14

cubic metres of Landfill.



Highlands of Sri Lanka. This special project was launched in cooperation with the Department of Wildlife Conservation to protect this World Heritage Site. Rs.3 Mn was allocated for the first phase of this project.

The bags were uniquely designed and depict some treasured sights of Sri Lanka. This encourages users to preserve them as a souvenir of their visit to World's End. The bags were of four different sizes.

Cattle Release

We launched a programme to free cattle intended for slaughter. As part of the programme, we handed the animals to low income families who use them to improve their living standards.

17 signs on the outskirts of the reserve. The prominent, large signs, in all three languages carry on luminous surfaces, slogans urging vehicles to "drive slow" and "be watchful".

Eco-friendly paper bags for "Horton Plains"

Asian Alliance Insurance PLC launched another nature-preserving project during the year, 'Protect your beautiful world', by providing free eco-friendly paper bags to tourists visiting "World's End" in the Central



“During the phase of partner selection, Softlogic was a corporate we were looking to work with, as innovation is synonymous with Ashok Pathirage and his companies”

Erande Ginige, Head of Business Development and Partnerships – The British Council in Sri Lanka

FUTURES’ – SOCIAL INNOVATION

WE ALWAYS THINK DIFFERENTLY

‘Innovation in any form is in Softlogic’s DNA’

At Softlogic, we focus on making every day better for people through our innovative business approaches. Softlogic believes in giving back to society in creating a better future every day, with brands and services that help people feel good, look good and get more out of life. We place emphasis on all our stakeholders; employees, customers and the community. When we fulfill our responsibilities to them, we believe our shareholders would benefit. The strategic focus at Softlogic has now been extended from prosperity over the next 5 years to meaningful continuation over the next century.

One big development during the year was ‘FUTURES – Social Innovation Forum’ in which we joined hands with the British Council in Sri Lanka as co-partners with Dialog Axiata PLC, Brandix, Horizon Campus and AMW,

to pioneer social innovation in Sri Lanka. FUTURES is a platform for social innovation which brings together the private sector, public sector, not-for-profit organisations, community groups and consumers and develops innovative ideas for products, services, business models and policies that address social priorities. The project aims to carve out spaces for sustainable living, long term.

The project is based on using partner businesses to create measurable social and environmental improvements, along with economic prosperity.

‘FUTURES’ Approach

- Involve multiple stakeholders from the private and public sectors, not-for-profit organisations, community groups and consumers.
- Build relationships through dialogue.
- Inspire creativity and innovation.
- Build futuristic scenarios and innovative solutions with actionable plans.

Learning Journey to the UK

A learning journey to the UK was arranged to meet key organisations and individuals who lead and work in the Social Innovation landscape. The 5-day programme provided a detailed understanding of the Social Innovation agenda in the UK and internationally.

Outcomes of the learning journey

1. An understanding of the UK policy and investment context in relation to social enterprise and social innovation.
2. Improved awareness of the social innovation cycle and of social innovation as understood and promoted in the UK context.





3. Perspectives on social innovation, sustainability and the social economy through the eyes of UK corporates, the Government and social enterprises.
4. An appreciation of how skills / knowledge gaps in leadership for social entrepreneurship and sustainable business can be addressed through education, training and workforce development.
5. Recommendations for business, Government and community groups in Sri Lanka to take back to the 'Futures – Social Innovation' forum in January/February 2014.

The Forum

The Social Innovation Forums brought together a pool of individuals representing various organisations with diverse backgrounds and different expertise, all with a vision of making business a force for good.

The social sectors in focus were:

- Education
- Health
- Water

The two-day programme, which was facilitated by experts from the UK and Sri Lanka, introduced a practical dimension to social innovation. It highlighted the importance of understanding social issues from multiple standpoints and generated new models of doing business. We also pledged commitment to build on these ideas to create social impact.

Project Outcome

- Partnerships on social issues.
- Futuristic scenarios and innovative, actionable solutions.
- An eco-system for social innovation.
- Increased understanding between Sri Lanka and the UK.

A prominent outcome of the programme was that we were able to develop opportunities for collaboration with other companies and organisations. This is essential in making long term, scalable social impacts in Sri Lanka. We are now working towards developing ideas that originated at the forum and developing new initiatives with partners.

Amidst currently pressing social issues, we foresee new pressures from an expanding population and an imbalance in income distribution. Solutions are as close as the limitless creativity and drive of the human spirit makes them.

Report of the Remuneration Committee

Remuneration Committee

The Remuneration Committee is delegated by the Board with the responsibility to establish, review and recommend the Board on the Company's remuneration policy and practices. The Committee ensures that all employees, Executive and Non-Executive Directors are appropriately remunerated in accordance with the Group's strategy as well as its long term and short term performance. The Remuneration Committee comprises solely of two Non-Executive Independent Directors whose names are set out below.

Name	Category
Mr. Prashantha Lal De Alwis, PC	Chairman
Desamanya P D Rodrigo*	Member

Committee Objective

The main purpose of the Remuneration Committee is to ensure the adoption of remuneration policies which aim to attract and retain top talent, whilst aligning with the Company's strategy and drive performance in the long and short term.

Committee Strategy

Softlogic Holdings PLC's remuneration policy is designed to attract, develop and retain passionate, committed and talented people who are required to effectively implement the overall Group strategy and create value for our shareholders.

The Remuneration strategy for executives is based on principles of retention of key & critical skills and to drive performance in alignment with shareholders' interests through attractive pay, short and long term incentives. A significant portion of executives' total potential remuneration is performance-related in order to drive the right behaviour to optimise company performance. Targets are set annually in the context of future prospects of the Group and the prevailing economic environment in which it operates.

Terms of Reference

- Approve the remuneration policy to be adopted at Softlogic Holdings PLC.
- The remuneration strategy considers the performance of the Company, the current industrial trends, employee experience, past performance and other relevant factors required for retention and motivation.
- Determine specific remuneration packages for Executive Directors and Senior Executives based on the above triggers.
- Consider and recommend to the Board the fees to be paid to NEDs for their services on the Board and its committees.
- Ensure that disclosure of Directors' remuneration is accurate, complete and transparent.
- Approve the design of short term incentive schemes, including determining targets and participation thresholds.
- Review and monitor progress in people management.
- Review of the terms of reference and activities of subsidiary companies and joint venture remuneration committees.

The Committee met twice during Financial Year ended 31 March 2014, with the Chairman of the Group who is also the Managing Director attending the Meetings by invitation. No Director of the Company is involved in determining his own remuneration including the Chairman/ Managing Director. The Committee Chairman reports back to the Board on the activities of the Committee. The minutes of the committee meetings are circulated to all Directors.

Activities during 2013/2014

- Reviewed and endorsed the revisions of the Remuneration Committee's terms of reference to incorporate the additional responsibilities in relation to remuneration matters of Softlogic subsidiaries including the recently incorporated ones.
- Determined and recommended to the Board, remuneration payable to Chairman/ Managing Director, Executive Directors and the senior management team.
- Recommended Financial Year 2013/2014 bonus and salary adjustments for the Group's employees following a quarterly and bi-annual appraisals together with a final annual performance evaluation.
- Emphasis placed on Health, Fire & Safety as well as environment & personal safety at work place.
- Employee Welfare was given additional attention by supporting the clerical employees' children's education whilst a number of social gathering were organised in attempt to bring together all employees across the Group.

The Remuneration Committee had sought and will seek relevant professional advice when necessary.

Committee's Mission statement for the upcoming year reads as follows:

- Develop a suitable Succession and Talent Management Plan.
- Constant monitoring of equality and diversity across the Group.

In conclusion, I wish to thank my colleague in the Committee, Desamanya P D Rodrigo, the Head of Group Human Capital, Natasha Fonseka and her team for their valuable contribution.



Prashantha Lal De Alwis, PC
Chairman
Remuneration Committee

30 June 2014

* Desamanya P D Rodrigo resigned from the Board with effect from 30 June 2014.

Audit Committee Report

The Audit Committee monitors the Company's financial reporting processes and systems of internal control over financial reporting, the independence and the performance of the independent auditors and the performance of the internal auditors. It also reviews, as an oversight responsibility to assist the Board of Directors, the risk management procedures in place and reports to the Board the adequacy or otherwise of the risk management function.

Three Independent Non-Executive Directors comprise the Audit Committee. Its members have expertise in either finance or law and have considerable experience in corporate governance. The composition of the Committee as at 31 March, 2014 was as follows:

Desamanya P D Rodrigo – Chairman

Dr. S Selliah

Mr. W M P L De Alwis, PC

The responsibilities of the Committee are set forth in the written Terms of Reference adopted by the Board of Directors. Meetings are held once a quarter to review the quarterly and annual financial statements before their consideration and approval by the Board and release to the market and shareholders. In between these quarterly meetings it meets to consider reports on internal control, compliance with laws and regulations, the findings of the internal audit and its performance, the efficacy of the risk management function and the independence and performance of the external auditors and any other special issue. During the year the Audit Committee met twelve [12] times. The Chief Financial Officer attends all meetings by invitation. The members of the Committee brief the Chairman/Managing Director of the discussions and findings whenever he is unable to be present at Audit Committee meetings and issues a report to the Board of Directors on matters requiring their consideration and action.

The annual financial statements are examined with the management and the external auditors along with the management letter on the audit, the engagement terms and the letter of representation requested by the auditors. At these meetings the auditors are given the opportunity to discuss in confidence with the members of the Audit Committee without the presence of any Executive Director, official or other person any contentious matter or audit finding which they have not included in any of their reports or other communications. Through this process the auditor's independence and audit effectiveness are strengthened.

From time to time a report on matters requiring the attention of the Board is issued through the Chairman/Managing Director of the Company.

The audit committee is responsible for monitoring and reviewing:

- the integrity of the financial statements, reasonableness of the assertions made by the management in preparing financial statements and the appropriateness of the accounting policies used;

- the effectiveness of the Group's internal control and risk management and of control over financial reporting;
- the Group's policies and practices concerning business conduct and ethics, including whistle blowing;
- the Group's overall approach to securing compliance with laws, regulations and Company policies in areas of risk;
- preparation, presentation and adequacy of disclosures in the financial statements, in accordance with Sri Lanka Accounting Standards;
- the Company's relationship with the external auditors, including their independence and management's response to external audit observations and recommendations; and
- for assessing the effectiveness of the procedures in place to examine on a regular basis the Company's ability to continue as a going concern in the foreseeable future.

The Audit Committee monitors the Company's financial reporting process and discusses and examines the annual financial statements of the Company and consolidated financial statements for the Group and the interim financial reports. It makes recommendations with respect to the approval of the annual financial statements and consolidated financial statements by the Board of Directors.

The Executive Risk Management Committee which has been established as an internal executive function is required to report to the Board of Directors the risks faced by the Company, the impact and likelihood of each risk and the risk management procedures in place. The adequacy or otherwise of this function is reported to the Board through the Chairman/Managing Director. The risks over financial reporting are reviewed by the Audit Committee.

The review of Internal Audit reports and the effectiveness of the Internal Audit function are the responsibility of the Audit Committee. During the year, a senior finance specialist was appointed as the Head of Risk and Audit. The latter responsibility was given priority during the year, to bring the internal audits up-to-date and address both internal control and operational issues impacting on profitability and reliability of financial statements.

The Audit Committee has proposed to the Board of Directors that the incumbent auditors, Ernst & Young, Chartered Accountants be recommended for re-appointment for the year ending 31 March 2015 at the upcoming Annual General Meeting.



Desamanya P D Rodrigo (resigned w.e.f 30 June 2014)

Chairman

Audit Committee

30 June, 2014

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

The Directors of Softlogic Holdings PLC have pleasure in presenting to the members their Annual Report together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2014.

General

Softlogic Holdings PLC is a public limited company which was incorporated under the Companies Act No. 17 of 1982 as a private limited company on 25 February 1998, re-registered under the Companies Act No. 07 of 2007 on 17 December 2007, converted to a public limited liability company on 10 December 2008, and listed on the Colombo Stock Exchange on 20 June 2011. The name of the Company was changed to Softlogic Holdings PLC on 25 August 2011.

Principal Activities

The principal activities of the Company are holding investments, providing management services and financial assistance to its subsidiaries. The principal activities of the subsidiary companies are Information and Communication technology, Automobiles, Retailing, Hoteliering and Leisure, providing Financial and Insurance services and Healthcare services. The Group operates through branches, offices and subsidiaries in Sri Lanka and overseas.

Future Developments

An indication of likely future developments is set out in the Chairman's Review on Pages 14 to 19. In the ordinary course of business the Group develops new products and services in each of its business segments.

Performance Review

The Financial Statements reflect the state of affairs of the Company and the Group. This report forms an integral part of the Annual Report of the Board of Directors.

Financial Statements

Section 168 (b) of the Companies Act require that the Annual Report of the Directors include financial statements of the Company, in accordance with Section 151 of the Act and Group financial statements for the accounting period, in accordance with section 152 of the Act. The requisite financial statements of the Company are given on Pages 104 to 196 of the Annual Report.

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 affairs. The Directors are of the view that these financial statements have

been prepared in conformity with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Financial Reporting Standards. A statement in this regard is given on Page 102.

Auditor's Report

The Auditor's Report on the financial statements is given on Page 103 of the Annual Report.

Significant Accounting Policies

The significant accounting policies adopted in the preparation of the financial statements are given on Pages 113 to 131 of the Annual Report. There was no change in the accounting policies adopted from the previous year except retirement benefit obligations.

Property, Plant & Equipment

The details and movement of property, plant and equipment during the year under review is set out in Note 14 to the Financial Statements on Pages 153 and 156.

Capital Expenditure

The total capital expenditure incurred on the acquisition of property, plant and equipment for the Company and the Group amounted to Rs.15 Mn (2013 – Rs.229 Mn) and Rs.3,505 Mn (2013 – Rs.2,270 Mn) respectively. Details of capital expenditure and their movements are given in Note 14 to the Financial Statements on Pages 153 to 154 of the Annual Report.

Reserves

The reserves for the Company and Group amounted to Rs.223 Mn (2013 – Rs.368 Mn) and Rs.1,713 Mn (2013 – Rs.2,199 Mn (re-stated)) respectively.

The movement and composition of the Capital and Revenue reserves is disclosed in the Statement of Changes in Equity.

Donations

During the year, donations made by the Company and Group amounted to Rs.0.10 Mn (2013 Rs.0.23 Mn) and Rs.4.7 Mn (2013 – Rs.14.17 Mn) respectively.

Stated capital

The stated capital of the Company as at 31 March 2014 was Rs.5,089,000,000.00. There was no change in the stated capital of the Company during the year under review.

Taxation

The information relating to income tax and deferred taxation is given in Note 09 to the Financial Statements.

Dividends

The Directors declared an interim dividend of Rs.0.155 per share for the year under review which was paid on 31 October 2013.

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 either duly paid or appropriately provided for in the Financial Statements.

Events after the date of the Statement of Financial Position

No circumstances have arisen and no material events have occurred after the date of Statement of Financial Position, which would require adjustments to, or disclosure in the accounts other than those disclosed in Note 46 to the Financial Statements.

Directorate

The following Directors held Office during the year under review. The biographical details of the Board members are set out on Pages 22 and 23.

Mr. A K Pathirage (Chairman / Managing Director)

Mr. G W D H U Gunawardena

Mr. R J Perera

Mr. H K Kaimal

Mr. M P R Rassool

Dr. S Selliah

Desamanya P D Rodrigo (resigned w.e.f. 30th June 2014)

Mr. W M P L De Alwis, PC

Mr. G L H Premarathne (appointed w.e.f. 20th February 2014)

Mr. R A Ebell (appointed w.e.f. 20th March 2014)

Retirement and Re-election of Directors

In terms of Article 87 of the Articles of Association of the Company, Messrs. G W D H U Gunawardena, M P R Rassool and W M P L De Alwis, PC retire by rotation and being eligible offer themselves for re-election.

In terms of Article 94 of the Articles of Association of the Company, Messrs. G L H Premarathne and R A Ebell retire and being eligible offer themselves for re-election.

Directors' Shareholding

Directors' interest in the shares of the Company as at 31 March 2014 were as follows.

Name of Director	No. of Shares
Mr. A K Pathirage	350,810,096
Mr. G W D H U Gunawardena	57,527,300
Mr. R J Perera	60,836,700
Mr. H K Kaimal	64,870,800
Mr. M P R Rassool	-
Dr. S Selliah	2,000,000
Desamanya P D Rodrigo	-
Mr. W M P L De Alwis, PC	-
Mr. G L H Premarathne	-
Mr. R A Ebell	-

Directors' Remuneration

Directors' remuneration in respect of the Company for the financial year ended 31 March 2014 was Rs.37 Mn (2013 – 30 Mn). The remuneration of the Directors is determined by the Board.

Directors' interests in contracts and proposed contracts with the Company

Directors' interests in contracts, both direct and indirect are referred to in Note 41 to the Financial Statements. The Directors have no direct or indirect interest in any other contract or proposed contract with the Company.

Interests Register

The Interests Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have disclosed their interests pursuant to Section 192(2) of the said Act.

Shareholders' Information

The distribution of shareholders is indicated on Page 197 of the Annual Report. There were 15,557 registered shareholders as at 31 March 2014 (31 March 2013 – 17,233).

Share Information

Information on share trading is given on Page 198 of the Annual Report.

Internal Control

The Directors are responsible for the governance of the Company including the establishment and maintenance of the Company's system of internal control. Internal control systems are designed to meet the particular needs of the organisation concerned and the risk to which it

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

is exposed and by their nature can provide reasonable, but not absolute assurance against material misstatement or loss. The Directors are satisfied that a strong control environment is prevalent within the Company and that the internal control systems referred to above are effective.

Risk Management

The Group's risk management objectives and policies and the exposure to risks, are set out in Page 78 of the Annual Report.

Corporate Governance

The report on Corporate Governance is given on Pages 66 to 76 of the Annual Report.

The Auditors

The Board Audit Committee reviews the appointment of the external auditors, as well as their relationship with the Group, including monitoring the Group's use of the auditors for non-audit services and the balance of audit and non-audit fees paid to the auditors.

The Auditors of the Company, Messrs Ernst & Young, Chartered Accountants were paid Rs.1.5 Mn as audit fees for the financial year ended 31 March 2014 (2013 – Rs.1.4 Mn) by the Company. Details of which are given in Note 08 to the Financial Statements.

As far as the Directors are aware, the Auditors do not have any relationship (other than that of an auditor) with the Company that would have an impact on their independence. The Auditors also do not have any interest in the Company.

Having reviewed the independence and effectiveness of the external auditors, the Audit Committee has recommended to the Board that the existing auditors, Messrs Ernst & Young, Chartered Accountants be reappointed. Ernst & Young have expressed their willingness to continue in office and ordinary resolution reappointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming AGM.

Going Concern

The Directors having assessed the environment within which it operates, the Board is satisfied that the Company and the Group have adequate resources to continue its operations in the foreseeable future. Therefore, the Directors have adopted the going-concern basis in preparing the financial statements.

Annual General Meeting

The Annual General Meeting of the Company will be held at the "Committee Room C" of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Friday 12th day of September 2014 at 3.00 p.m. The Notice of the Annual General Meeting is on Page 202 of the Annual Report.

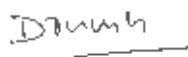
For and on behalf of the Board



A K Pathirage
Chairman / Managing Director



H K Kaimal
Director



SOFTLOGIC CORPORATE SERVICES (PVT) LTD.
Secretaries

31 July 2014
Colombo

Financial Calendar

Financial Year End - 31 March 2014

Announcement of Quarterly Financial Performance

1st Quarter	–	15 August 2013
2nd Quarter	–	18 November 2013
3rd Quarter	–	17 February 2014
4th Quarter	–	2 June 2014
Notice of Annual General Meeting	–	31 July 2014
Annual General Meeting	–	12 September 2014

Statement of Directors' Responsibilities

The responsibilities of the Directors, in relation to the financial statements of the Company differ from the responsibilities of the Auditors, which are set out in the Report of the Auditors on Page 103.

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

The Directors consider that, in preparing financial statements set out on Pages 104 to 196 of the Annual Report, appropriate accounting policies have been selected and applied in a consistent manner and supported by reasonable and prudent judgments and estimates, and that all applicable accounting standards have been followed. The Directors confirm that they have justified in adopting the going concern basis in preparing the financial statements since adequate resources are available to continue operations in the foreseeable future.

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

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

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

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

Compliance Report

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

For and on behalf of the Board of

SOFTLOGIC HOLDINGS PLC



SOFTLOGIC CORPORATE SERVICES (PVT) LTD

Secretaries

31 July 2014

Colombo

Independent Auditors' Report



Ernst & Young
Chartered Accountants
201 De Saram Place
P.O. Box 101
Colombo 10
Sri Lanka

Tel : +94 11 2463500
Fax Gen : +94 11 2697369
Tax : +94 11 5578180
eyst@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF SOFTLOGIC HOLDINGS PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Softlogic Holdings PLC ("Company"), the consolidated financial statements of the Company and its subsidiaries which comprise the statements of financial position as at 31 March 2014, and the income statements, statements of comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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 policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2014 and its financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) and Sections 153(2) to 153(7) of the Companies Act No. 7 of 2007.

31 July 2014
Colombo

Partners: A.P.R. Talawake FCA FCMA, M.P.L. Goonetilleke FCA FCMA, H.N. de Saram ACA FCMA, M.S. N.A. Jayasinghe FCA, M.V.A. De Silva FCA, W.P.H. Fernando FCA FCMA, M.R.S.P. Fernando FCA FCMA, M.K.K. Fernando FCA, A.P.A. Gunasekera FCA FCMA, A. Herath FCA, D.R. Hulanayaka FCA FCMA, L.H. Jayasinghe FCA FCMA, M.A. Jayasinghe FCA FCMA, M.C.G.S. Manjulajaya FCA, H.M. Suluman ACA FCMA, S.P. Jayasinghe ACA FCMA

A member firm of Ernst & Young Global Limited

Income Statement

In Rs.	Note	GROUP		COMPANY	
		2014	2013 Restated	2014	2013
For the Year ended 31 March					
Revenue	3	29,208,497,751	25,360,636,147	355,554,590	280,764,425
Cost of sales		(19,201,422,085)	(17,151,165,011)	(90,424,044)	(75,078,810)
Gross profit		10,007,075,666	8,209,471,136	265,130,546	205,685,615
Dividend income	4	-	-	403,985,123	358,107,954
Other operating income	5	497,258,384	470,329,043	94,532,167	403,611,206
Distribution expenses		(1,511,521,978)	(1,323,911,846)	-	-
Administrative expenses		(6,374,080,924)	(5,055,938,607)	(221,702,118)	(164,234,107)
Results from operating activities		2,618,731,148	2,299,949,726	541,945,718	803,170,668
Finance income	6	1,194,912,822	825,455,974	355,897,046	258,592,980
Finance cost	7	(2,660,026,602)	(2,754,633,185)	(980,482,527)	(709,435,645)
Net finance cost		(1,465,113,780)	(1,929,177,211)	(624,585,481)	(450,842,665)
Change in fair value of investment property		91,100,500	61,309,000	60,300,500	-
Share of profit of equity accounted investees		13,280,969	20,823,707	-	-
Profit/ (loss) before tax		1,257,998,837	452,905,222	(22,339,263)	352,328,003
Tax expense	9	(249,163,813)	(300,021,703)	(1,195,889)	(438,875)
Profit/ (loss) for the year		1,008,835,024	152,883,519	(23,535,152)	351,889,128
Attributable to:					
Equity holders of the parent		155,863,629	(371,429,492)		
Non-controlling interest		852,971,395	524,313,011		
		1,008,835,024	152,883,519		
Earnings / (loss) per share					
Basic	10	0.20	(0.48)		
Dividend per share	11	0.15	0.30		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 113 to 196 form an integral part of these financial statements.

Statement of Comprehensive Income

In Rs.	GROUP		COMPANY	
For the Year ended 31 March	2014	2013 Restated	2014	2013
Profit/ (loss) for the year	1,008,835,024	152,883,519	(23,535,152)	351,889,128
Other comprehensive income				
Currency translation of foreign operations	18,526,748	2,448,866	-	-
Revaluation of land and buildings	313,990,550	1,678,021,953	-	-
Net (loss) / gain on available-for-sale financial assets	(59,626,107)	391,267,941	2,749,371	(445,568,213)
Net change in fair value on derivative financial instruments	(30,540,342)	-	-	-
Actuarial gains/ (loss) on retirement benefits	931,713	11,077,024	(3,531,852)	(4,099,225)
Share of other comprehensive income of equity accounted investments	(85,252)	-	-	-
Tax on other comprehensive income	(15,421,880)	(158,599,976)	-	-
Other comprehensive income/(loss) for the year, net of tax	227,775,430	1,924,215,808	(782,481)	(449,667,438)
Total comprehensive income/(loss) for the year, net of tax	1,236,610,454	2,077,099,327	(24,317,633)	(97,778,310)
Attributable to:				
Equity holders of the parent	220,149,619	557,323,935		
Non-controlling interest	1,016,460,835	1,519,775,392		
	1,236,610,454	2,077,099,327		

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 113 to 196 form an integral part of these financial statements.

Statement of Financial Position

In Rs.	Note	GROUP			COMPANY	
As at 31 March		2014	2013 Restated	As at 1 April 2012 Restated	2014	2013
ASSETS						
Non-current assets						
Property, plant and equipment	14	17,538,277,279	14,608,652,574	11,523,290,511	150,325,511	138,556,963
Lease rentals paid in advance	15	153,312,184	154,349,111	155,386,044	-	-
Investment property	16	2,266,146,000	2,175,045,500	2,113,736,500	394,000,000	333,699,500
Intangible assets	17	7,731,412,573	7,630,830,620	7,722,865,351	5,341,896	-
Investments in subsidiaries	18	-	-	-	9,007,349,757	8,269,143,002
Investments in associates	18.1	24,746,404	43,064,248	45,532,088	11,000,000	861,989,404
Other non-current financial assets	19	6,166,907,714	5,163,842,564	3,297,702,829	57,797,564	226,330,874
Rental receivable on lease assets and hire purchase	20.1	3,738,692,476	4,331,618,014	3,847,171,008	-	-
Other non-current assets	21	142,966,541	79,828,109	10,180,780	-	-
Deferred tax assets	22	307,629,785	230,672,828	308,909,689	-	-
		38,070,090,956	34,417,903,568	29,024,774,800	9,625,814,728	9,829,719,743
Current assets						
Inventories	23	5,109,353,850	3,705,323,096	3,480,157,673	-	-
Trade and other receivables	24	5,095,125,317	4,249,519,653	3,322,927,905	167,169,840	103,346,900
Loans and advances	25	2,077,038,702	1,912,559,756	1,238,745,833	-	-
Rental receivable on lease assets and hire purchase	20.2	4,616,673,501	2,920,926,811	2,203,841,473	-	-
Amounts due from related parties	41.1	778,460	94,382,414	12,090,059	2,453,097,064	901,045,992
Other current assets	26	2,773,900,450	1,668,241,448	1,077,168,339	31,136,264	14,800,718
Short term investments	27	6,358,330,664	3,544,438,862	3,370,166,940	1,643,996,055	512,099,401
Cash in hand and at bank		1,762,101,994	1,323,124,987	914,190,659	279,766,916	104,332,677
		27,793,302,938	19,418,517,027	15,619,288,881	4,575,166,139	1,635,625,688
Total assets		65,863,393,894	53,836,420,595	44,644,063,681	14,200,980,867	11,465,345,431
EQUITY AND LIABILITIES						
Equity attributable to equity holders of the parent						
Stated capital	28	5,089,000,000	5,089,000,000	5,089,000,000	5,089,000,000	5,089,000,000
Revenue reserves		628,907,044	675,126,490	1,226,690,591	222,998,017	370,810,021
Other components of equity	29	1,083,932,574	1,523,939,034	826,145,633	-	(2,749,371)
		6,801,839,618	7,288,065,524	7,141,836,224	5,311,998,017	5,457,060,650
Non-controlling interest		6,548,905,153	6,280,065,130	4,102,984,302	-	-
Total equity		13,350,744,771	13,568,130,654	11,244,820,526	5,311,998,017	5,457,060,650

In Rs.	Note	GROUP			COMPANY	
As at 31 March		2014	2013 Restated	As at 1 April 2012 Restated	2014	2013
Non-current liabilities						
Insurance contract liabilities	30	4,184,923,357	3,218,377,437	2,425,624,160	-	-
Interest bearing borrowings	31	12,999,848,935	9,555,794,761	8,504,187,538	2,448,181,474	1,747,689,927
Public deposits	32	1,885,402,009	1,217,018,340	460,334,147	-	-
Deferred tax liabilities	33	332,324,498	366,359,147	247,057,034	-	-
Employee benefit liabilities	34	444,467,274	378,903,001	325,659,737	30,083,785	21,435,500
Other deferred liabilities	35	64,557,961	126,204,783	88,726,008	-	-
Other non-current financial liabilities	36	6,260,352	1,812,828,000	-	-	906,414,000
		19,917,784,386	16,675,485,469	12,051,588,624	2,478,265,259	2,675,539,427
Current liabilities						
Trade and other payables	37	5,751,656,617	3,902,114,722	2,592,691,003	14,569,828	15,072,075
Amounts due to related parties	41.2	19,508,602	22,020,839	33,591,371	946,657,314	1,295,466,270
Income tax liabilities	38	174,142,951	234,890,927	249,661,002	-	-
Short term borrowings	39	11,822,115,977	7,710,575,994	7,043,140,484	3,920,810,772	947,436,147
Current portion of interest bearing borrowings	31	4,144,437,836	2,846,653,852	5,379,714,177	1,455,262,816	613,856,649
Other current liabilities	40	712,784,846	212,537,393	192,569,748	18,028,769	24,340,845
Public deposits	32	7,418,343,338	5,739,932,707	4,001,515,979	-	-
Bank overdrafts		2,551,874,570	2,924,078,038	1,854,770,767	55,388,092	436,573,368
		32,594,864,737	23,592,804,472	21,347,654,531	6,410,717,591	3,332,745,354
Total equity and liabilities		65,863,393,894	53,836,420,595	44,644,063,681	14,200,980,867	11,465,345,431

I certify that the financial statements comply with the requirements of the Companies Act No. 7 of 2007.



Group Chief Financial Officer

The Board of directors is responsible for the preparation and presentation of these financial statements. Signed for and on behalf of the Board by.



Director



Director

The accounting policies and notes as set out in pages 113 to 196 form an integral part of these financial statements.

31 July 2014
Colombo

Statement of Changes in Equity

GROUP

In Rs.	Attributable to equity holders of parent			
	Stated capital	Treasury shares	Revaluation reserve	Exchange translation reserves
As at 01 April 2012 - as previously stated	5,089,000,000	-	705,136,747	(96,334,476)
Prior year adjustment (Note 43)	-	-	-	-
As at 01 April 2012 - restated	5,089,000,000	-	705,136,747	(96,334,476)
Profit/(loss) for the year	-	-	-	-
Other comprehensive income	-	-	632,187,146	2,448,866
Total comprehensive income/(loss)	-	-	632,187,146	2,448,866
Direct cost on issue of shares	-	-	-	-
Transfer to reserve fund	-	-	-	-
Allocation for Life Solvency	-	-	-	-
Treasury shares purchased during the year	-	(47,753,697)	-	-
Acquisitions, disposals and changes in holding	-	-	-	-
Dividend paid	-	-	-	-
Subsidiary dividend to minority shareholders	-	-	-	-
As at 31 March 2013 - restated	5,089,000,000	(47,753,697)	1,337,323,893	(93,885,610)
Profit for the year	-	-	-	-
Other comprehensive income	-	-	124,450,980	18,526,748
Total comprehensive income	-	-	124,450,980	18,526,748
Direct cost on issue of shares	-	-	-	-
Transfer to reserve fund	-	-	-	-
Treasury shares purchased during the year	-	(8,167,488)	-	-
Acquisitions, disposals and changes in holding	-	-	-	-
Dividend paid	-	-	-	-
Subsidiary dividend to minority shareholders	-	-	-	-
As at 31 March 2014	5,089,000,000	(55,921,185)	1,461,774,873	(75,358,862)

COMPANY

In Rs.	Stated capital	Available for sale reserve	Revenue reserve	Total
As at 01 April 2012	5,089,000,000	442,818,842	256,720,118	5,788,538,960
Profit for the year	-	-	351,889,128	351,889,128
Other comprehensive income	-	(445,568,213)	(4,099,225)	(449,667,438)
Total comprehensive income / (loss)	-	(445,568,213)	347,789,903	(97,778,310)
Dividend paid	-	-	(233,700,000)	(233,700,000)
As at 31 March 2013	5,089,000,000	(2,749,371)	370,810,021	5,457,060,650
Loss for the year	-	-	(23,535,152)	(23,535,152)
Other comprehensive income	-	2,749,371	(3,531,852)	(782,481)
Total comprehensive income / (loss)	-	2,749,371	(27,067,004)	(24,317,633)
Dividend paid	-	-	(120,745,000)	(120,745,000)
As at 31 March 2014	5,089,000,000	-	222,998,017	5,311,998,017

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 113 to 196 form an integral part of these financial statements.

Available for sale reserve	Attributable to equity holders of parent				Total	Non-controlling interest	Total equity
	Statutory reserve fund	Other reserve	Revenue reserve				
(38,507,190)	255,850,552	-	1,287,030,750	7,202,176,383	4,110,003,320	11,312,179,703	
-	-	-	(60,340,159)	(60,340,159)	(7,019,018)	(67,359,177)	
(38,507,190)	255,850,552	-	1,226,690,591	7,141,836,224	4,102,984,302	11,244,820,526	
-	-	-	(371,429,492)	(371,429,492)	524,313,011	152,883,519	
278,971,048	-	-	15,146,367	928,753,427	995,462,381	1,924,215,808	
278,971,048	-	-	(356,283,125)	557,323,935	1,519,775,392	2,077,099,327	
-	-	-	(53,054,220)	(53,054,220)	(30,926,896)	(83,981,116)	
-	56,940,038	-	(56,940,038)	-	-	-	
-	(225,000,000)	-	225,000,000	-	-	-	
-	-	-	-	(47,753,697)	-	(47,753,697)	
-	-	-	(76,586,718)	(76,586,718)	1,125,345,430	1,048,758,712	
-	-	-	(233,700,000)	(233,700,000)	-	(233,700,000)	
-	-	-	-	-	(437,113,098)	(437,113,098)	
240,463,858	87,790,590	-	675,126,490	7,288,065,524	6,280,065,130	13,568,130,654	
-	-	-	155,863,629	155,863,629	852,971,395	1,008,835,024	
(63,890,355)	-	-	(14,801,383)	64,285,990	163,489,440	227,775,430	
(63,890,355)	-	-	141,062,246	220,149,619	1,016,460,835	1,236,610,454	
-	-	-	(5,871,054)	(5,871,054)	-	(5,871,054)	
-	61,377,352	-	(61,377,352)	-	-	-	
-	-	-	-	(8,167,488)	-	(8,167,488)	
-	-	(572,303,697)	-	(572,303,697)	(134,030,648)	(706,334,345)	
-	-	-	(120,033,286)	(120,033,286)	-	(120,033,286)	
-	-	-	-	-	(613,590,164)	(613,590,164)	
176,573,503	149,167,942	(572,303,697)	628,907,044	6,801,839,618	6,548,905,153	13,350,744,771	

Statement of Cash Flows

In Rs.	GROUP		COMPANY	
For the Year ended 31 March	2014	2013 Restated	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	1,257,998,837	452,905,222	(22,339,263)	352,328,003
Adjustments for:				
Finance income	(1,194,912,822)	(825,455,974)	(354,457,046)	(258,592,980)
Dividend income	-	-	(403,985,123)	(358,107,954)
Finance cost	2,660,026,602	2,754,633,185	980,482,527	709,435,645
Change in fair value of investment property	(91,100,500)	(61,309,000)	(60,300,500)	-
Share of results of associates	(13,280,969)	(20,823,707)	-	-
Gratuity provision and related costs	105,555,003	92,919,147	6,319,025	4,408,781
Provision for impairment of receivables	34,210,138	(1,037,876)	4,577,366	11,601,478
Provision for impairment of inventories	49,765,780	-	-	-
Depreciation of property, plant and equipment	901,836,851	824,136,261	25,452,041	25,785,838
Profit on sale of property, plant and equipment	(34,808,911)	(85,286,164)	(16,622,339)	(60,320,550)
Profit on sale of short term investments	(222,795,432)	(102,635,673)	(56,984,480)	(337,263,068)
Profit on disposal of subsidiary	-	(16,476,268)	-	-
Unrealised (gain)/ loss on foreign exchange	25,855,552	(21,520,441)	-	-
Amortisation/ impairment of Intangible assets	204,045,351	194,546,170	2,221,133	-
Amortisation of prepaid lease rentals	1,036,927	1,036,933	-	-
Provision for put option liability	6,260,352	-	-	-
Increase / (decrease) in deferred income	(61,646,822)	37,478,775	-	-
Impairment & derecognition of property, plant & equipment	29,691,599	487,826	-	-
Profit before working capital changes	3,657,737,536	3,223,598,416	104,363,341	89,275,192
(Increase) / decrease in inventories	(1,453,796,534)	(225,165,421)	-	-
(Increase) / decrease in trade and other receivable	(860,489,097)	(829,605,355)	(68,400,306)	(37,588,735)
(Increase) / decrease in loans and advances	(818,798,373)	(598,297,098)	-	-
(Increase) / decrease in investments in lease and hire purchase	(1,102,821,152)	(1,191,437,131)	-	-
(Increase) / decrease in other current assets	(1,105,659,002)	(660,411,236)	(3,221,346)	10,033
(Increase) / decrease in amount due from related parties	93,603,954	(82,292,355)	(1,951,918,164)	266,505,459
Increase / (decrease) in trade and other payables	1,876,437,387	1,277,027,515	(502,247)	5,045,179
Increase / (decrease) in amount due to related parties	(2,512,237)	(11,570,532)	(348,808,956)	1,009,314,590
Increase / (decrease) in other current liabilities	500,247,453	39,890,727	(6,312,073)	11,393,738
Increase / (decrease) in public deposits	2,346,794,300	2,495,100,921	-	-
Increase / (decrease) in Insurance provision	966,545,920	792,753,277	-	-
Cash generated from / (used in) operations	4,097,290,155	4,229,591,728	(2,274,799,751)	1,343,955,456
Finance income received	770,592,161	580,502,165	352,968,194	249,188,454
Finance expenses paid	(2,650,623,018)	(2,733,010,156)	(965,397,880)	(679,308,570)
Dividend received	27,000,000	19,800,000	403,985,123	360,652,382
Tax paid	(429,862,142)	(290,725,490)	(14,310,092)	(2,228,444)
Gratuity (paid) / transfer in	(38,898,992)	(29,462,851)	(1,335,500)	(760,780)
Net cash flow from / (used in) operating activities	1,775,498,164	1,776,695,396	(2,498,889,906)	1,271,498,498

In Rs.	GROUP		COMPANY	
For the Year ended 31 March	2014	2013 Restated	2014	2013
CASH FLOWS FROM / (USED IN) INVESTING ACTIVITIES				
Purchase and construction of property, plant and equipment	(3,459,164,705)	(2,258,470,611)	(14,782,876)	(17,003,802)
Addition to investment property	-	-	-	(207,999,500)
Addition to intangible assets	(305,007,400)	(8,381,405)	(7,563,029)	-
(Increase)/ decrease in other non current assets	(63,138,432)	(69,647,329)	-	-
(Purchase) / disposal of short term investments (net)	469,049,446	263,108,427	507,968,637	(184,490,600)
Dividends received	146,289,554	145,007,524	-	-
(Purchase) / disposal of other non current financial assets	(1,989,235,451)	(1,603,699,653)	36,324,001	448,739,245
Increase in interest in associate	-	-	-	(14,788,004)
Increase in interest in subsidiaries	-	-	(326,688,191)	(2,867,480,797)
Acquisition of associate	-	(1,250,000)	-	(1,250,000)
Acquisition of business, net of cash acquired (A)	-	(183,980,447)	-	-
Disposal of subsidiary (B)	-	28,899,922	-	-
Proceeds from sale of property, plant and equipment	91,402,882	129,297,796	24,095,340	68,332,566
Net cash flow from / (used in) investing activities	(5,109,804,106)	(3,559,115,776)	219,353,882	(2,775,940,892)
CASH FLOWS FROM / (USED IN) FINANCING ACTIVITIES				
Dividend paid to non controlling interest	(613,590,164)	(437,113,099)	-	-
Proceeds from shareholders with non-controlling interest, on issue of rights in subsidiaries	-	495,836,726	-	-
Proceeds from long term borrowings	7,546,880,910	6,615,163,253	2,000,000,000	1,980,633,593
(Increase) / decrease of controlling interest	(2,529,972,054)	650,407,082	-	-
Repayment of long term borrowings	(3,554,156,028)	(7,527,608,082)	(492,003,416)	(1,963,673,329)
Proceeds from / (repayment of) short term borrowings (net)	4,643,339,981	86,371,304	2,973,374,625	672,082,659
Proceeds from other borrowings	-	1,812,828,000	-	904,414,000
Direct cost on issue of shares	(5,871,054)	(83,981,116)	-	-
Unamortisation of debenture issue expense/ loan processing fee	(20,136,995)	-	(11,094,231)	-
Dividend paid to equity holders of parent	(120,033,286)	(233,700,000)	(120,745,000)	(233,700,000)
Net cash flow from financing activities	5,346,461,310	1,378,204,068	4,349,531,978	1,359,756,923
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	2,012,155,368	(404,216,312)	2,069,995,954	(144,685,471)
CASH AND CASH EQUIVALENTS AT THE BEGINNING	(312,393,037)	91,876,892	(332,240,691)	(187,555,220)
Effect of exchange rate changes	276,196	(53,617)	-	-
CASH AND CASH EQUIVALENTS AT THE END	1,700,038,527	(312,393,037)	1,737,755,263	(332,240,691)
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Favourable balances				
Cash in hand and at Bank	1,762,101,994	1,323,124,987	279,766,916	104,332,677
Short term investments	2,489,811,103	1,288,560,014	1,513,376,439	-
Unfavourable balances				
Bank overdrafts	(2,551,874,570)	(2,924,078,038)	(55,388,092)	(436,573,368)
Cash and cash equivalents	1,700,038,527	(312,393,037)	1,737,755,263	(332,240,691)

Figures in brackets indicate deductions.

The accounting policies and notes as set out in pages 113 to 196 form an integral part of these financial statements.

Statement of Cash Flows

A. ACQUISITION OF SUBSIDIARIES

Softlogic Capital PLC, which is a 54.15% owned subsidiary of Softlogic Holding PLC acquired 100% stake in Softlogic Stockbrokers (Pvt) Ltd. (previously known as Arrenga Capital (Pvt) Ltd.) as at 01 April 2012.

The acquisition had the following effect on the Groups' assets and liabilities.

In Rs.	GROUP	
For the Year ended 31 March	2014	2013
Acquisition of Softlogic Stockbrokers (Pvt) Ltd. [previously known as Arrenga Capital (Pvt) Ltd.]		
Property, plant and equipment	-	12,912,457
Intangible assets	-	27,775,137
Deposits with Colombo Stock Exchange	-	3,500,000
Trade and other receivables	-	55,663,157
Prepayments	-	183,940
Cash and bank balance	-	18,619,495
Deferred tax liability	-	(785,210)
Retirement benefit obligation	-	(876,799)
Trade and other payables	-	(34,919,284)
Income tax payable	-	(908,860)
Bank overdraft	-	(2,899,942)
Net identifiable assets and liabilities	-	78,264,091
Non-controlling interest holding	-	(35,884,653)
Goodwill/ (negative goodwill) acquired/ loss on disposal	-	65,756,665
	-	108,136,103
Investment by non controlling interest	-	91,563,896
	-	199,699,999
Total purchase price paid		
Cash consideration	-	199,699,999
Cash at bank and in hand acquired	-	(15,719,552)
	-	183,980,447

B. DISPOSAL OF SUBSIDIARIES

Softlogic Credit Ltd, which is a 48.3% owned subsidiary of Softlogic Holdings PLC via investment under Softlogic Capital PLC, was disposed on 31 December 2012.

In Rs.	GROUP	
For the Year ended 31 March	2014	2013
Disposal of Softlogic Credit Ltd		
Trade and other receivables	-	28,198,830
Short term investments	-	21,304,624
Cash and bank balance	-	74,738,117
Trade and other payables	-	(19,400)
Income tax payable	-	(2,002,897)
Net identifiable assets and liabilities	-	122,219,274
Share of net assets disposed	-	59,113,792
Non-controlling interest investment reversal	-	21,299,629
Goodwill disposed	-	6,748,350
Gain on disposal	-	16,476,268
Cash consideration received on disposal of non current investments	-	103,638,039
Cash at bank and in hand disposed	-	(74,738,117)
Net cash inflow on disposal of non current investments	-	28,899,922

Notes to the Financial Statements

1.1 Corporate Information

Reporting entity

Softlogic Holdings PLC is a public limited liability company incorporated and domiciled in Sri Lanka and listed on the Colombo Stock Exchange. The registered office and principal place of business of the company is located at No. 14, De Fonseka Place, Colombo 5.

Softlogic Holdings PLC became the holding company of the group during the financial year ended 31 March 2003.

Consolidated financial statements

The financial statements for the year ended 31 March 2014, comprise "the Company" referring to Softlogic Holdings PLC as the holding Company and "the Group" refers to the companies whose accounts have been consolidated therein.

Approval of financial statements

The Financial statements for the year ended 31 March 2014 were authorised for issue by the directors on 31 July 2014.

Principal activities and nature of operations

Holding Company

Softlogic Holdings PLC, the Group's holding company, manages a portfolio of holdings consisting of a range of diverse business operations, which together constitute the Softlogic Group, and provide function based services to its subsidiaries and associates.

Subsidiaries and associates

The business activities of the companies within the Group are information and communication technology, automobiles, retailing, hoteliering, providing financial services, providing healthcare services, providing insurance services, stock brokering and providing management consultancy and financial advisory services.

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

Responsibility for financial statements

The responsibility of the Directors in relation to the financial statements is set out in the "Statement of Directors' Responsibilities" report in the Annual Report.

1.2 General Policies

Statement of compliance

The Statement of Income, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the Statement of Cash Flows, together with the accounting policies and notes (the "financial statements") have been prepared in accordance with Sri Lanka Accounting Standards (herein referred to as SLFRSs/LKASs) and the requirements of the Companies Act No. 7 of 2007.

1.3 Basis of Preparation

Basis of measurement

The financial statements have been prepared on an accrual basis and under the historical cost convention except for investment properties, land and buildings, fair value through profit or loss financial assets and available-for-sale financial assets and derivative financial instruments that have been measured at fair value.

Presentation and functional currency

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.) the Group's functional and presentation currency, which is the primary economic environment in which the Holding Company operates. Each entity in the Group uses the currency of the primary economic environment in which they operate as their functional currency except the entities incorporated outside Sri Lanka.

Going concern

The Directors have assessed, and are confident that the company will be able to continue in operation for the foreseeable future. In addition, the Directors are not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Accordingly, these financial statements have been prepared on a going concern basis.

Significant accounting judgments, estimates and assumptions

The preparation of Group's consolidated and company financial statements in conformity with SLFRSs/LKASs, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses and the disclosure of contingent liabilities, at the reporting

date. However, uncertainty about these assumptions and estimates could result in outcomes that require material adjustments to the carrying amounts of the asset or liability affected in future periods.

The judgments, estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments, estimates and assumptions about the carrying amount of assets, liabilities and contingent liabilities that are not readily apparent from other sources.

The judgments, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or the future periods if the revision affects both current and future periods.

Judgments, estimates and assumptions made by management in the application of SLFRSs/LKASs which could have a significant effect on the financial statements are mentioned below.

	Policy	Note
Valuation of property, plant & equipment	1.7.1	14
Valuation of investment property	1.7.3	16
Valuation of intangible assets	1.7.4	17
Deferred tax	1.5	22, 33
Impairment of assets	1.7.1, 1.7.4, 1.7.5	14, 17, 18, 19, 20
Insurance provision	1.7.12 & 1.7.13	30
Valuation of retirement benefit obligation	1.7.10	34
Other non current financial liabilities	1.7.6	36
Provisions, contingent assets & contingent liabilities	1.7.14	44

Changes in accounting policies

The accounting policies set out below have been applied consistently for all periods presented in the financial statements of the Group and the Company except for the followings.

With the adoption of revised LKAS 19 – Employee Benefits, actuarial gains and losses arising are charged or credited to

other comprehensive income statement in the period in which they arise. This was previously recognised in the income statement. Revised standard requires recognition of actuarial gain or loss in full, in the year of occurrence in the statement of Other Comprehensive Income (OCI). Accordingly, the Group has changed its policy retrospectively, to recognise actuarial gain/ (loss) in OCI. The change in this accounting policy did not have any impact on the statement of cash flow and there is no significant impact on the Group's basic EPS.

Comparative information

The presentation and classification of the financial statements of the previous years have been amended, as appropriate for better presentation and to be compared with those of the current year.

Events after the date of Statement of Financial Position

All material events after the date of Statement of Financial Position have been considered and appropriate adjustments or disclosures have been made in the respective notes to the financial statements.

1.4 Consolidation Policy

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2014. The financial statements of the subsidiaries are prepared in compliance with the Group's accounting policies unless otherwise stated.

All intra-Group balances, income and expenses, unrealised gains and losses resulting from intra-Group transactions and dividends are eliminated in full.

Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the parent holds more than 50% of the voting rights or otherwise has a controlling interest.

Subsidiaries are fully consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, which is twelve months ending 31 March, using consistent accounting policies.

With effect from 1 April 2012 the basis of consolidation will include the following changes:

- (i) Losses within a subsidiary are attributed to the non-controlling interest even if those results are in a deficit balance.
- (ii) Change in the ownership interest of a subsidiary and without a loss of control, is accounted as an equity transaction.
- (iii) on the day Group loses control over a subsidiary, if:
 - Derecognises the assets (including goodwill) and liabilities of the subsidiary;
 - Derecognises the carrying amount of any non-controlling interest;
 - Derecognises the cumulative translation differences recorded in equity;
 - Recognises the fair value of the consideration received;
 - Recognises the fair value of any investment retained;
 - Recognises any surplus or deficit in the income statement; and
 - Reclassified the parent's share of components which was previously recognised in other comprehensive income to the income statement or retained earnings, as appropriate.

Subsidiaries consolidated have been listed in note 18.

The following subsidiary has been incorporated outside Sri Lanka:

Name of the Company	Country of Incorporation
Softlogic Australia (Pty) Ltd.	Australia

The total profits and losses for the year of the Company and of its subsidiaries included in the consolidation are shown in the consolidated Income Statement and Statement of Comprehensive Income and all assets and liabilities of the Company and of its subsidiaries included in consolidation are shown in the Statement of Financial Position.

Non-controlling interest which represents the portion of profit or loss and net assets not held by the Group, are shown as a component of profit for the year in the consolidated Income Statement and Statement of Comprehensive Income and as a component of equity in the consolidated Statement of Financial Position, separately from parent's shareholders' equity.

The consolidated Statement of Cash Flow includes the cash flows of the Company and its subsidiaries.

Associates

Associates are those investments over which the Group has significant influence and holds 20% to 50% of the equity and which are neither subsidiaries nor joint ventures of the Group. The Group's investments in its associates are accounted for using the equity method and use of the equity method of accounting is discontinued on the date from which, it no longer has significant influence over the associate.

Associate companies of the Group which have been accounted for under the equity method of accounting are:

Name of the Company	Country of Incorporation
Abacus International Lanka (Pvt) Ltd.	Sri Lanka
Nextage (Pvt) Ltd.	Sri Lanka
Gerry's Softlogic (Pvt) Ltd.	Pakistan

The investments in associates are carried in the Statement of Financial Position at cost plus post acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of results of equity accounted investees' in the Income Statement and Statement of Other Comprehensive Income.

The Income Statement reflects the share of the results of operations of the associates. If any changes, are recognised directly in the Statement of Changes in Equity of the associate, the Group recognises its share and discloses this, when applicable in the Consolidated Statement of Changes in Equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The Group's share of profit of an associate is shown on the face of the Income Statement and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The Group ceases to recognise further losses when the Group's share of losses of an associate equals or exceeds the interest of the undertaking, unless it has incurred obligations or made payments on behalf of the entity.

The accounting policies of associate companies conform to those used for similar transactions of the Group.

Equity method of accounting has been applied for associate financial statements using their corresponding/matching twelve month financial period. In the case of associates, where the reporting dates are different to the Group reporting dates, adjustments are made for any significant transactions or events up to 31 March.

Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal is recognised in the Income Statement.

Business combinations & goodwill

Acquisitions of subsidiaries are accounted for using the acquisition method of accounting.

The Group measures goodwill at the acquisition date as the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

When the fair value of the consideration transferred including the recognised amount of any non-controlling interests in the

acquiree is lower than the fair value of net assets acquired, a gain is recognised immediately in the Income Statement.

The Group elects on a transaction by transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets, at the acquisition date. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, the fair value of the acquirer's previously held equity interest in the acquiree is remeasured to the fair value at the acquisition date through the Income Statement.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration which is deemed to be an asset or liability, which is a financial instrument and within the scope of LKAS 39, is measured at fair value with changes in fair value either in the Income Statement or as a change to the Statement of Other Comprehensive Income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of LKAS 39, it is measured in accordance with the appropriate SLFRS/LKAS.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if the events or changes in the circumstances indicate that the carrying value may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill

relates. Where the recoverable amount of the cash generating unit is less than the carrying amount, an impairment loss is recognised. The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Where goodwill forms part of a cash generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Foreign currency translation

Foreign currency transactions and balances

The consolidated financial statements are presented in Sri Lanka Rupees (Rs.), which is the holding company's functional and presentation currency.

The functional currency is the currency of the primary economic environment in which the entities of the Group operate.

All foreign exchange transactions are converted to functional currency, at the rates of exchange prevailing at the time the transactions are effected.

Monetary assets and liabilities denominated in foreign currency are retranslated to functional currency equivalents at the spot exchange rate prevailing at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. The gain or loss arising on translation of non-monetary items is recognised in line with the gain or loss of the item that gave rise to the translation difference.

Foreign exchange forward contracts are fair valued at each reporting date. Gains and losses arising from changes in fair value are included in the Income Statement in the period in which they arise.

Foreign operations

The Statement of Financial Position and Income Statement of overseas subsidiaries associates which are deemed to be foreign operations are translated to Sri Lanka Rupees (Rs.) at the rate of exchange prevailing as at the reporting date and at the average annual rate of exchange for the period respectively.

The exchange differences arising on the translation are taken directly to the Statement of Other Comprehensive Income. On disposal of a foreign entity, the deferred cumulative amount recognised in the Statement of Other Comprehensive Income relating to that particular foreign operation is recognised in the Income Statement.

The Group treated goodwill and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition as assets and liabilities of the parent. Therefore, those assets and liabilities are non-monetary items already expressed in the functional currency of the parent and no further translation differences occur.

The exchange rates applicable during the period were as follows:

	Statement of Financial Position		Income Statement (Avg. Rate)	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
US Dollar	130.73	126.74	128.79	127.37
Australian Dollar	120.90	132.01	121.51	132.69
Pakistan Rupee	1.33	1.28	1.31	1.35

1.5 Taxation

Current Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the Income Statement.

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

Deferred Tax

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

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- Where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
- deferred income tax assets are recognised 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 tax losses can be utilised except:
 - where the deferred income tax asset relating to the deductible temporary difference arises from

the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

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

Deferred tax relating to items recognised outside the Income Statement is recognised outside the Income Statement. Deferred tax relating to items recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivable and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Tax on dividend income

Tax on dividend income from subsidiaries is recognised as an expense in the Consolidated Income Statement.

1.6 Summary of Significant Accounting Policies

The presentation and classification of the financial statements of the previous period have been amended, where relevant, for better presentation and to be comparable with those of the current period.

These accounting policies have been applied consistently by Group entities.

1.6.1 Income Statement

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, and the revenue and associated costs incurred or to be incurred can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and value added taxes, after eliminating sales within the Group.

The following specific criterias are used for the revenue recognition:

Sale of goods

Revenue from the sale of goods is recognised when the significant risk and rewards of ownership of the goods are passed to the buyer retaining neither a continuing managerial involvement to the degree usually associated with ownership, nor an effective control over the goods sold.

Rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent that the expenses incurred are eligible to be recovered.

Income from leases, hire purchases, loans and advance

The accounting for income from leases, hire purchases, loans and advance is recognised using the Effective Interest Rate (EIR) which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR.

The unearned income is recognised over the facility commencing on the month on which the facility is executed in proportion to the declining receivable balance.

However, accrual of income from lease ceases when the account is overdue for more than six months.

Income from hiring rental income and operating leases

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

Overdue charges

Overdue charges of leasing/hire purchase have been accounted for on cash received basis.

Real estate sales

Profit on real estate sales represents the excess of sales value over the cost of the properties sold and is recognised on an accrual basis.

Life insurance business - gross premiums

Gross recurring premiums on life insurance are recognised as revenue when receivable from the policyholder.

Gross general insurance written premiums comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy commences.

Life insurance business - reinsurance premiums

Gross reinsurance premiums on life insurance and investment contracts are recognised as an expense when the date on which the policy is effective.

Gross general reinsurance premiums written comprise the total premiums payable for the whole cover provided by contracts entered into the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the Statement of Financial Position date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses occurring contracts.

Life insurance business - unearned premium reserve

Unearned premium reserve represents the portion of the premium written in the year but relating to the unexpired term of coverage. Unearned premiums are calculated on the 365 basis except for marine policies which is computed on a 60-40 basis.

Dividend

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

Consultancy and professional service income

Recognise as income in the period in which entitlement to the consideration arises.

Finance income

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the re-measurement to fair value of any pre-existing interest in an acquiree that are recognised in Income Statement.

Interest income or expense is recorded as it accrues using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income of the Income Statement.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

Gains and losses

Net gains and losses of a revenue nature arising from the disposal of property, plant and equipment and other non current assets, including investments, are accounted for in the Income Statement, after deducting from the proceeds on disposal, the carrying amount of such assets and the related selling expenses.

Gains and losses arising from activities incidental to the main revenue generating activities and those arising from a group of similar transactions, which are not material are aggregated, reported and presented on a net basis.

Other income

Other income is recognised on an accrual basis.

Turnover based taxes

Turnover based taxes include Value Added Tax, Economic Service Charge, Nation Building Tax, Turnover Tax and Tourism Development Levy.

Companies in the Group pay such taxes in accordance with the respective statutes.

1.6.2. Expenditure recognition

Expenses are recognised in the Income Statement on the basis of a direct association between the cost incurred and the earning of specific items of income. All expenditure incurred in the running of the business and in maintaining the property, plant and equipment in a state of efficiency has been charged to the Income Statement.

For the purpose of presentation of the Income Statement, the "function of expenses" method has been adopted, on the basis that it presents fairly the elements of the Company and Group's performance.

Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, losses on disposal of available-for-sale financial assets, fair value losses on financial

assets at fair value through profit or loss, impairment losses recognised on financial assets (other than trade receivables) that are recognised in the Income Statement.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

1.7 Valuation of Assets and Their Bases of Measurement

1.7.1. Property, plant and equipment

Basis of recognition

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

Basis of measurement

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment loss. Such cost includes the cost of replacing component parts of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the Income Statement as incurred.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment charged subsequent to the date of the revaluation. Where land and buildings are subsequently revalued, the entire class of such assets is revalued at fair value with in a short period and provide the revaluations are kept up to date. The Group has adopted a policy of revaluing land and buildings by professional valuers at least every 3 years.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Any revaluation surplus is recognised in the Statement of Other Comprehensive Income and accumulated in equity in the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the Income Statement, in which case the increase is recognised in the income statement. A revaluation deficit is recognised in the Income Statement, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

An item of property, plant and equipment are derecognised upon replacement, disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

Depreciation

Provision for depreciation is calculated by using a straight-line method 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 economic life of such assets.

The estimated useful life of assets is as follows:

Assets	Years
Buildings	40-50
Plant & machinery	4-10
Furniture & fittings	5-10
Laboratory equipment	10
Equipment	2-10
Motor vehicles	4-8

The useful lives and residual values of assets are reviewed, and adjusted if required, at the end of each financial year end.

Capital work in progress

Capital work in progress consists of cost of assets, labour and other direct costs associated with property, plant and equipment being constructed by the group. Once the assets become operational, the related costs are transferred from construction in progress to the appropriate asset category and are depreciated together with the related asset.

1.7.2. Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 April 2011, the date of inception is deemed to be 1 April 2011 in accordance with the SLFRS 1.

Group as a lessee

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

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating lease payments are recognised as an operating expense in the Income Statement on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same

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

The cost of improvements to buildings on leasehold land is capitalised, disclosed as leasehold improvements, and depreciated over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

Lease rentals paid in advance

Prepaid lease rentals paid to acquire land use rights are amortised over the lease term in accordance with the pattern of benefits provided.

Details of the pre-paid lease rentals are given in note 15 to the financial statements.

1.7.3. Investment properties

Properties held to earn rental income and properties held for capital appreciation has been classified as investment property.

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day-to-day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the Income Statement in the year in which they arise. Fair values are evaluated at frequent intervals by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on de-recognition or disposal are recognised in the Income Statement in the year of de-recognition or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property or inventory (WIP), the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts

for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

1.7.4. Intangible assets

Basis of recognition

An intangible asset is recognised if it is probable that future economic benefits associated with the asset will flow to the Company and the cost of the asset can be reliably measured.

Basis of measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised, and expenditure is charged against Income Statement in the year in which the expenditure is incurred.

Useful economic lives, amortisation and impairment

The useful lives of intangible assets are assessed as either finite or infinite lives. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end and such changes are treated as accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement.

Intangible assets with infinite useful lives are not amortised but tested for impairment annually, or more frequently when an indication of impairment exists either individually or at the cash-generating unit level. The useful life of an intangible

asset with an infinite life is reviewed annually to determine whether infinite life assessment continues to be supportable. If not, the change in the useful life assessment from infinite to finite is made on a prospective basis.

Lease rights

Lease rights acquired as part of a business combination, are capitalised if it meets the definition of an intangible asset and the recognition criteria are satisfied. Leased rights are amortised on a straight-line basis over their estimated useful life.

Present value of acquired in-force business (PVIB)

The present value of future profits on a portfolio of long term life insurance contracts as at the acquisition date is recognised as an intangible asset based on a valuation carried out by an independent actuary. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

The PVIB is amortised over the average useful life of the related contracts in the portfolio. The amortisation charge and any impairment losses would be recognised in the consolidated Income Statement as an expense.

Software

Purchased software

Purchased software is recognised as an intangible asset and is amortised on a straight line basis over its useful life.

Software license

Software license costs are recognised as an intangible asset and amortised over the period of the related license.

Brand Name

Brands acquired as part of a business combination, are capitalised as part of the Brand names, if the Brand meets the definition of an intangible assets and are tested for impairment, annually or more frequently if the events or changes in the circumstances indicate that the carrying value may be impaired.

Customer list

The present value of the interest income anticipated deriving from repeat customer list of the leasing and hire purchase portfolios as at the acquisition date is recognised

Notes to the Financial Statements

as an intangible asset based on a valuation carried out by an independent valuer. Subsequent to initial recognition, the intangible asset is carried at cost less accumulated amortisation and accumulated impairment losses.

Customer list recognised at the acquisition date will be amortised over the period interest income is anticipated to derive from repeat customers and reviewed annually for any impairment in value.

A summary of the policies applied to the group's intangible assets are as follows:

Intangible	Useful Life	Acquired/ Internally generated	Impairment testing
Goodwill	Infinite	Acquired	annually or when an indication of impairment exists
Lease Rights	25-88 years	Acquired	when an indication of impairment exists
Purchased Software	3-5 years	Acquired	when an indication of impairment arise
Present value of acquired in-force business (PVIB)	16 years	Acquired	when an indication of impairment exists
Brand Name	Infinite	Acquired	annually or when an indication of impairment exists
Customer List	5 years	Acquired	when an indication of impairment exists

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Income Statement when the asset is derecognised.

receivables, quoted and unquoted financial instruments and derivative financial instruments.

1.7.5. Financial instruments – initial recognition and subsequent measurement

Financial assets

Initial recognition and measurement

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with changes in fair value recognised in finance income or finance costs in the Income Statement.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Income Statement. The losses arising from impairment are recognised in the Income Statement in finance costs.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment.

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

Available-for-sale financial investments

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

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is reclassified to

the Income Statement in finance costs and removed from the available-for-sale reserve. Interest income on available-for-sale debt securities is calculated using the effective interest method and is recognised in the Income Statement.

The Group evaluates its available-for-sale financial assets to determine whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the Income Statement over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the EIR. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Income Statement.

Derecognition

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

- the rights to receive cash flows from the asset have expired
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either
 - (a) the Group has transferred substantially all the risks and rewards of the asset, or
 - (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of

the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Group's continuing involvement in it.

In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

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

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Income Statement. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Income Statement.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account.

If a future write-off is later recovered, the recovery is credited to finance costs in the Income Statement.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost.

'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement is removed from the Statement of

Other Comprehensive Income and recognised in the Income Statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairments are recognised directly in the Statement of Other Comprehensive Income.

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

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income.

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Income Statement, the impairment loss is reversed through the Income Statement.

1.7.6. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, carried at amortised cost. This includes directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

Derecognition

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

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the Income Statement.

Investment sold together with a deep in the money put option are not derecognised from the Statement of Financial Position as the Group retains substantially all of the risks and rewards of ownership. The corresponding cash received is recognised in the consolidated Statement of Financial Position as an asset with a corresponding obligation to return it, including accrued interest as a financial liability, reflecting the transaction's economic substance as a loan to the Group. The difference between the sale and put option exercise price is treated as

interest expense and is accrued over the life of agreement using the EIR.

Offsetting of financial instruments

Offsetting of financial instruments, financial assets and financial liabilities are offset and the net amount reported in the consolidated Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

The fair values of financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using mathematical models such as using recent arm's length market transaction; reference to the current fair value of another instrument that is substantially the same discounted cash flow techniques; or other valuation models (such as binomial options pricing model). The inputs to these models are derived from observable market data where possible, but if this is not available, judgments is required to establish fair values. The judgments include considerations of liquidity and model inputs such as volatility and discount rates.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 13.

1.7.7. Derivative financial instruments

Initial recognition and subsequent measurement

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. Derivatives are categorized as trading unless they are designated as hedging instruments. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

All derivatives are initially recognized and subsequently measured at fair value, with all revaluation gains recognized in the Income Statement (except where cash flow or net investment hedging has been achieved, in which case the effective portion of changes in fair value is recognized within Other Comprehensive Income).

Derivative financial instruments and hedging activities

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates hedges of foreign currency and interest rate risk associated with foreign currency liability as cash flow hedges. Hedge accounting is used for derivatives designated in this way provided certain criteria are met. The group documents at the inception of the transaction the relationship between hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The Fair values of various derivative instruments used for hedging purposes are disclosed in note 31. Movements on the hedging reserve on Other Comprehensive Income Statement (OCI) are shown in the same note. The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Cash flow hedge

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

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

When the forecast transaction is no longer to expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

1.7.8. Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

The costs incurred in bringing inventories to its present location and condition, are accounted for as follows:

- Finished goods - direct materials, direct labour and an appropriate proportion of fixed overheads based on normal operating capacity
- Other inventories - at actual cost

1.7.9. Cash and cash equivalents

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

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

1.7.10. Defined benefit plan - gratuity

The liability recognised in the Statement of Financial Position is the present value of the defined benefit obligation at the reporting date using the projected unit credit method. Any actuarial gains or losses arising are recognised immediately in Other Comprehensive Income.

However, as per the payment of Gratuity Act No. 12 of 1983 this liability only arises upon completion of 5 years of continued service.

The gratuity liability is not externally funded.

1.7.11. Defined contribution plan - 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 companies contribute the defined percentages of gross emoluments of employees to an approved Employees' Provident Fund and to

the Employees' Trust Fund respectively, which are externally funded.

1.7.12. Insurance contract liabilities - Life

Life insurance liabilities are recognised when contracts are entered into and premiums are received. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected gross premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Company. Adjustments to the liabilities at each reporting date are recorded in the Statement of Comprehensive Income. Profits originated from margins of adverse deviations on run-off contracts are recognised in the Statement of Comprehensive Income over the life of the contract, whereas losses are fully recognised in the Statement of Comprehensive Income during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF (Present Value Interest Factor) and DAC (Deferred Acquisition Costs), by using an existing liability adequacy test. The Liability value is adjusted to the extent that it is insufficient to meet future benefits and expenses. Any inadequacy is recorded in the Statement of Comprehensive Income, initially by impairing PVIF and DAC and, subsequently, by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. The assumptions do not include a margin for adverse deviation.

1.7.13. Insurance contract liabilities – Non Life

Non-life insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities, known as the policy liability provisions include the

premium and claim liabilities. The premium liabilities relate to policies for which the premium has been received but the exposure has not fully expired, while the claim liabilities relate to claims that have been incurred but not yet settled.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

The claim liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the Statement of Financial Position date, whether reported or not, with a reduction for the expected value of salvage and other recoveries.

Delays can be experienced in the notification and settlement of claims, therefore, the ultimate cost of these cannot be known with certainty at the Statement of Financial Position date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

The calculation may use current estimates of future contractual cash flows to determine the investment return expected to arise on assets relating to the relevant non-life insurance technical provisions.

1.7.14. Provisions, contingent assets and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, 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. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where

discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

All contingent liabilities are disclosed as a note to the financial statements unless the outflow of resources is remote. A contingent liability recognised in a business combination is initially measured at its fair value.

Subsequently, it is measured at the higher of:

- the amount that would be recognised in accordance with the general guidance for provisions above (LKAS 37) or
- the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with the guidance for revenue recognition (LKAS 18).

Contingent assets are disclosed, where inflow of economic benefit is probable.

1.8 Segment Information

Operating segments

The Group's internal organisation and management is structured based on individual products and services which are similar in nature and process and where the risk and return are similar. The operating segments represent this business structure.

Segment information

Segment information has been prepared in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group.

2 Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective

The following SLFRS have been issued by the Institute of Chartered Accountants of Sri Lanka that have an effective date in the future and have not been applied in preparing these financial statements. Those SLFRS will have an effect on the accounting policies currently adopted by the Group and may have an impact on the future financial statements.

SLFRS 9 - Financial Instruments: Classification and Measurement

SLFRS 9, as issued reflects the first phase of work on replacement of LKAS 39 and applies to classification and measurement of financial assets and liabilities.

This standard was originally effective for annual periods commencing on or after 01 January 2015. However the effective date has been deferred subsequently and the revised effective date is yet to be announced.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. This standard will be effective for annual periods beginning on or after 01 January 2014.

However use of fair value measurement principles contained in this standard are currently recommended.

In addition to the above, following standards will also be effective for annual periods commencing on or after 01 January 2014.

SLFRS 10 - Consolidated Financial Statements

SLFRS 11 - Joint Arrangements

SLFRS 12 - Disclosure of Interests in Other Entities

The above parcel of three standards will impact the recognition, measurement and disclosures aspects currently contained in LKAS 27 - Consolidated and separate financial statements, LKAS 28 - Investments in associates, LKAS 31 - Interest in joint ventures and SIC -12 and SIC - 13 which are on consolidation of special purpose entities (SPEs) and jointly controlled entities respectively.

Establishing a single control model that applies to all entities including Special Purpose Entities and removal of the option to proportionate consolidate jointly controlled entities are the significant changes introduced under SLFRS 10 and SLFRS 11 respectively.

SLFRS 12, establishes a single standard on disclosures related to interests in other entities. This incorporates new disclosures as well as disclosures currently required under LKAS 27, LKAS 28 and LKAS 31. Based on the preliminary analysis performed, the above Standards on adoption are not expected to have any material impact on the financial statements.

Notes to the Financial Statements

3 Revenue

In Rs. For the Year ended 31 March	GROUP		COMPANY	
	2014	2013	2014	2013
Sale of goods	13,404,473,971	12,262,254,869	-	-
Rendering of services	15,804,023,780	13,098,381,278	355,554,590	280,764,425
	29,208,497,751	25,360,636,147	355,554,590	280,764,425

3.1 Business segment analysis

In Rs. For the Year ended 31 March	GROUP	
	2014	2013
Information Technology	5,982,330,875	6,283,801,851
Leisure	91,747,256	54,859,311
Retail	7,500,770,026	5,647,127,727
Automobile	423,571,341	704,659,865
Financial Services	7,457,509,687	5,681,242,856
Healthcare Services	7,685,800,066	6,927,408,454
Others	66,768,500	61,536,083
	29,208,497,751	25,360,636,147

4 Dividend Income

In Rs. For the Year ended 31 March	GROUP		COMPANY	
	2014	2013	2014	2013
Income from investment in related parties	-	-	403,985,123	358,107,954
	-	-	403,985,123	358,107,954

5 Other Operating Income

In Rs. For the Year ended 31 March	GROUP		COMPANY	
	2014	2013	2014	2013
Profit on sale of property, plant & equipment	34,808,911	85,286,164	16,622,339	60,320,550
Profit on disposal of investments	222,795,432	102,635,673	56,984,480	337,263,069
Exchange gain / (loss)	(64,914,308)	79,812,851	-	-
Fees received	101,809,356	56,390,639	-	-
Commission income	42,404,017	4,849,374	15,472,224	-
Sundry income	160,354,976	141,354,342	5,453,124	6,027,587
	497,258,384	470,329,043	94,532,167	403,611,206

6 Finance Income

In Rs. For the Year ended 31 March	GROUP		COMPANY	
	2014	2013	2014	2013
Interest income	654,420,002	566,353,601	353,712,620	249,150,879
Finance income on other financial instruments	540,492,820	259,102,373	2,184,426	9,442,101
	1,194,912,822	825,455,974	355,897,046	258,592,980

7 Finance Cost

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Interest expense on borrowings	2,347,217,455	2,485,635,614	885,700,435	709,435,645
Finance cost on other financial instruments	212,068,316	116,451,135	88,027,397	-
Other finance expenses	100,740,831	152,546,436	6,754,695	-
	2,660,026,602	2,754,633,185	980,482,527	709,435,645

8 Profit/(Loss) Before Tax

Profit/(loss) before tax is stated after charging all expenses including the following:

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Remuneration to executive directors	166,034,817	158,515,138	31,800,000	24,831,384
Remuneration to non executive directors	8,162,500	7,480,200	5,460,000	5,460,000
Auditors' remuneration				
- Audit	16,739,223	15,313,488	1,628,901	1,422,000
- Non audit	4,987,593	4,596,929	176,901	1,694,319
Cost of defined employee benefit				
- Defined benefit plan cost	105,555,003	92,919,147	6,319,025	4,408,781
- Defined contribution plan cost - EPF/ETF	385,202,893	272,544,160	21,225,823	10,058,911
Staff expenses	3,065,956,858	2,626,308,959	141,837,978	82,127,466
Depreciation of property, plant and equipment	901,836,851	824,136,261	25,452,041	25,785,838
Amortisation/impairment of intangible assets	204,045,351	194,546,170	2,221,133	-
Amortisation of lease rentals paid in advance	1,036,927	1,036,933	-	-
Exchange losses/ (gains)	64,914,308	(79,812,851)	-	-
Donations	4,717,296	14,168,909	107,500	237,400
Provisions for impairment of receivables	34,210,138	(1,037,876)	4,577,366	11,601,478
Provisions for impairment of inventories	49,765,780	-	-	-
Impairment and derecognition of property, plant and equipment	29,691,599	487,826	-	-

9 Tax Expense

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Current income tax				
Current tax charge	336,526,604	216,278,049	1,195,889	438,875
Under provision of current tax of previous years	17,018,719	9,328,787	-	-
10% Withholding tax on inter company dividends	20,106,273	24,696,270	-	-
ESC Written-off	1,949,573	1,408,826	-	-
Deferred income tax				
Relating to origination and reversal of temporary differences	(126,437,356)	48,309,771	-	-
	249,163,813	300,021,703	1,195,889	438,875

Notes to the Financial Statements

9.1 Reconciliation between tax expense and the product of accounting profit

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Profit/ (loss) before tax	1,257,998,837	452,905,222	(22,339,263)	352,328,003
Dividend income from group companies	1,191,449,827	817,369,292	-	-
Exempt profits	(698,473,529)	(837,461,361)	(56,984,480)	(337,538,069)
Deductible expenses	(742,172,003)	(940,210,574)	(61,534,177)	(131,414,945)
Non deductible expenses	996,560,942	750,797,569	92,911,146	142,032,512
Profits not charged to income tax	(358,210,653)	(464,062,331)	(84,238,083)	-
Resident dividend	(1,337,739,381)	(962,376,816)	(403,985,123)	(358,107,954)
Other consolidation adjustments	384,653,543	2,036,975,489	-	-
	694,067,583	853,936,490	(536,169,980)	(332,700,453)
Other source of income	358,210,653	464,062,331	6,570,818	2,608,326
Total Statutory Income	1,052,278,236	1,317,998,821	6,570,818	2,608,326
Set off against tax losses	(305,695,503)	(111,725,510)	(2,299,786)	(912,914)
Other reductions	(4,569,249)	(11,512,786)	-	(128,000)
Accounting profit chargeable to income tax	742,013,484	1,194,760,525	4,271,032	1,567,412
Tax effect on chargeable profits	383,222,879	172,867,532	1,839,829	438,875
Tax effect on non deductible expenses	160,965,349	210,223,319	-	-
Tax effect on deductible expenses	(212,199,054)	(171,554,349)	(643,940)	-
Net tax effect on unrecognised deferred tax assets for the year	(73,259,819)	87,607,634	-	-
Net tax effect on unrecognised deferred tax assets for the prior years	(53,177,537)	(39,297,863)	-	-
Under/ (over) provision for previous years	17,018,719	9,328,787	-	-
Other income based taxes				
ESC	1,949,573	1,408,826	-	-
10% WHT on inter company dividends	20,106,273	24,696,270	-	-
Current and deferred tax share of equity accounted investees	4,537,430	4,741,547	-	-
Total income tax expense	249,163,813	300,021,703	1,195,889	438,875
Income tax charged at				
Standard rate - 28%	250,461,453	150,090,325	1,195,889	438,875
Concessionary rate of 12%	81,527,721	61,446,177	-	-
Under/ (over) provision for previous year	17,018,719	9,328,787	-	-
Charge for the year	349,007,893	220,865,289	1,195,889	438,875
Deferred tax charge	(126,437,356)	48,309,771	-	-
Other income based taxes				
ESC	1,949,573	1,408,826	-	-
10% WHT on inter company dividends	20,106,273	24,696,270	-	-
Current and deferred tax share of equity accounted investees	4,537,430	4,741,547	-	-
Total income tax expense	249,163,813	300,021,703	1,195,889	438,875

Group tax expense is based on the taxable profit of individual companies within the group. At present the tax laws of Sri Lanka do not provide for Group taxation

9.2 Deferred tax charge / (release)

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Income statement				
Deferred tax expense arising from;				
Accelerated depreciation for tax purposes	49,858,092	98,406,659	-	-
Revaluation of investment property to fair value	(5,433,565)	10,552,832	-	-
Employee benefit liabilities	(14,177,521)	(5,240,023)	-	-
Benefit arising from tax losses	(123,427,648)	(39,553,194)	-	-
Others	(33,256,714)	(15,856,503)	-	-
	(126,437,356)	48,309,771	-	-
Other comprehensive income				
Deferred tax expense arising from revaluation of land and building to fair value	13,614,458	156,081,827	-	-
Deferred tax expense arising from actuarial gains/ (loss) on retirement benefits	1,831,292	2,518,148	-	-
Share of associate company deferred tax	(23,870)	-	-	-
	15,421,880	158,599,975	-	-

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for Leisure group companies & Healthcare sector companies and at rates as disclosed in note 9.4.

9.3 Tax losses carried forward

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Tax losses brought forward	6,921,859,196	5,653,489,960	929,751,347	603,576,107
Adjustments on finalisation of liability	(968,288)	26,503,736	(418,753)	(9,711,524)
Tax losses arising during the year	1,234,204,916	1,353,618,010	536,169,980	336,799,678
Utilisation of tax losses	(305,695,503)	(111,752,510)	(2,299,786)	(912,914)
	7,849,400,321	6,921,859,196	1,463,202,788	929,751,347

9.4 Applicable rates of income tax

The tax liability of resident companies are computed at the standard rate of 28% except for the following companies which enjoy full or partial exemptions and concessions.

Company	Basis	Exemption or concessions	Period
Exemptions/ concessions granted under the Board of Investment Law/ Inland Revenue Act			
Healthcare sector (except companies enjoy full exemptions)	Providing healthcare services	12%	Open ended
Asiri Surgical Hospital PLC	-do-	Exempt	10 years from 2004
Central Hospital Ltd.	-do-	Exempt	8 years from 1st year of profit or 2nd years from commencement of operation which ever is earlier (from financial year 2012/2013)
Asiri Hospital Matara (Pvt) Ltd.	-do-	Exempt	8 years from March 2008
Softlogic City Hotels (Pvt) Ltd.	Construction of tourist hotel	Exempt	7 Years from 1st year of profit or 2nd years from commencement of operation which ever is earlier
Ceysand Resorts Ltd.	Promotion of tourism	12%	Open ended
Income tax rates of off-shore subsidiaries			
Company	Country of Incorporation	Rate	
Softlogic Australia (Pty) Ltd.	Australia	33.3%	

Notes to the Financial Statements

10 Earnings / (Loss) Per Share

10.1 Basic earnings per share

In Rs.	GROUP	
	2014	2013
For the Year ended 31 March		
Profit / (loss) attributable to equity holders of the parent	155,863,629	(371,429,492)
Weighted average number of ordinary shares	774,408,298	774,718,059
Basic earnings / (loss) per share	0.20	(0.48)

10.2 Amount used as denominator

For the Year ended 31 March	GROUP	
	2014	2013
Ordinary shares at the beginning of the year	779,000,000	779,000,000
Effect of purchase of treasury shares	(4,591,702)	(4,281,941)
Ordinary shares at the end of the year	774,408,298	774,718,059

11 Dividend Per Share

In Rs.	GROUP	
	2014	2013
For the Year ended 31 March		
Equity dividend on ordinary shares declared and paid during the year		
Interim Dividend	0.15	0.30
	120,033,286	233,700,000

12 Financial Risk Management Objectives and Policies

The Group's principal financial liabilities, comprise of loans and borrowings, public deposits, trade and other payables, and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group financial assets comprise loans, Rental receivable on lease assets and hire purchase, trade and other receivables and cash and short-term deposits that flows directly from its operations. The Group also holds available-for-sale investments and enters into derivative transactions.

The Group is exposed to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Risk management is carried out under 3 lines of defence in the order of senior management officials under policies practiced by the Group's operating segments and units. The Group's overall risk management program seeks to minimise potential adverse effect on the Group's financial performance.

The Board of Directors of the Group and Boards of directors of individual components manage each of these risks, which are summarised below.

Risk management framework

The Board of Directors of the Group and Boards of directors of individual components has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risk faced by the Group. The Group Audit committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management control and procedures, the results of which are reported to the Audit Committee.

12.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will adversely deviate because of changes in market movements.

Market prices comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk includes: loans and borrowings, deposits and available-for-sale investments.

12.1.1 Management of market risk

Group separates its exposure to market risk between trading and non- trading portfolios. Trading portfolio are mainly held by the finance services segment, include position arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

With the exception of translation risk arising on the Group's net investments in its foreign operations, all foreign exchange positions within the Group are transferred by Group's central treasury. Accordingly, the foreign exchange positions are treated as part of the Group's trading portfolios for risk management purpose.

The Group employs a range of tools to monitor and limit market risk exposures. These are discussed below, separately for trading and non trading portfolios.

The table below set s out the allocation of assets and liabilities subject to market risk between trading and non - trading portfolios.

In Rs.	Carrying amount	Market risk measure		Carrying amount	Market risk measure	
		Trading portfolios	Non- Trading portfolios		Trading portfolios	Non- Trading portfolios
As at 31 March	2014	2014	2014	2013	2013	2013
GROUP						
Assets subject to market risk						
Other non current financial assets	4,616,975,141	-	4,616,975,141	4,268,229,417	-	4,268,229,417
Rental receivable on lease assets and hire purchase	8,355,365,977	-	8,355,365,977	7,252,544,825	-	7,252,544,825
Loans and advances	3,512,629,173	-	3,512,629,173	2,724,528,080	-	2,724,528,080
Policy holders loans	114,342,102	-	114,342,102	83,644,821	-	83,644,821
Reinsurance receivables	160,845,746	-	160,845,746	86,958,392	-	86,958,392
Trade and other receivables	4,934,279,571	-	4,934,279,571	4,162,561,261	-	4,162,561,261
Short term investments	6,358,330,664	1,651,035,281	4,707,295,383	3,544,438,862	425,080,765	3,119,358,097
Cash in hand and at bank	1,762,101,994	-	1,762,101,994	1,323,124,987	-	1,323,124,987
Liabilities subject to market risk						
Other non current financial liabilities	6,260,352	-	6,260,352	1,812,828,000	-	1,812,828,000
Interest bearing borrowings	17,144,286,771	-	17,144,286,771	12,402,448,613	-	12,402,448,613
Public deposits	9,303,745,347	-	9,303,745,347	6,956,951,047	-	6,956,951,047
Trade and other payables	5,751,656,617	-	5,751,656,617	3,902,114,721	-	3,902,114,721
Short term borrowings	11,822,115,977	-	11,822,115,977	7,710,575,994	-	7,710,575,994
Bank overdrafts	2,551,874,570	-	2,551,874,570	2,924,078,038	-	2,924,078,038

Notes to the Financial Statements

12 Financial Risk Management Objectives and Policies (Contd.)

12.1.1 Management of market risk

	Carrying amount	Market risk measure			Carrying amount	Market risk measure	
		Trading portfolios	Non- Trading portfolios	Trading portfolios		Non- Trading portfolios	
As at 31 March	2014	2014	2014	2013	2013	2013	
COMPANY							
Assets subject to market risk							
Other non current financial assets	57,797,564	-	57,797,564	226,330,874	7,209,309	219,121,565	
Trade and other receivables	167,169,840	-	167,169,840	103,346,900	-	103,346,900	
Short term investments	1,643,996,055	5,619,616	1,638,376,439	512,099,401	4,875,190	507,224,211	
Cash in hand and at bank	279,766,916	-	279,766,916	104,332,677	-	104,332,677	
Liabilities subject to market risk							
Interest bearing borrowings	3,903,444,290	-	3,903,444,290	2,361,546,576	-	2,361,546,576	
Trade and other payables	14,569,828	-	14,569,828	15,072,075	-	15,072,075	
Short term borrowings	3,920,810,772	-	3,920,810,772	947,436,147	-	947,436,147	
Bank overdrafts	55,388,092	-	55,388,092	436,573,368	-	436,573,368	

12.1.2 Interest rate risk

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

The Group adopts a policy of ensuring that between 30% and 60% of its interest rate risk exposure is at fixed rate. For the remaining floating rate borrowings, the Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows.

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
For the Year ended 31 March				
Fixed rate instrument				
Financial assets	7,826,954,415	4,159,061,051	530,528,664	2,528,664
Financial liabilities	(12,772,438,260)	(2,975,925,192)	(1,118,687,507)	(134,764,171)
	(4,945,483,845)	1,183,135,859	(588,158,843)	(132,235,507)
Effect of interest rate swaps	(30,540,342)	-	-	-
	(4,976,024,187)	1,183,135,859	(588,158,843)	(132,235,507)
Variable rate instruments				
Financial Liabilities	18,715,298,710	20,061,177,453	2,784,756,782	2,226,782,403
Effect of interest rate swaps	30,540,342	-	-	-
	18,745,839,052	20,061,177,453	2,784,756,782	2,226,782,403

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. Provided all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

In Rs.	Increase in basis points		Effect on profit before tax	
	Rupee Borrowings	Other Currencies	GROUP	COMPANY
2014	+25 b.p	+15 b.p	(66,365,576)	(17,024,071)
	-25 b.p	- 15 b.p	66,365,576	17,024,071
2013	+25 b.p	+15 b.p	(52,691,014)	(9,336,555)
	-25 b.p	- 15 b.p	52,691,014	9,336,555

The assumed spread of basis points for the interest rate sensitivity analysis is based on the currently observable market environment changes to base floating interest rates.

12.1.3 Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of adverse fluctuations in foreign exchange rates. The Group's exposure to the risk of fluctuations in foreign exchange rates relates primarily to the Group's operating activities and foreign currency borrowings.

Management has set up a policy that requires Company and subsidiaries to manage their foreign exchange risk and strict-limits on maximum exposure that can be entered into.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the USD/LKR exchange rate, provided all other variables held constant, of the Group's profit before tax due to changes in the fair value of the Group's forward exchange contracts on borrowings.

The Group's exposure to foreign currencies other than USD is not material.

	Increase in exchange rate	Effect on profit before tax	
		GROUP	COMPANY
		Rs.	Rs.
2014	+3%	121,812,108	N/A
	-3%	(121,812,108)	N/A
2013	+3%	(52,564,112)	N/A
	-3%	52,564,112	N/A

* Based on current observable market environment.

The Group manages its foreign currency risk using a balanced approach by forward contracts that are expected to occur within a maximum 24 month period. Transactions that are certain are hedged without any limitation in time.

Where the nature of the hedge relationship is not an economic hedge, it is the Group's policy to negotiate.

As at 31 March 2014 the Group use forward contracts for 60% (2013 : 53%) of its foreign currency borrowings for which firm commitments existed at the reporting date, respectively.

Foreign Exchange risk in operating activities

The exposure is mainly from foreign exchange creditors arising out of operating activities where fluctuation of foreign exchange rate on whose credit period is 3-6 months.

Management of the group continuously monitoring and take necessary actions where ever it is applicable.

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12.1.4 Equity price risk

The Group's finance sector holds listed and unlisted equity securities and put option over quoted equity instruments which are susceptible to market-price risk arising from uncertainties about future values of these securities..

Financial assets at fair value through profit & loss

The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Periodic reports on equity investment portfolio are submitted to the senior management of individual business segment based on the relevance. The respective Board of Directors reviews and approves all equity investment decisions. To manage its price risk arising from investments in equity securities, the group diversifies its equity investment portfolio.

	GROUP				COMPANY			
	2014		2013		2014		2013	
	Rs.	%	Rs.	%	Rs.	%	Rs.	%
Bank, Finance and Insurance	1,573,569,944	95.31	390,806,350	91.94	3,186,416	56.70	3,498,700	71.77
Beverage, Food and Tobacco	-	-	10,792,980	2.54	-	-	-	-
Construction and Engineering	1,912,500	0.12	-	-	-	-	-	-
Diversified Holdings	11,456,482	0.69	14,200,253	3.34	-	-	-	-
Hotels and Travels	13,165	-	12,000	-	-	-	-	-
Manufacturing	52,132,364	3.16	75,292	0.02	-	-	-	-
Power and Energy	4,133,426	0.25	1,376,490	0.32	2,433,200	43.30	1,376,490	28.23
Telecommunications	7,817,400	0.47	7,817,400	1.84	-	-	-	-
	1,651,035,281	100.00	425,080,765	100.00	5,619,616	100.00	4,875,190	100.00

Investments in unquoted investments are made after obtaining the board approval.

Sensitivity analysis

The following table demonstrate the sensitivity of cumulative change in fair value to reasonably possible changes in equity prices provided all other variables are held constant. The effect of a decrease in equity prices is expected to be equal and opposite to the effect of the increase shown.

This table consider only equity shares classified under short term and long term financial assets.

In Rs.	GROUP			COMPANY		
	Change in equity price	Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity	
2014						
Quoted equity investments listed in Colombo	+10%	167,500,068	167,500,068	561,962	561,962	
Stock Exchange and put option over quoted equity instruments	- 10%	(168,214,004)	(168,214,004)	(561,962)	(561,962)	
2013						
Quoted equity investments listed in Colombo	+10%	51,450,981	51,450,981	252,129	252,129	
Stock Exchange and put option over quoted equity instruments	- 10%	(51,450,981)	(51,450,981)	(252,129)	(252,129)	

12.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade receivables and customer lending) and from its investing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit evaluation procedures. In addition, receivable balances are monitored on an ongoing basis with that the Group's exposure to bad debt is not significant.

Hire purchase and lease portfolio is broad based accounting for over 75,950 (2013 - 65,000 customers) contracts and risk of non payment is mitigated by stringent standard of credit approval process. There is no concentration risk on any single region, customer or sector in particular collection of dues from customers is robust with the delinquency rate being better than the financial industry average.

With respect to credit risk arising from other financial assets of the Group, such as cash and cash equivalents, available for sale financial investments, short term investments, the Group's exposure to credit risk arise from default of the counterparty. The Group manages its operations to avoid any excessive concentration of counterparty risk.

12.2.1 Credit Risk - Default risk

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

Credit Risk - Concentration risk

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

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 12.2.2.

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

Notes to the Financial Statements

12.2.2 Risk Exposure - Group

As at 31 March		2014								
In Rs	Note	Other non current investments	Rental receivable on leased assets & hire purchases - LT	Rental receivable on leased assets & hire purchases - ST	Cash in hand and at banks	Trade and other receivable	Short term investments	Amounts due from related parties	Total	% of allocation
Government securities	12.2.2.1	3,189,701,356	-	-	-	-	2,697,282,330	-	5,886,983,686	21.57
Corporate debt securities	12.2.2.2	627,299,943	-	-	-	-	31,924,215	-	659,224,158	2.42
Deposits with bank	12.2.2.3	48,874,122	-	-	-	-	1,853,088,838	-	1,901,962,960	6.97
Loans to executives	12.2.2.4	-	-	-	-	22,702,451	-	-	22,702,451	0.08
Loans and advances	12.2.2.5.1	1,549,932,573	-	-	-	1,962,696,600	-	-	3,512,629,173	12.87
Policy holders loans	12.2.2.5.2	-	-	-	-	114,342,102	-	-	114,342,102	0.42
Trade and other receivables	12.2.2.6	-	-	-	-	4,911,577,120	-	-	4,911,577,120	18.00
Reinsurance receivables	12.2.2.7	-	-	-	-	160,845,746	-	-	160,845,746	0.59
Amounts due from related parties	12.2.2.8	-	-	-	-	-	-	778,460	778,460	0.00
Rental receivable on leased assets & hire purchases	12.2.2.9	-	3,738,692,476	4,616,673,501	-	-	-	-	8,355,365,977	30.62
Cash in hand and at bank	12.2.2.10	-	-	-	1,762,101,994	-	-	-	1,762,101,994	6.46
Total credit risk exposure		5,415,807,994	3,738,692,476	4,616,673,501	1,762,101,994	7,172,164,019	4,582,295,383	778,460	27,288,513,827	100.00
Financial assets at fair value through profit or loss		-	-	-	-	-	1,776,035,281	-	1,776,035,281	70.28
Available-for-sale investments		751,099,720	-	-	-	-	-	-	751,099,720	29.72
Total equity risk exposure		751,099,720	-	-	-	-	1,776,035,281	-	2,527,135,001	100.00
Total		6,166,907,714	3,738,692,476	4,616,673,501	1,762,101,994	7,172,164,019	6,358,330,664	778,460	29,815,648,828	

12.2.3 Risk Exposure - Company

As at 31 March		2014						
In Rs	Note	Other non current investments	Cash in hand and at banks	Trade and other receivable	Short term investments	Amounts due from related parties	Total	% of allocation
Corporate debt securities	12.2.2.2	2,528,664	-	-	-	-	2,528,664	0.06
Deposits with bank	12.2.2.3	-	-	-	528,000,000	-	528,000,000	11.81
Loans to executives	12.2.2.4	-	-	6,503,850	-	-	6,503,850	0.15
Trade and other receivables	12.2.2.6	-	-	59,936,203	-	-	59,936,203	1.34
Amounts due from related parties	12.2.2.8	55,268,900	-	100,729,787	985,376,439	2,453,097,064	3,594,472,190	80.39
Cash in hand and at bank	12.2.2.10	-	279,766,916	-	-	-	279,766,916	6.26
Total credit risk exposure		57,797,564	279,766,916	167,169,840	1,513,376,439	2,453,097,064	4,471,207,823	100.00
Financial assets at fair value through profit or loss		-	-	-	130,619,616	-	130,619,616	100.00
Available-for-sale investments		-	-	-	-	-	-	-
Total equity risk exposure		-	-	-	130,619,616	-	130,619,616	100.00
Total		57,797,564	279,766,916	167,169,840	1,643,996,055	2,453,097,064	4,601,827,439	

2013								
Other non current investments	Rental receivable on leased assets & hire purchases - LT	Rental receivable on leased assets & hire purchases - ST	Cash in hand and at banks	Trade and other receivable	Short term investments	Amounts due from related parties	Total	% of allocation
1,691,475,639	-	-	-	-	1,468,781,599	-	3,160,257,238	14.98
501,765,957	-	-	-	-	968,226,002	-	1,469,991,959	6.97
62,846,649	-	-	-	-	682,350,496	-	745,197,145	3.53
-	-	-	-	20,520,035	-	-	20,520,035	0.10
895,613,146	-	-	-	1,828,914,934	-	-	2,724,528,080	12.91
-	-	-	-	83,644,821	-	-	83,644,821	0.40
-	-	-	-	4,142,041,226	-	-	4,142,041,226	19.63
-	-	-	-	86,958,392	-	-	86,958,392	0.41
-	-	-	-	-	-	94,382,414	94,382,414	0.45
-	4,331,618,014	2,920,926,811	-	-	-	-	7,252,544,825	34.37
-	-	-	1,323,124,987	-	-	-	1,323,124,987	6.27
3,151,701,391	4,331,618,014	2,920,926,811	1,323,124,987	6,162,079,408	3,119,358,097	94,382,414	21,103,191,122	100.00
-	-	-	-	-	425,080,765	-	425,080,765	17.44
2,012,141,172	-	-	-	-	-	-	2,012,141,172	82.56
2,012,141,172	-	-	-	-	425,080,765	-	2,437,221,937	100.00
5,163,842,563	4,331,618,014	2,920,926,811	1,323,124,987	6,162,079,408	3,544,438,862	94,382,414	23,540,413,061	

2013							
Other non current investments	Cash in hand and at banks	Trade and other receivable	Short term investments	Amounts due from related parties	Total	% of allocation	
2,528,664	-	-	5,300,000	-	7,828,664	0.46	
-	-	-	-	-	-	-	
-	-	6,364,797	-	-	6,364,797	0.37	
-	-	7,334,229	-	-	7,334,229	0.43	
91,592,900	-	89,647,874	501,924,210	901,045,992	1,584,210,975	92.64	
-	104,332,677	-	-	-	104,332,677	6.10	
94,121,564	104,332,677	103,346,900	507,224,210	901,045,992	1,710,071,342	100.00	
-	-	-	4,875,190	-	4,875,190	3.56	
132,209,309	-	-	-	-	132,209,309	96.44	
132,209,309	-	-	4,875,190	-	137,084,499	100.00	
226,330,873	104,332,677	103,346,900	512,099,400	901,045,992	1,847,155,841		

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12.2.2.1 Government securities

As at 31 March 2014 as shown in the table above, 21.57% (2013 - 14.98%) of group debt securities comprise investments in government securities which consist of treasury bonds, bills and reverse repo investments. Government securities are usually referred to as risk free due to the sovereign nature of the instrument.

12.2.2.2 Corporate debt securities

As at 31 March 2014, corporate debt securities comprise 2.42% (2013 - 6.97%) and 0.06% (2013 - 0.46%) of the total investments for the Group and Company respectively out of which 44.13% and 100% of group and company corporate debt securities were rated "A -" or better, or guaranteed by Treasury.

As at 31 March	GROUP				COMPANY			
	2014		2013		2014		2013	
Fitch rating	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total
AA-	195,006,821	29.58	116,818,234	7.95	2,528,664	100.00	2,528,664	100.00
A	-	-	84,331,930	5.74	-	-	-	-
A-	95,938,900	14.55	175,148,019	11.91	-	-	-	-
BBB+	43,253,172	6.56	333,541,519	22.69	-	-	-	-
BBB	141,290,116	21.43	-	-	-	-	-	-
BBB-	92,174,420	13.98	-	-	-	-	-	-
Guaranteed by Treasury	59,636,515	9.05	97,361,389	6.62	-	-	-	-
Not rated	31,924,215	4.84	662,790,868	45.09	-	-	-	-
Total	659,224,158	100.00	1,469,991,959	100.00	2,528,664	100.00	2,528,664	100.00

12.2.2.3 Deposits with banks and Unit Trusts

Deposits with banks mainly consist of fixed and call deposits.

As at 31 March 2014, 61.01% (2013 - 58.02%) and 100% (2013 - Nil) of the fixed and call deposits and investments in Unit Trusts were rated "A-" or better for the Group and Company respectively.

As at 31 March	GROUP				COMPANY			
	2014		2013		2014		2013	
Fitch rating	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total	Rs.	Rating % of total
AA-	597,210,292	31.40	100,000,000	13.42	457,000,000	86.55	-	-
A	71,100,000	3.74	-	-	71,000,000	13.45	-	-
A-	492,110,139	25.87	332,336,245	44.60	-	-	-	-
BBB	142,971,142	7.52	-	-	-	-	-	-
BB-	30,958	0.00	-	-	-	-	-	-
Unit trust	549,666,307	28.90	250,014,251	33.55	-	-	-	-
Not rated	48,874,123	2.57	62,846,649	8.43	-	-	-	-
Total	1,901,962,960	100.00	745,197,145	100.00	528,000,000	100.00	-	-

12.2.2.4 Loans to Executives

Loans to executives portfolio is largely made with short term distress loans granted to executive staff. The respective business units have taken necessary power of attorney/ promissory notes as collateral for the loans granted.

12.2.2.5 Loans and advances

12.2.2.5.1 Loans and advances

As a part of overall risk management strategy, the board of directors of the respective components specially in the finance cluster has delegated responsibility for the oversight of credit risk to its 'Credit Committee' and 'Credit Risk Committee'. Company 'Credit Risk Monitoring Unit' is reporting to 'Risk Committee' through the 'Chief Risk Officer' who is responsible for management of the company's credit risk. Following are the few steps to manage credit risk:

- introduction of a comprehensive credit policy as the guide line in lending has strengthened the credit evaluation process
- concentration risk of credit is evaluated regularly and amends the credit policy accordingly in order to ensure credit granting process response to market requirements
- implementation of delegated authority levels in line with the process of strengthening credit screening and evaluation process
- implementation of a customer rating system as a way of building a data base within the company for efficient and effective credit evaluation process to service current evaluation as well as prospective evaluations
- regular discussions are initiated in both 'Credit Committee' and 'Integrated Risk Management Committee' in relation to credit risk and identifying necessary actions to be implemented

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

Loans and advances excluding loans to life policyholder

Assets at amortised cost In Rs	Short term lending	Personal loans	Pawning debtors	Other loans	Total 2014	Total 2013
Individually impaired						
- gross amount	252,018	210,168,550	407,488,720	558,758,680	1,176,667,968	1,166,544,848
- allowance for impairment	-	(28,504,448)	(46,357,649)	(18,907,463)	(93,769,560)	(31,736,935)
Gross carrying amount	252,018	181,664,102	361,131,072	539,851,217	1,082,898,409	1,134,807,913
for the rest of portfolio where collective impairment is applicable						
- gross amount	-	2,950,071,037	-	494,914,560	3,444,985,597	2,240,884,098
- allowance for impairment	-	(33,136,709)	-	(2,706,855)	(35,843,564)	(3,196,847)
Gross carrying amount	-	2,916,934,328	-	492,207,706	3,409,142,033	2,237,687,251
Total carrying amount	252,018	3,098,598,430	361,131,072	1,032,058,923	4,492,040,442	3,372,495,164
Less : Unearned income	-	(925,569,738)	-	(53,841,531)	(979,411,269)	(647,967,084)
Net carrying amount	252,018	2,173,028,692	361,131,072	978,217,392	3,512,629,173	2,724,528,080

Age analysis of facilities considered for collective impairment

Category In Rs	Short term lending	Personal loans	Pawning debtors	Other loans	Total 2014	Total 2013
Not due/ current	-	2,924,189,471	-	367,500,376	3,291,689,847	2,246,354,800
Overdue:						
Less than 30 days	-	4,325,019	-	32,820,839	37,145,858	(1,426,021)
31 - 60 days	-	2,582,681	-	21,817,676	24,400,358	(1,207,129)
61 - 90 days	-	2,032,474	-	14,396,197	16,428,670	(797,402)
91 - 120 days	-	1,542,947	-	8,346,572	9,889,519	(559,764)
121 - 150 days	-	1,400,406	-	11,159,828	12,560,234	(328,300)
151 - 180 days	-	1,208,579	-	9,786,566	10,995,145	(244,234)
181 - 365 days	-	6,561,994	-	28,809,633	35,371,627	(802,126)
above 365 days	-	6,227,466	-	276,873	6,504,339	(105,728)
Total	-	2,950,071,037	-	494,914,560	3,444,985,597	2,240,884,098

12.2.2.5.2 Loans to life policyholders

The Company issued loans to life policy holders considering the surrender value of the life policy as collateral. As at the reporting date, the value of policy loans granted amounted to Rs.114.34 Mn (2013 - Rs. 83.64 Mn) and its related surrender value is more than its carrying value.

12.2.2.6 Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of the customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any consignments to major customers are generally covered by bank guarantees or other forms of credit insurance.

The requirement for an impairment is analysed at each reporting date on an individual basis for major clients. Additionally, a large number of minor receivables are grouped into homogenous groups and assessed for impairment collectively. The calculation is based on actual incurred historical data.

12.2.2.7 Reinsurance Receivable

As a part of overall risk management strategy, the Group cedes insurance risk through proportional, non-proportional and specific risk reinsurance treaties. While these mitigate insurance risk, the recoverable from reinsurers and receivables arising from ceded reinsurance exposes the company to credit risk. Following are the few steps to manage reinsurance risk in addition to explained above;

- Placed in line with policy guidelines approved by the Board of Directors on an annual basis in line with the guidelines issued by the Insurance Board of Sri Lanka
- Counterparties' limits that are set each year and are subject to regular reviews
 - on a regular basis management assesses the creditworthiness of reinsurers to update the reinsurance strategy and ascertain the suitable allowance for impairment of reinsurance assets
- Outstanding reinsurance receivables are reviewed on a monthly basis to ensure that all dues are collected or set off against payable
- Maintain close and professional relationship with reinsurers
- No cover is issue without confirmation from reinsurance unless non reinsurance business

As at reporting date reinsurance receivables amount to Rs.160.85 Mn as at 31 March 2014 (2013 - Rs. 86.96 Mn). This mainly consists of reinsurance receivable on paid claims amounting to Rs. 64 Mn (2013 - Rs. 43 Mn) and reinsurance share of claim reserve (receivables on outstanding claims) of Rs.97 Mn as at 31 March 2014 (2013 - Rs. 44 Mn).

12.2.2.8 Amounts due from related parties

The Group's amounts due from related parties mainly consist of associates and receivables from KMPs. The Company balance consists of the balance from affiliate companies.

12.2.2.9 Rental receivable on leased assets & hire purchases

As a part of overall risk management strategy, the board of directors has delegated responsibility for the oversight of credit risk to its Board of 'Credit Committee'. Company 'Independent Credit Risk Monitoring Unit' is reporting to 'Risk Committee' through the 'Head of Credit Risk' who is responsible for management of the company's credit risk. Following are the few steps to manage credit risk;

- introduction of a comprehensive credit policy as the guide line in lending , has strengthened the credit evaluation process
- such credit policy is formulated in consideration with current market conditions and implemented policy is evaluated regularly (once in 3 months) in order to make sure, such policy is in line with the market conditions
- determine the levels of service and quality of the valuers involving in the credit evaluation process
- regular discussions are initiated in both 'Credit Committee' and 'Integrated Risk Management Committee' in relation to credit risk and identifying necessary actions to be implemented

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

Credit quality by class of financial assets

In Rs.	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2014	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2013
Assets at amortised cost						
Individually impaired						
- gross amount	95,426,326	93,586,438	189,012,764	14,283,274	45,692,176	59,975,450
- write off during the year	(87,748,192)	(70,552,038)	(158,300,230)	(4,047,461)	(20,495,866)	(24,543,327)
- allowance for impairment	89,545,364	94,191,169	183,736,533	(6,366,791)	(39,392,514)	(45,759,305)
- write off during the year	(87,748,192)	(70,552,038)	(158,300,230)	4,047,461	20,495,866	24,543,327
Gross carrying amount	5,880,961	(604,731)	5,276,230	7,916,483	6,299,662	14,216,145
for the rest of portfolio where collective impairment is applicable						
- gross amount	3,248,858,523	7,817,645,659	11,066,504,182	3,546,005,230	6,701,806,997	10,247,812,227
- allowance for impairment	(14,064,491)	(53,609,871)	(67,674,362)	(2,183,275)	(11,202,963)	(13,386,238)
Gross carrying amount	3,234,794,032	7,764,035,788	10,998,829,820	3,543,821,955	6,690,604,034	10,234,425,989
Total carrying amount	3,240,674,993	7,763,431,057	11,004,106,050	3,551,738,438	6,696,903,696	10,248,642,134
Less : Unearned income	(837,884,960)	(1,810,855,113)	(2,648,740,073)	(1,022,144,216)	(1,973,953,093)	(2,996,097,309)
Net carrying amount	2,402,790,033	5,952,575,944	8,355,365,977	2,529,594,222	4,722,950,603	7,252,544,825

Age analysis of facilities considered for collective impairment

In Rs.	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2014	Rental receivable on lease assets	Rental receivable on hire purchase	Total 2013
Category						
Not due/ current	3,026,813,786	7,240,242,278	10,267,056,064	3,470,967,906	6,515,546,565	9,986,514,471
Overdue:						
Less than 30 days	75,984,453	197,270,468	273,254,921	40,736,572	96,782,717	137,519,290
31 - 60 days	52,244,971	124,337,928	176,582,899	16,869,527	33,034,620	49,904,147
61 - 90 days	31,359,210	77,230,060	108,589,269	8,021,609	13,969,918	21,991,527
91 - 120 days	13,461,486	33,122,085	46,583,571	2,446,245	5,932,612	8,378,857
121 - 150 days	11,966,159	30,838,499	42,804,658	1,483,404	8,908,566	10,391,969
151 - 180 days	9,191,653	24,174,645	33,366,298	1,017,866	7,292,589	8,310,455
181 - 365 days	22,594,837	57,580,359	80,175,195	2,185,673	12,178,734	14,364,407
above 365 days	5,241,970	32,849,337	38,091,307	2,276,428	8,160,676	10,437,104
Total	3,248,858,523	7,817,645,659	11,066,504,182	3,546,005,230	6,701,806,997	10,247,812,227

12.2.2.10 Cash in hand and at bank

Deposits with banks mainly consist of fixed and call deposits. Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed in an annual basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through potential counterparty's failure to make payments. The Group's maximum exposure to credit risk for the components of the statement of financial position is the carrying amounts as illustrated.

12.3 Liquidity risk

Liquidity risk is the risk that group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet

Notes to the Financial Statements

its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damages to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, debentures, finance leases and hire purchase contracts that will always have sufficient liquidity to meet its liabilities when its due, under normal and stressed conditions. The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

Net debt / (cash)

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Short term investments	6,358,330,664	3,544,438,862	1,643,996,055	512,099,401
Cash in hand and at bank	1,762,101,994	1,323,124,987	279,766,916	104,332,677
Total liquid assets	8,120,432,658	4,867,563,849	1,923,762,971	616,432,077
Short term borrowings	11,822,115,977	7,710,575,994	3,920,810,772	947,436,147
Current portion of borrowings	4,144,437,836	2,846,653,852	1,455,262,816	613,856,649
Bank overdrafts	2,551,874,570	2,924,078,038	55,388,092	436,573,368
Total liabilities	18,518,428,383	13,481,307,884	5,431,461,680	1,997,866,164
Net debt / (cash)	10,397,995,725	8,613,744,036	3,507,698,709	1,381,434,087

Liquidity risk management

An optional combination of positive and negative cash flows along with investment returns and contractual obligation maturing is collated through an intra-day cash reporting system for all business segments. High value contractual outflows are processed through various control filters. The group is in the process of building a "Liquidity Dashboard" with the implementation of ERP program. This would help further accelerate the review and identification of debt maturities relating to the net liquidity position on daily basis and thus enable necessary funding mobilization or reinvestment of cash surpluses, if any. Closely monitoring and working to reschedule the debt maturity profile with a view to de-stressing cash flows and re-aligning them with actual investment tenors would engender optimal liquidity management thus reducing borrowing cost and enhancing reinvestment income.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2014 based on contractual undiscounted payments.

	On demand	1-12 Months	1 to 3 years	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	4,144,437,836	7,295,357,365	3,191,131,005	2,513,360,564	17,144,286,770
Other financial liabilities	-	-	6,260,352	-	-	6,260,352
Trade and other payables	5,751,656,617	-	-	-	-	5,751,656,617
Amounts due to related parties	19,508,602	-	-	-	-	19,508,602
Short term borrowings	-	11,822,115,976	-	-	-	11,822,115,976
Public Deposits	1,358,782	7,416,984,556	1,659,008,444	226,393,565	-	9,303,745,347
Bank Overdrafts	2,551,874,570	-	-	-	-	2,551,874,570
	8,324,398,570	23,383,538,368	8,960,626,161	3,417,524,570	2,513,360,564	46,599,448,233
Contingent gross commitment on put option	-	-	1,812,828,000	-	-	1,812,828,000

The table below summarises the maturity profile of the Group's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

	On demand	1-12 Months	1 to 3 years	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	2,846,653,852	5,238,250,994	2,244,964,711	2,072,579,055	12,402,448,612
Other liabilities	-	-	-	1,812,828,000	-	1,812,828,000
Trade and other payables	3,902,114,721	-	-	-	-	3,902,114,721
Amounts due to related parties	22,020,839	-	-	-	-	22,020,839
Short term borrowings	7,710,575,994	-	-	-	-	7,710,575,994
Public Deposits	6,411,350	5,733,521,357	1,031,308,633	185,709,707	-	6,956,951,047
Bank Overdrafts	2,924,078,038	-	-	-	-	2,924,078,038
	14,565,200,942	8,580,175,209	6,269,559,627	4,243,502,418	2,072,579,055	35,731,017,251

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2014 based on contractual undiscounted payments.

	On demand	1-12 Months	1 to 3 years	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	1,429,168,787	2,181,672,568	291,781,357	821,578	3,903,444,290
Trade and other payables	14,569,828	-	-	-	-	14,569,828
Amounts due to related parties	946,657,314	-	-	-	-	946,657,314
Short term borrowings	-	3,920,810,772	-	-	-	3,920,810,772
Bank Overdrafts	55,388,092	-	-	-	-	55,388,092
	1,016,615,234	5,349,979,559	2,181,672,568	291,781,357	821,578	8,840,870,296

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

	On demand	1-12 Months	1 to 3 years	3 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	575,297,343	1,355,057,177	431,192,056	-	2,361,546,576
Trade and other payables	15,072,075	-	-	-	-	15,072,075
Amounts due to related parties	1,295,466,270	-	-	906,414,000	-	2,201,880,270
Short term borrowings	947,436,147	-	-	-	-	947,436,147
Bank Overdrafts	436,573,368	-	-	-	-	436,573,368
	2,694,547,860	575,297,343	1,355,057,177	1,337,606,056	-	5,962,508,436

12.4 Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2014.

The Group monitors capital using a gearing ratio for company and subsidiary level, which is net debt divided by total capital plus net debt which is monitored very closely by the senior management officials. Net debt of the Group includes, interest bearing loans and borrowings, trade and other payables less cash and cash equivalents (excluding discontinued operations).

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In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Interest-bearing loans and borrowings	31,518,277,317	24,849,930,645	7,879,643,152	3,745,556,091
Trade and other payables	5,554,565,739	3,902,114,721	14,569,828	15,072,075
Less: cash and short-term deposits	(4,251,913,097)	(2,611,685,001)	(1,793,143,355)	(104,332,677)
Net debt	32,820,929,959	26,140,360,366	6,101,069,625	3,656,295,490
Equity	13,350,744,771	13,568,130,654	5,311,998,017	5,457,060,650
Total capital	13,350,744,771	13,568,130,654	5,311,998,017	5,457,060,650
Capital and net debt	46,171,674,730	39,708,491,020	11,413,067,642	9,113,356,140
Gearing ratio-(X)	0.71	0.66	0.53	0.40

13 Financial Instruments

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories - Group

In Rs.	Loans and Receivables		Financial assets fair value through profit or loss		Available-for-sale financial assets		Held-to-maturity investments		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
As at 31 March										
Financial instruments in non current assets										
Other non current financial assets	1,598,806,695	958,429,195	-	-	4,342,420,083	3,993,849,964	225,680,936	211,563,405	6,166,907,714	5,163,842,564
Rental receivable on lease assets and hire purchase	3,738,692,476	4,331,618,014	-	-	-	-	-	-	3,738,692,476	4,331,618,014
Financial instruments in current assets										
Trade and other receivables	5,095,125,317	4,249,519,653	-	-	-	-	-	-	5,095,125,317	4,249,519,653
Loans and advances	2,077,038,702	1,912,559,756	-	-	-	-	-	-	2,077,038,702	1,912,559,756
Rental receivable on lease assets and hire purchase	4,616,673,501	2,920,926,812	-	-	-	-	-	-	4,616,673,501	2,920,926,812
Amounts due from related parties	778,460	94,382,414	-	-	-	-	-	-	778,460	94,382,414
Short term investments	3,038,042,580	-	3,195,288,084	3,544,438,862	125,000,000	-	-	-	6,358,330,664	3,544,438,862
Cash in hand and at bank	1,762,101,994	1,323,124,987	-	-	-	-	-	-	1,762,101,994	1,323,124,987
Total	21,927,259,725	15,790,560,829	3,195,288,084	3,544,438,862	4,467,420,083	3,993,849,964	225,680,936	211,563,405	29,815,648,828	23,540,413,060

Financial liabilities by categories - Group

In Rs.	Financial liabilities at fair value through profit or loss (FVPTPL)		Financial liabilities measured at amortised cost		Total	
	2014	2013	2014	2013	2014	2013
As at 31 March						
Financial instruments in non current liabilities						
Other non current financial liabilities	6,260,352	-	-	1,812,828,000	6,260,352	1,812,828,000
Interest bearing borrowings	-	-	12,999,848,935	9,555,794,761	12,999,848,935	9,555,794,761
Public deposits	-	-	1,885,402,009	1,217,018,340	1,885,402,009	1,217,018,340
Financial instruments in current liabilities						
Trade and other payables	-	-	5,751,656,617	3,902,114,721	5,751,656,617	3,902,114,721
Amounts due to related parties	-	-	19,508,602	22,020,839	19,508,602	22,020,839
Short term borrowings	-	-	11,822,115,977	7,710,575,994	11,822,115,977	7,710,575,994
Current portion of interest bearing borrowings	-	-	4,144,437,836	2,846,653,852	4,144,437,836	2,846,653,852
Public deposits	-	-	7,418,343,338	5,739,932,707	7,418,343,338	5,739,932,707
Bank overdrafts	-	-	2,551,874,570	2,924,078,038	2,551,874,570	2,924,078,038
Total	6,260,352	-	46,593,187,884	35,731,017,252	46,599,448,236	35,731,017,252

Notes to the Financial Statements

13 Financial Instruments (Contd.)

Financial assets and liabilities in the tables below are split into categories in accordance with LKAS 39.

Financial assets by categories - Company

As at 31 March	Loans and Receivables		Financial assets fair value through profit or loss		Available-for-sale financial assets		Held-to-maturity investments		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Financial instruments in non current assets										
Other non current financial Assets	55,268,900	91,592,900	-	-	-	132,209,309	2,528,664	2,528,664	57,797,564	226,330,873
Financial instruments in current assets										
Trade and other receivables	167,169,840	103,346,900	-	-	-	-	-	-	167,169,840	103,346,900
Amounts due from related parties	2,453,097,064	901,045,992	-	-	-	-	-	-	2,453,097,064	901,045,992
Short term investments	1,513,376,439	501,924,210	5,619,616	4,875,190	125,000,000	-	-	5,300,000	1,643,996,055	512,099,400
Cash in hand and at bank	279,766,916	104,332,677	-	-	-	-	-	-	279,766,916	104,332,677
Total	4,468,679,159	1,702,242,678	5,619,616	4,875,190	125,000,000	132,209,309	2,528,664	7,828,664	4,601,827,439	1,847,155,841

Financial liabilities by categories - Company

As at 31 March	Financial liabilities measured at amortised cost		Total	
	2014	2013	2014	2013
Financial instruments in non current liabilities				
Interest bearing borrowings	2,448,181,474	1,747,689,927	2,448,181,474	1,747,689,927
Amounts due to related parties	-	906,414,000	-	906,414,000
Financial instruments in current liabilities				
Trade and other payables	14,569,828	15,072,075	14,569,828	15,072,075
Amounts due to related parties	946,657,314	1,295,466,270	946,657,314	1,295,466,270
Short term borrowings	3,920,810,772	947,436,147	3,920,810,772	947,436,147
Borrowings	1,455,262,816	613,856,649	1,455,262,816	613,856,649
Bank overdrafts	55,388,092	436,573,368	55,388,092	436,573,368
Total	8,840,870,295	5,962,508,436	8,840,870,295	5,962,508,436

14 Property, Plant and Equipment

14.1 Group

In Rs. As at 31 March	Land and buildings	Buildings on leasehold land	Plant and machinery	Computer, equipment, furniture and fittings	Motor vehicles	Capital work in progress	Total 2014	Total 2013
Freehold assets								
Cost or Valuation								
At the beginning of the year	7,282,934,171	2,241,601,072	2,908,082,381	3,435,426,287	253,408,932	1,547,828,557	17,669,281,400	14,148,829,393
Additions	345,207,961	219,590,228	123,784,836	473,731,062	38,327,770	2,304,771,005	3,505,412,862	2,258,470,611
Acquisition of subsidiaries	-	-	-	-	-	-	-	15,156,050
Disposals	(11,500,962)	(38,676,224)	(10,841,331)	(26,955,122)	(51,210,639)	-	(139,184,278)	(130,247,036)
Transfers*	3,302,097	967,950	775,261,262	(247,444,277)	23,983,842	(544,852,999)	11,217,875	(296,620,006)
Impairment/ derecognition	-	-	-	-	(257,792)	(29,433,807)	(29,691,599)	(4,329,565)
Revaluations	313,990,550	-	-	-	-	-	313,990,550	1,678,021,953
Exchange translation difference	-	(78,737)	-	(983,610)	-	-	(1,062,347)	-
At the end of the year	7,933,933,817	2,423,404,289	3,796,287,148	3,633,774,340	264,252,113	3,278,312,756	21,329,964,463	17,669,281,400
Leasehold assets								
Cost								
At the beginning of the year	-	-	-	13,600,862	238,826,238	-	252,427,100	292,840,084
Additions	-	-	68,511,367	-	29,995,777	-	98,507,144	12,006,965
Disposals	-	-	-	-	(19,902,142)	-	(19,902,142)	(46,776,709)
Transfers*	-	-	-	(9,303,375)	(1,914,500)	-	(11,217,875)	(5,643,240)
At the end of the year	-	-	68,511,367	4,297,487	247,005,373	-	319,814,227	252,427,100
Total value of assets	7,933,933,817	2,423,404,289	3,864,798,515	3,638,071,827	511,257,486	3,278,312,756	21,649,778,690	17,921,708,500
Freehold assets								
Accumulated depreciation								
At the beginning of the year	102,605,128	77,720,324	1,464,638,286	1,419,884,680	145,592,490	-	3,210,440,908	2,816,546,564
Charge for the year	97,346,629	72,922,638	343,945,328	328,157,618	24,091,147	-	866,463,360	790,820,923
Acquisition of subsidiaries	-	-	-	-	-	-	-	2,243,594
Disposals	(11,500,962)	(12,368,852)	(5,006,504)	(16,905,089)	(41,694,089)	-	(87,475,496)	(99,185,213)
Transfers*	-	-	100,089,808	(97,763,963)	3,905,126	-	6,230,970	(296,143,221)
Impairment/ derecognition	-	-	-	-	-	-	-	(3,841,739)
Exchange translation difference	-	(35,344)	-	(863,574)	-	-	(898,918)	-
At the end of the year	188,450,795	138,238,766	1,903,666,918	1,632,509,672	131,894,674	-	3,994,760,825	3,210,440,908
Leasehold assets								
Accumulated depreciation								
At the beginning of the year	-	-	-	6,623,330	95,991,688	-	102,615,018	101,832,404
Charge for the year	-	-	2,010,408	-	33,363,083	-	35,373,491	33,315,338
Disposals	-	-	-	-	(15,016,953)	-	(15,016,953)	(33,826,900)
Transfers*	-	-	-	(2,325,844)	(3,905,126)	-	(6,230,970)	1,294,176
At the end of the year	-	-	2,010,408	4,297,486	110,432,692	-	116,740,586	102,615,018
Total accumulated depreciation	188,450,795	138,238,766	1,905,677,326	1,636,807,158	242,327,366	-	4,111,501,411	3,313,055,926
Carrying value								
As at 31 March 2014	7,745,483,022	2,285,165,523	1,959,121,189	2,001,264,669	268,930,120	3,278,312,756	17,538,277,279	
As at 31 March 2013	7,180,329,043	2,163,880,748	1,443,444,095	2,022,519,139	250,650,992	1,547,828,557		14,608,652,574

* Transfers include the accumulated depreciation as at revaluation date that was eliminated against the gross carrying amount of the revalued assets.

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14.2 Company

In Rs. As at 31 March	Furniture and fittings	Computer and Office equipment	Motor vehicles	Total 2014	Total 2013
Freehold assets					
Cost					
At the beginning of the year	15,682,210	28,387,166	59,204,515	103,273,891	158,503,752
Additions	4,573,550	10,209,326	-	14,782,876	17,003,802
Disposals	-	-	(16,296,875)	(16,296,875)	(72,233,663)
Transfers	-	-	3,905,126	3,905,126	-
At the end of the year	20,255,760	38,596,492	46,812,766	105,665,018	103,273,891
Leasehold assets					
Cost					
At the beginning of the year	-	-	133,274,077	133,274,077	164,493,897
Additions	-	-	29,910,714	29,910,714	4,250,000
Disposals	-	-	(17,277,142)	(17,277,142)	(35,469,820)
Transfers	-	-	(3,905,126)	(3,905,126)	-
At the end of the year	-	-	142,002,523	142,002,523	133,274,077
Total value of assets	20,255,760	38,596,492	188,815,289	247,667,541	236,547,968
Freehold assets					
Accumulated depreciation					
At the beginning of the year	6,227,054	9,658,841	42,348,379	58,234,274	120,626,305
Charge for the year	1,654,721	2,912,081	3,672,185	8,238,987	8,419,559
Disposals	-	-	(13,446,563)	(13,446,563)	(70,811,590)
Transfers	-	-	3,905,126	3,905,126	-
At the end of the year	7,881,775	12,570,922	36,479,127	56,931,824	58,234,274
Leasehold assets					
Accumulated depreciation					
At the beginning of the year	-	-	39,756,731	39,756,731	51,270,328
Charge for the year	-	-	17,213,054	17,213,054	17,366,279
Disposal	-	-	(12,654,453)	(12,654,453)	(28,879,876)
Transfers	-	-	(3,905,126)	(3,905,126)	-
At the end of the year	-	-	40,410,206	40,410,206	39,756,731
Total accumulated depreciation	7,881,775	12,570,922	76,889,333	97,342,030	97,991,005
Carrying value					
As at 31 March 2014	12,373,985	26,025,570	111,925,956	150,325,511	
As at 31 March 2013	9,455,156	18,728,325	110,373,482		138,556,963

14.3 Land and Buildings

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
At cost	629,800,066	278,943,791	-	-
At valuation	9,400,848,479	9,065,266,000	-	-
	10,030,648,545	9,344,209,791	-	-

14.4 Carrying value

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
At cost	7,934,355,159	5,393,574,492	48,733,194	45,039,617
At valuation	9,400,848,479	9,065,266,000	-	-
On finance lease	203,073,641	149,812,082	101,592,317	93,517,346
	17,538,277,279	14,608,652,574	150,325,511	138,556,963

14.5 Details of group's land and buildings stated at valuations are indicated below;

Revaluation of land and buildings

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence. Valuations are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the most recent revaluation was 31 March 2014.

Property	Method of valuation	Effective date of valuation	Property valuer
Softlogic Holdings PLC			
Land	Market value	30-09-2013	R. S. Wijesuriya (Incorporated Valuer)
Softlogic Information Technologies (Pvt) Ltd.			
Building	Market value	26-09-2013	R. S. Wijesuriya (Incorporated Valuer)
Softlogic Retail (Pvt) Ltd.			
Land and building	Market value	15-06-2012	R. S. Wijesuriya (Incorporated Valuer)
Softlogic Properties (Pvt) Ltd.			
Land	Market Value	30-09-2013	R. S. Wijesuriya (Incorporated Valuer)
Asiri Hospital Holdings PLC			
Land and buildings	Market Value	31-05-2012	P. B. Kalugalgedara (Chartered Valuer)
Asiri Surgical Hospital PLC			
Land and buildings	Market value	31-05-2012	P. B. Kalugalgedara (Chartered Valuer)
Central Hospital Ltd.			
Land and buildings	Market Value	31-03-2014	D. N. Dhammika Baranage (Incorporated Valuer)
Asiri Hospital Matara (Pvt) Ltd.			
Land and buildings	Market Value	31-05-2012	P. B. Kalugalgedara (Chartered Valuer)

As a result of the valuations of the land and buildings the surplus arising from the change in fair value was Rs. 313.99 Mn (2013 - Rs. 1,678.02 Mn) has been credited to the revaluation reserve.

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14.6 The carrying amount of revalued land and buildings if they were carried at cost less depreciation, would be as follows;

In Rs.	GROUP	
As at 31 March	2014	2013
Cost	6,876,928,534	6,855,336,605
Accumulated depreciation	(543,494,520)	(418,464,239)
Carrying value	6,333,434,014	6,436,872,366

14.7 Group land and buildings with a carrying value of Rs. 7,344 Mn have been pledged as security for term loans obtained, details of which are disclosed in note 47.

14.8 Group property, plant and equipment with a cost of Rs. 458.34 Mn have been fully depreciated and continue to be in use by the Group. The cost of fully depreciated assets of the Company amounts to Rs. 13.56 Mn.

15 Lease Rentals Paid in Advance

In Rs.	GROUP	
As at 31 March	2014	2013
At the beginning of the year	154,349,111	155,386,044
Amortisation for the year	(1,036,927)	(1,036,933)
At the end of the year	153,312,184	154,349,111

Prepaid lease rentals paid to acquire land use rights have been classified as lease rental paid in advance and are amortised over the lease term in accordance with the pattern of benefits provided.

15.1 Details of prepaid lease rentals

In Rs.			GROUP	
As at 31 March	Extent	Lease period	2014	2013
Asiri Surgical Hospital PLC Colombo 05	2A 1R 11.6P	50 years from 29 March 2000	88,312,184	89,349,111
Asiri Hospital Kandy (Pvt) Ltd. Mulgampala	Advance paid to obtain lease hold right of the land		65,000,000	65,000,000
			153,312,184	154,349,111

16 Investment Property

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
At the beginning of the year	2,175,045,500	2,113,736,500	333,699,500	125,700,000
Additions during the year	-	-	-	207,999,500
Change in fair value during the year	91,100,500	61,309,000	60,300,500	-
At the end of the year	2,266,146,000	2,175,045,500	394,000,000	333,699,500

16.1 Fair value of investment property

Investment property was appraised in accordance with LKAS 40 and 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuer. The market value has been used as the fair value. In determining the fair value, the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also valuer has made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are approximated within appropriate range of values.

16.2 Valuation details of investment property

Group				
Location	Extent	Effective Date	Method	Valuer
Softlogic Retail (Pvt) Ltd				
Land - Biyagama	18A 2R 4P	30-09-2013	Market Value	R. S. Wijesuriya (Incorporated Valuer)
Asiri Central Hospital PLC				
Land and building - Colombo 07	1A 3R 10P	31-03-2014	Market Value	P. B. Kalugalagedara and Associates (Chartered Valuation Surveyors)
Company				
Location	Extent	Effective Date	Method	Valuer
Land - Colombo - 05	22.45 P	30-09-2013	Market Value	R. S. Wijesuriya (Incorporated Valuer)
Land and Buildings - Piliyandala	1A 2R 30P	30-09-2013	Market Value	R. S. Wijesuriya (Incorporated Valuer)

16.3 Rental income earned from investment property by the group and company amounting to Rs. 60,870,540/- (2013 - Rs. 62,770,540/-) and Rs. 18,780,000/- (2013 - Rs. 21,382,000/-) respectively.

Notes to the Financial Statements

17 Intangible Assets

In Rs.							GROUP		COMPANY
As at 31 March							2014	2013	2014
	Goodwill	Lease right	PVIB	Brand name	Others	Total	Total	Software	
Cost / carrying value									
At the beginning of the year	4,115,823,525	874,405,830	1,980,619,826	735,402,648	311,055,867	8,017,307,696	7,911,786,980	-	
Additions	-	-	-	-	305,007,400	305,007,400	8,381,405	7,563,029	
Transfers	-	-	-	-	-	-	8,857,656	-	
Derecognition	-	-	-	-	-	-	(6,748,350)	-	
Acquisition of subsidiary	-	-	-	-	-	-	95,199,461	-	
Exchange translation difference	-	-	-	-	(1,960,990)	(1,960,990)	(169,457)	-	
At the end of the year	4,115,823,525	874,405,830	1,980,619,826	735,402,648	614,102,277	8,320,354,106	8,017,307,695	7,563,029	
Accumulated amortisation and impairment									
At the beginning of the year	-	45,972,725	195,998,837	-	144,505,513	386,477,075	188,921,629	-	
Amortisation	-	21,921,133	123,788,739	-	58,335,479	204,045,351	194,546,170	2,221,133	
Transfers	-	-	-	-	-	-	1,443,454	-	
Acquisition of subsidiary	-	-	-	-	-	-	1,667,659	-	
Exchange translation difference	-	-	-	-	(1,580,893)	(1,580,893)	(101,837)	-	
At the end of the year	-	67,893,858	319,787,576	-	201,260,099	588,941,533	386,477,075	2,221,133	
Carrying value									
As at 31 March 2014	4,115,823,525	806,511,972	1,660,832,250	735,402,648	412,842,178	7,731,412,573	-	5,341,896	
As at 31 March 2013	4,115,823,525	828,433,105	1,784,620,989	735,402,648	166,550,353	-	7,630,830,620	-	

17.1 Goodwill

Goodwill acquired through business combinations have been allocated to six cash generating units (CGUs) for impairment testing as follows:

In Rs.		
As at 31 March		
	2014	2013
Communication and information technologies	14,086,631	14,086,631
Retail	742,615,817	742,615,817
Travel and leisure	182,206,628	182,206,628
Others	31,462,743	31,462,743
Financial services	817,741,917	817,741,917
Healthcare services	2,327,709,789	2,327,709,789
	4,115,823,525	4,115,823,525

The recoverable amount of all CGUs have been determined based on the higher of its fair value less costs to sell and its Value in Use (VIU) calculation. VIU was determined by discounting the future cash flows generated from the continuing use of the unit. The key assumptions used are given below:

Business growth	Volume growth has been budgeted on a reasonable and realistic basis by taking into account the growth rates of one to five years immediately subsequent to the budgeted year based on industrial growth rates. Cash flows beyond five year period are extrapolated using 0% growth rate.
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Inflation	The basis used to determine the value assigned to the budgeted cost inflation, is the inflation rate, based on projected economic condition.
Discount rate	The discounting rate used is the risk free rate adjusted by the additional appropriate risk premium.
Margin	The basis used to determine the value assigned to the budgeted gross margins is the gross margins achieved in the year preceding the budgeted year adjusted for projected market conditions and business plans.

17.2 Present Value of acquired-In -force Business (PVIB)

Upon acquiring controlling stake in Asian Alliance Insurance PLC (AAI), the Group has recognised in the consolidated financial statements an intangible assets representing the present value of future profits on AAI's portfolio of long term life insurance contracts , known as the present value of acquired in-force business (PVIB) at the acquisition date, PVIB recognised at the acquisition date will be amortised over life of the business acquired and reviewed annually for any impairment in value.

18 Investments in Subsidiaries

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Group quoted investments	-	-	5,385,313,619	5,360,840,841
Group unquoted investments	-	-	3,622,036,138	2,908,302,161
	-	-	9,007,349,757	8,269,143,002

18.1 Investment In Associates

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Investment in associates	24,746,404	43,064,248	11,000,000	861,989,404
	24,746,404	43,064,248	11,000,000	861,989,404

18.2 Group quoted investments

In Rs.	GROUP		COMPANY			
As at 31 March	2014				2014	2013
	No of shares	Effective holding %	No of shares	Effective holding %		
Cost						
Asian Alliance Insurance PLC	22,212,836	42.49%	17,555	0.05%	1,559,884	-
Asiri Central Hospitals PLC	22,181,795	50.26%	-	-	-	-
Asiri Hospitals Holdings PLC	559,036,613	50.60%	498,986,343	45.40%	3,655,303,107	3,653,820,972
Asiri Surgical Hospital PLC	389,391,719	37.28%	-	-	-	-
Softlogic Capital PLC	216,441,978	72.34%	216,441,978	72.34%	1,709,831,037	1,707,019,869
Softlogic Finance PLC	23,935,837	46.66%	574,714	1.53%	18,619,591	-
					5,385,313,619	5,360,840,841

Notes to the Financial Statements

18.3 Group quoted investments

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Market Value				
Asian Alliance Insurance PLC	1,801,461,000	2,865,294,400	1,423,711	-
Asiri Central Hospitals PLC	5,547,666,930	5,502,753,250	-	-
Asiri Hospitals Holdings PLC	12,410,612,809	6,371,826,145	11,077,496,815	5,687,253,067
Asiri Surgical Hospital PLC	4,555,883,112	3,620,612,332	-	-
Softlogic Capital PLC	844,123,714	1,209,010,796	844,123,714	1,209,010,796
Softlogic Finance PLC	734,830,196	602,832,954	17,643,720	-
	25,894,577,761	20,172,329,877	11,940,687,960	6,896,263,863

18.4 Group unquoted investments

In Rs.	GROUP		COMPANY		2014	2013
	No of shares	Effective holding %	No of shares	Effective holding %		
As at 31 March						
Asiri Diagnostics Services (Pvt) Ltd.	273,221	33.67	-	-	-	-
Asiri Hospital Kandy (Pvt) Ltd.	4,000,000	50.60	-	-	-	-
Asiri Hospital Matara (Pvt) Ltd.	25,999,999	50.60	-	-	-	-
Central Hospitals Ltd.	194,121,930	45.53	-	-	-	-
Ceysand Resorts Ltd. - Voting	8,587,669	99.79	-	-	-	-
- Non Voting	134,250	96.16	-	-	-	-
Dai-nishi Securities (Pvt) Ltd.	49,999,998	99.99	-	-	-	-
Future Automobiles (Pvt) Ltd.	5,000,000	100.00	5,000,000	100.00	52,675,000	52,675,000
Softlogic Australia (Pty) Ltd.	400,002	100.00	400,002	100.00	4,604,600	4,604,600
Softlogic Automobile (Pvt) Ltd. (previously known as Uni Walker Automobile (Pvt) Ltd.)	5,000,000	100.00	5,000,000	100.00	50,000,000	100,000
Softlogic B P O Services (Pvt) Ltd.	100,000	100.00	100,000	100.00	1,000,000	-
Softlogic Brands (Pvt) Ltd. (previously known as Uni Walker Distributors (Pvt) Ltd.)	249,996	99.99	-	-	-	-
Softlogic City Hotels (Pvt) Ltd.	76,463,830	99.83	-	-	-	-
Softlogic Communications (Pvt) Ltd.	534,699	99.00	534,699	99.00	5,978,490	5,228,490
Softlogic Communication Services (Pvt) Ltd.	99	99.00	99	99.00	990	990
Softlogic Computers (Pvt) Ltd.	199,998	100.00	199,998	100.00	2,354,365	2,354,365
Softlogic Corporate Services (Pvt) Ltd.	2,725,002	100.00	2,725,002	100.00	10,393,962	-
Softlogic Destination Management (Pvt) Ltd.	100,000	100.00	100,000	100.00	1,000,000	-
Softlogic Information Technologies (Pvt) Ltd.	1,464,997	99.99	1,464,997	99.99	16,465,336	16,465,336
Softlogic International (Pvt) Ltd.	4,999,999	99.99	4,999,999	99.99	49,999,990	49,999,990
Softlogic Properties (Pvt) Ltd.	230,748,208	99.83	230,748,208	99.83	1,911,484,085	1,911,484,070
Softlogic Restaurant (Pvt) Ltd.	25,000,000	100.00	25,000,000	100.00	250,000,000	-
Softlogic Retails (Pvt) Ltd. (previously known as Uni Walkers (Pvt) Ltd.)	144,699,463	99.99	144,699,463	99.99	1,266,079,320	865,389,320
Softlogic Solar (Pvt) Ltd.	99	99.00	99	99.00	-	-
Softlogic Stockbrokers (Pvt) Ltd.	19,700,000	72.34	-	-	-	-
					3,622,036,138	2,908,302,161

18.5 Group investment in associates

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Quoted				
Asian Alliance Insurance PLC	-	-	-	850,989,404
Unquoted				
Abacus International Lanka (Pvt) Ltd.	41,863,087	45,532,088	9,750,000	9,750,000
Gerry's Softlogic (Pvt) Ltd.	-	-	2,699,800	2,699,800
Nextage (Pvt) Ltd.	1,201,160	1,250,000	1,250,000	1,250,000
Share of profit accruing to the group	13,280,969	20,823,707	-	-
Share of associate companies tax	(4,537,430)	(4,741,547)	-	-
Share of associate companies dividend	(27,000,000)	(19,800,000)	-	-
Share of OCI accruing to the group	(85,252)	-	-	-
Share of associate OCI tax	23,870	-	-	-
Less: impairment of investment in Gerry's Softlogic (Pvt) Ltd.	-	-	(2,699,800)	(2,699,800)
	24,746,404	43,064,248	11,000,000	861,989,404

The market value of the quoted associate investment amounts to Rs. Nil (2013 - Rs. 571,412,400/-) for the company. The Directors' valuation of unquoted associate investments amounts to Rs. 24,746,405/- (2013 - Rs. 43,064,248/-) and Rs.11,000,000/- (2013 - Rs.11,000,000/-) for the group and company respectively.

18.6 Summarised financial information of associate companies

In Rs.	GROUP	
	2014	2013
As at 31 March		
Group share of;		
Revenue	93,166,414	88,217,123
Operating expenses	(81,048,685)	(71,772,962)
Other income	841,470	4,733,731
Profit for the year	12,959,199	21,177,892
Group share of;		
Total assets	83,904,537	143,250,478
Total liability	(51,902,360)	(92,608,687)
Net assets	32,002,177	50,641,791
Unrealised profits	(1,338,301)	(1,660,071)
Deferred tax on undistributable profits	(5,917,472)	(5,917,472)
	24,746,404	43,064,248
Contingent liabilities	NIL	NIL
Capital commitments	NIL	NIL

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19 Other Non Current Financial Assets

In Rs.		GROUP		COMPANY	
As at 31 March	Note	2014	2013	2014	2013
Other quoted equity investments	19.1	600,882,720	1,736,924,172	-	7,209,309
Other unquoted equity investments	19.2	150,217,000	275,217,000	-	125,000,000
Other non equity investments	19.3	5,415,807,994	3,151,701,392	57,797,564	94,121,565
		6,166,907,714	5,163,842,564	57,797,564	226,330,874

19.1 Other quoted equity investments

In Rs.		GROUP		COMPANY	
As at 31 March	No of Shares	2014	2013	2014	2013
Access Engineering PLC	2,000,000	46,000,000	39,400,000	-	-
ACL Cables PLC - Bonus Shares	308	18,788	28,820	-	-
Ceylinco Insurance PLC	-	-	89,000	-	-
CIC Holdings PLC	-	-	61,000	-	-
Commercial Bank of Ceylon PLC	-	-	166,674	-	-
Dipped Product PLC	-	-	266,400	-	-
Expo Lanka PLC	2,541,300	22,109,310	17,280,840	-	-
Free Lanka PLC	950,900	1,996,890	2,377,250	-	-
Hatton National Bank PLC	21,841	3,276,150	3,656,600	-	-
John Keells Holdings PLC	-	-	6,586,502	-	-
National Development Bank PLC	2,890,209	516,191,328	1,656,340,620	-	-
Sampath Bank PLC	-	-	20,466	-	-
Seylan Bank PLC	-	-	3,550,000	-	-
Seylan Bank PLC - Non voting	300,000	11,290,254	7,100,000	-	-
Softlogic Finance PLC	-	-	-	-	7,209,309
		600,882,720	1,736,924,172	-	7,209,309

19.2 Other unquoted equity investments

In Rs.		GROUP		COMPANY	
As at 31 March		2014	2013	2014	2013
Voyages Jean Mermoz Ltd		10,000	10,000	-	-
Ceylon Lexcon Services Ltd		207,000	207,000	-	-
Investment - Others		150,000,000	275,000,000	-	125,000,000
		150,217,000	275,217,000	-	125,000,000

19.3 Other non equity investments

In Rs.		GROUP		COMPANY	
As at 31 March	Note	2014	2013	2014	2013
Placement with banks and financial institutions		30,600	30,600	-	-
Debentures		627,299,943	501,765,957	2,528,664	2,528,665
Government securities		3,189,701,356	1,691,475,639	-	-
Deposits		9,217,655	59,371,012	-	-
Other investments and receivables		39,625,867	3,445,037	-	-
Receivable from Related Parties		-	-	55,268,900	91,592,900
Loans and Advances	25	1,549,932,573	895,613,146	-	-
		5,415,807,994	3,151,701,392	57,797,564	94,121,565

20 Rental Receivable on Lease Assets and Hire Purchase

20.1 Receivable from one to five years

In Rs. As at 31 March	GROUP					
	2014			2013		
	Rental receivable on lease assets	Rental receivable on hire purchase	Total	Rental receivable on lease assets	Rental receivable on hire purchase	Total
Rental receivables	1,640,137,792	3,324,635,093	4,964,772,885	2,205,460,684	3,693,729,982	5,899,190,666
Rentals received in advance	(2,907,286)	-	(2,907,286)	(4,104,401)	-	(4,104,401)
Unearned income	(418,603,862)	(804,569,261)	(1,223,173,123)	(536,986,444)	(1,026,481,807)	(1,563,468,251)
	1,218,626,644	2,520,065,832	3,738,692,476	1,664,369,839	2,667,248,175	4,331,618,014

20.2 Receivable within one year

Rental receivables	1,620,311,137	4,516,044,966	6,136,356,103	1,324,720,918	3,063,851,069	4,388,571,987
Rentals received in advance	(1,004,987)	-	(1,004,987)	(413,902)	-	(413,902)
Unearned income	(419,281,098)	(1,006,285,852)	(1,425,566,950)	(485,157,772)	(947,471,286)	(1,432,629,058)
Impairment	(15,861,663)	(77,249,002)	(93,110,665)	(4,502,605)	(30,099,611)	(34,602,216)
	1,184,163,389	3,432,510,112	4,616,673,501	834,646,639	2,086,280,172	2,920,926,811
	2,402,790,033	5,952,575,944	8,355,365,977	2,499,016,478	4,753,528,347	7,252,544,825

21 Other Non Current Assets

In Rs. As at 31 March	GROUP	
	2014	2013
Rent advances	50,548,070	8,333,335
Deferred expenditure	92,418,471	71,494,774
	142,966,541	79,828,109

22 Deferred Tax Assets

In Rs. As at 31 March	GROUP	
	2014	2013
At the beginning of the year	230,672,828	308,909,689
Charge and release	76,956,957	(78,236,861)
At the end of the year	307,629,785	230,672,828

22.1 The closing deferred tax asset balance relates to the following:

In Rs. As at 31 March	GROUP	
	2014	2013
Accelerated depreciation for tax purposes	(126,767,753)	(74,510,061)
Employee benefit liabilities	21,794,070	11,004,716
Losses available for offset against future taxable income	430,560,572	294,439,328
Others	(17,957,104)	(261,155)
	307,629,785	230,672,828

22.2 The Group has tax losses amounting to Rs. 7,849 Mn (2013 - Rs. 6,921 Mn) that are available indefinitely to offset against future taxable profits of the companies in which the tax losses arose.

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23 Inventories

In Rs.	GROUP	
	2014	2013
As at 31 March		
Finished goods	4,065,928,317	3,327,784,437
Other stocks	1,043,425,533	377,538,659
	5,109,353,850	3,705,323,096

24 Trade and Other Receivables

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Trade and other receivables	4,115,444,656	3,371,854,415	100,729,787	89,647,874
Reinsurance receivables	160,845,746	86,958,392	-	-
Loans to executives	22,702,451	20,520,035	6,503,850	6,364,797
Other receivables	796,132,464	770,186,811	59,936,203	7,334,229
	5,095,125,317	4,249,519,653	167,169,840	103,346,900

25 Loans and Advances

In Rs.	GROUP			
	Gross		Total	Total
As at 31 March		Unearned income	2014	2013
Short term lending	252,018	-	252,018	14,704,565
Personal loans	3,160,239,587	(925,569,738)	2,234,669,849	1,611,496,331
Pawning debtors	407,488,720	-	407,488,720	436,511,829
Policy holders loans	114,342,102	-	114,342,102	83,644,821
Revolving loans	429,130,543	-	429,130,543	350,642,938
Consumer loans	129,628,137	(22,097,541)	107,530,596	90,682,135
Margin trading receivables	-	-	-	3,588,175
SME loans	494,914,560	(31,743,990)	463,170,570	251,835,890
Impairment on receivables			(129,613,123)	(34,933,782)
	4,735,995,667	(979,411,269)	3,626,971,275	2,808,172,902
Loans and advances				
Receivable within one year			2,077,038,702	1,912,559,756
Receivable after one year (Note 19.3)			1,549,932,573	895,613,146
			3,626,971,275	2,808,172,902

26 Other Current Assets

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Prepayments, advances & non cash receivables	1,000,564,401	926,629,492	4,588,156	1,366,810
Tax refunds & receivables	637,573,888	288,983,433	26,548,108	13,433,908
Other receivables	1,135,762,161	452,628,523	-	-
	2,773,900,450	1,668,241,448	31,136,264	14,800,718

27 Short Term Investments

In Rs.		GROUP		COMPANY	
As at 31 March	Note	2014	2013	2014	2013
Quoted equities at market value	27.1	1,651,035,281	425,080,765	5,619,616	4,875,190
Unquoted equity investments	27.2	125,000,000	-	125,000,000	-
Other investments (More than 3 months and less than 1 year)	27.3	2,092,484,280	1,830,798,083	-	507,224,210
		3,868,519,561	2,255,878,848	130,619,616	512,099,401
Other investments (Less than 3 months)					
Government securities		1,690,000,000	888,560,014	-	-
Commercial papers		-	-	985,376,439	-
Short term deposits		528,000,000	400,000,000	528,000,000	-
Fixed deposits		271,811,103	-	-	-
		2,489,811,103	1,288,560,014	1,513,376,439	-
		6,358,330,664	3,544,438,862	1,643,996,055	512,099,401

27.1 Quoted equities at market value

In Rs.		GROUP		COMPANY		
As at 31 March	No of Shares	2014	2013	No of Shares	2014	2013
Access Engineering PLC	85,000	1,912,500	-	-	-	-
ACL Cables PLC	132	8,052	-	-	-	-
Aitken Spence PLC	114,269	11,186,935	14,112,800	-	-	-
Allumex PLC	3,500,000	49,700,000	-	-	-	-
Asia Capital PLC	543,268	9,235,556	12,386,510	-	-	-
Cargills Ceylon PLC	-	-	10,792,980	-	-	-
Ceylinco Insurance PLC	8,900	124,600	-	-	-	-
Commercial Bank of Ceylon PLC - Non voting	495,072	48,021,984	47,031,872	-	-	-
DFCC Bank	296	42,594	38,806	-	-	-
Dialog Axiata PLC	868,600	7,817,400	7,817,400	-	-	-
Dunamis Capital PLC	305	3,843	3,569	-	-	-
Hatton National Bank PLC	22,443	3,366,450	87,758,385	-	-	-
Hatton National Bank PLC - Non voting	358,505	43,020,600	62,667,077	-	-	-
Hemas Holdings PLC	5,000	188,500	-	-	-	-
John Keells Holdings PLC	334	75,818	82,498	-	-	-
Lanka Floor Tiles PLC	997	69,292	69,292	-	-	-
Lanka IOC PLC	101,200	3,896,200	1,376,490	63,200	2,433,200	1,376,490
Laugfs Gas PLC	9,020	237,226	-	-	-	-
National Development Bank PLC	8,152,342	1,456,008,281	165,000,000	-	-	-
Renuka City Hotels PLC	50	13,165	12,000	-	-	-
Richard Peiris & Co PLC	210	1,386	1,386	-	-	-
Richard Peiris Export PLC	200	11,020	6,000	-	-	-
Sampath Bank PLC	10,782	1,963,402	2,354,028	10,782	1,963,402	2,354,028
Seylan Bank PLC	135	8,600	8,672	135	8,600	8,672
Seylan Bank PLC - Non voting	318,321	11,777,877	13,561,000	32,822	1,214,414	1,136,000
Textured Jersey Lanka PLC	130,000	2,054,000	-	-	-	-
Tokyo Cement Company (Lanka) PLC	10,000	290,000	-	-	-	-
		1,651,035,281	425,080,765		5,619,616	4,875,190

Notes to the Financial Statements

27.2 Unquoted equity investments

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Investment - Others	125,000,000	-	125,000,000	-
	125,000,000	-	125,000,000	-

27.3 Other investments

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
More than 3 months and less than 1 year				
Government securities	1,007,282,330	580,221,585	-	-
Fixed deposits	256,147,490	32,336,245	-	-
Placement with banks and financial institution	247,463,938	-	-	-
Investment in commercial papers	31,924,215	962,926,002	-	501,924,210
Debentures maturing within a year	-	5,300,000	-	5,300,000
Others - Investment in Unit Trust	549,666,307	250,014,251	-	-
	2,092,484,280	1,830,798,083	-	507,224,210

28 Stated Capital

	2014		2013	
	Number of shares	Value of shares	Number of shares	Value of shares
Fully Paid Ordinary Shares				
At the beginning of the year	779,000,000	5,089,000,000	779,000,000	5,089,000,000
	779,000,000	5,089,000,000	779,000,000	5,089,000,000

29 Other Components of Equity

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Treasury shares	(55,921,185)	(47,753,697)	-	-
Revaluation reserve	1,461,774,873	1,337,323,893	-	-
Foreign currency translation reserve	(75,358,862)	(93,885,610)	-	-
Available for sale reserve	176,573,503	240,463,858	-	(2,749,371)
Statutory reserve fund	149,167,942	87,790,590	-	-
Other reserves	(572,303,697)	-	-	-
	1,083,932,574	1,523,939,034	-	(2,749,371)

29.1 Investment in Treasury Shares reserve reflects the cost of investment made by a subsidiary of Softlogic Holdings PLC.

29.2 Revaluation reserve consists of the net surplus on the revaluation of property.

29.3 Foreign currency translation reserve comprises the net exchange movement arising on the currency translation of foreign operations and net equity investments of other currency denominated associates into Sri Lankan rupees.

29.4 Available for sale reserve includes changes on fair value of financial instruments designated as available for sale financial assets.

29.5 Other reserve is used to recognise net gain/(loss) on subsequent acquisitions of non-controlling interest.

30 Insurance Contract Liabilities

In Rs.	GROUP	
	2014	2013
As at 31 March		
Provision - life	4,184,923,357	3,218,377,437
	4,184,923,357	3,218,377,437

The valuation of the long term life insurance fund as at 31 December 2013 was conducted by Mr. M. Poopalanathan of Actuarial & Management Consultants (Pvt) Ltd., for on behalf of Asian Alliance Insurance PLC (AAI).

In Accordance with the Consultant's Actuary Report as at 31 December 2013, the sum of provision Rs. 3,746 Mn (2012 - Rs. 2,904 Mn) includes the liability in respect of Policy Holders bonus as well. In the opinion of the Consultant Actuary, the provision is adequate to cover the liabilities pertaining to long term insurance.

The Actuary recommended to transfer a sum of Rs. 300.00 Mn (2013 - Rs. 155.80 Mn) to the Share holders of AAI as at 31 December 2013 and transferred further Rs. 168.50 Mn (2013 - Nil) for the three months period ending 31 March 2014.

Actuarial Assumptions

As at 31 December	2013	2012
Interest Rate	7.5%	7.5%
Mortality Table Used	A67/70	A67/70

30.1 Movement in life insurance fund

In Rs.	GROUP	
	2014	2013
As at 31 March		
At the beginning of the year	3,218,377,437	2,425,624,160
Increase in life fund	1,435,045,920	948,553,277
Transfer to shareholders	(468,500,000)	(155,800,000)
At the end of the year	4,184,923,357	3,218,377,437

Notes to the Financial Statements

31 Interest Bearing Borrowings

In Rs.	GROUP						
As at 31 March	2014				2013		
	Finance Lease	Debentures	Loans	Total	Finance Lease	Loans	Total
At the beginning of the year	178,256,750	-	12,252,681,765	12,430,938,515	249,068,400	13,680,736,135	13,929,804,535
Additions	99,822,625	1,290,000,000	6,256,880,910	7,646,703,535	16,217,076	6,615,163,253	6,631,380,329
Transfers	-	-	531,800,000	531,800,000	-	(581,064,208)	(581,064,208)
Repayments	(81,089,558)	-	(3,473,066,469)	(3,554,156,027)	(86,851,820)	(7,440,756,262)	(7,527,608,082)
Unamortised loan processing cost	-	-	(9,042,764)	(9,042,764)	-	-	-
Unamortisation of debenture issue expense	-	(9,245,193)	-	(9,245,193)	-	-	-
Finance charges	(22,250,837)	-	-	(22,250,837)	(28,489,902)	-	(28,489,902)
Exchange translation difference	-	-	129,539,542	129,539,542	(176,906)	(21,397,153)	(21,574,059)
At the end of the year	174,738,980	1,280,754,807	15,688,792,984	17,144,286,771	149,766,848	12,252,681,765	12,402,448,613
Repayable within one year	63,913,478	-	4,080,524,358	4,144,437,836	51,731,416	2,794,922,436	2,846,653,852
Repayable after one year	110,825,502	1,280,754,807	11,608,268,626	12,999,848,935	98,035,432	9,457,759,329	9,555,794,761
	174,738,980	1,280,754,807	15,688,792,984	17,144,286,771	149,766,848	12,252,681,765	12,402,448,613

Security pledged and interest rates pertaining to interest bearing borrowings are disclosed in note 47 to the financial statements.

31.1 Interest Bearing Borrowings

In Rs.	Company						
As at 31 March	2014				2013		
	Finance Lease	Debentures	Loans	Total	Finance Lease	Loans	Total
At the beginning of the year	90,234,752	-	2,286,592,789	2,376,827,541	128,752,360	2,206,503,331	2,335,255,691
Additions	44,122,626	1,000,000,000	1,000,000,000	2,044,122,626	6,780,000	1,980,633,593	1,987,413,593
Repayments	(38,332,912)	-	(453,163,192)	(491,496,104)	(45,297,608)	(1,900,544,135)	(1,945,841,743)
Amortisation of debenture issue expense	-	(9,245,193)	-	(9,245,193)	-	-	-
Finance charges	(16,764,580)	-	-	(16,764,580)	(15,280,965)	-	(15,280,965)
At the end of the year	79,259,886	990,754,807	2,833,429,597	3,903,444,290	74,953,787	2,286,592,789	2,361,546,576
Repayable within one year	28,983,625	-	1,426,279,191	1,455,262,816	22,343,763	591,512,886	613,856,649
Repayable after one year	50,276,261	990,754,807	1,407,150,406	2,448,181,474	52,610,024	1,695,079,903	1,747,689,927
	79,259,886	990,754,807	2,833,429,597	3,903,444,290	74,953,787	2,286,592,789	2,361,546,576

Security pledged and interest rates pertaining to interest bearing borrowings are disclosed in note 47 to the financial statements.

31.2 Details regarding the listed debentures are as follows;

Debenture category	Annual interest rate	Interest payment frequency	Allotment date	Maturity date	Amortised cost as at 31-03-2014
Company					
Listed, unsecured debentures	16.70%	Quarterly	09-09-2013	09-09-2016	990,754,807
					990,754,807
Group					
Softlogic Holdings PLC					
Listed, unsecured debentures	16.70%	Quarterly	09-09-2013	09-09-2016	860,754,807
Softlogic Finance PLC					
Listed, unsecured, Type "A" debentures	17.00%	Annually	28-08-2013	27-08-2016	167,840,000
Listed, unsecured, Type "B" debentures	16.50%	Semi - annually	28-08-2013	27-08-2016	100,160,000
Listed, unsecured, Type "C" debentures	16.00%	Monthly	28-08-2013	27-08-2016	152,000,000
					1,280,754,807

31.3 Interest rate of comparable Government Securities as at 31 March, 2014 7.85% (Net of tax)

31.4 The Listed Debentures were not traded during the period from 09 September 2013 to 31 March 2014. Therefore, highest traded price, lowest traded price, interest yield and yield to maturity of trade as at 31 March 2014 were not available.

31.5 Derivative financial instruments

In Rs. As at 31 March	GROUP			
	2014		2013	
	Assets	Liabilities	Assets	Liabilities
Cross currency interest rate Swap - Cash flow hedges	Nil	11,484,342	Nil	Nil

Interest rate SWAP - Cash flow

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

Hedging instrument - Non deliverable interest rate cross currency SWAP.

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

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

In respect of cash flow hedge instrument following balance has been recognised under Other Comprehensive Income Statement (OCI) as the fair value loss on hedging instrument.

In Rs. As at 31 March	GROUP	
	2014	2013
Net change in fair value on derivative financial instruments	(30,540,342)	Nil

On the hedged item (USD denominated borrowing), attributable to the hedged risk following balance has been recognised in Group Income Statement under Cost of Sales.

In Rs. As at 31 March	GROUP	
	2014	2013
Interest expense	22,205,775	Nil

Notes to the Financial Statements

32 Public Deposits

In Rs.	GROUP	
As at 31 March	2014	2013
Deposits maturing after one year	1,885,402,009	1,217,018,340
Deposits maturing within one year	7,418,343,338	5,739,932,707
	9,303,745,347	6,956,951,047

33 Deferred Tax Liabilities

In Rs.	GROUP	
As at 31 March	2014	2013
At the beginning of the year	366,359,147	247,057,034
Acquisition / (disposal) of subsidiary	-	785,210
Provision/(reversal)	(34,034,649)	118,516,903
At the end of the year	332,324,498	366,359,147

33.1 The closing deferred tax liability balance relates to the following:

In Rs.	GROUP	
As at 31 March	2014	2013
Revaluation of land and building to fair value	238,477,939	239,635,263
Accelerated depreciation for tax purposes	157,674,363	287,890,027
Employee benefit liabilities	(45,993,219)	(71,730,790)
Losses available for offset against future taxable income	(30,457,417)	(84,269,522)
Others	12,622,832	(5,165,831)
At the end of the year	332,324,498	366,359,147

34 Employee Benefit Liabilities

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
At the beginning of the year	378,903,001	325,659,737	21,435,500	13,688,274
Acquisition of subsidiaries	-	876,799	-	-
Current service cost	71,066,278	62,311,504	3,897,509	2,903,071
Interest cost on benefit obligation	34,488,725	30,607,643	2,421,516	1,505,710
(Gain)/Loss arising from changes in assumptions	(931,713)	(11,077,024)	3,531,852	4,099,225
Transfers from/ (to) related companies	-	-	132,908	(76,250)
Payments	(38,898,992)	(29,462,851)	(1,335,500)	(684,530)
Exchange translation difference	(160,025)	(12,807)	-	-
At the end of the year	444,467,274	378,903,001	30,083,785	21,435,500

The employee benefit liability of the Group is based on the actuarial valuations carried out by Messrs. Actuarial & Management Consultants (Pvt) Ltd., actuaries. The principal assumptions used in determining the cost of employee benefits were:

	2014	2013
Discount rate	9% - 11%	10% - 12%
Future salary increases	8% - 10%	10% - 12%

34.1 Sensitivity of assumptions used

If one percentage point changes in the assumptions, would have the following effect:

	Discount rate				Salary increment	
	GROUP		COMPANY		2014	
	2014	2013	2014	2013	GROUP	COMPANY
Effect on the defined benefit obligation liability						
Increase by one percentage point	(35,683,948)	(26,760,348)	(2,531,545)	(970,045)	(34,632,589)	(2,669,107)
Decrease by one percentage point	29,389,895	31,971,077	2,224,485	2,335,534	31,634,966	2,377,544

34.2 Maturity analysis of the payments

The following payments are expected on employees benefit liabilities in future years.

	GROUP	COMPANY
- within the next 12 months	64,840,554	695,852
- between 1 and 2 years	58,081,394	1,994,476
- between 3 and 5 years	85,795,810	11,145,608
- between 6 and 10 years	97,518,826	8,894,659
- beyond 10 years	138,230,690	7,353,190
Total expected payments	444,467,274	30,083,785

34.3 The Group and company's weighted average duration of defined benefit obligation is 8.78 years and 8.52 years respectively.

35 Other Deferred Liabilities

In Rs.	GROUP	
As at 31 March	2014	2013
Deferred revenue	23,146,595	55,538,378
Warranty Provision	41,411,366	70,666,405
	64,557,961	126,204,783

36 Other Non Current Financial Liabilities

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Other liabilities	6,260,352	1,812,828,000	-	-
Payable to related party	-	-	-	906,414,000
	6,260,352	1,812,828,000	-	906,414,000

36.1 Softlogic Holdings PLC ("SH"), Softlogic Capital PLC ("SC") and Asian Alliance Insurance PLC ("AAI") entered into a "Shareholders Agreement" and "Share Purchase Agreement" dated 20 December 2012 as amended 13 February 2013 with Deutsche Infestations - Und Entwicklungsgesellschaft MBH ("DEG") and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. ("FMO") to sell 19% of the ordinary shares of AAI, held by SH to FMO and 19% of the AAI ordinary shares held by SC to DEG. As per the above agreements, SC has granted a 'Put Option' to FMO and DEG which will be valid for a three year period with effect from 7 March 2017 to repurchase 38% of the shares held by DEG and FMO based on a 'Put Option' price as specified in the amended agreements.

As per the Sri Lankan Accounting Standards (SLFRS/LKAS) adopted by the Group with effect from 1 April 2012 the Investment in AAI sold to FMO and DEG by SH and SC did not met the de-recognition criteria in LKAS 39, and continued to be recognised as an Investment and the proceeds received under this transaction with FMO and DEG was recognised as a financial liability in the group financial statements as of 31 March 2013.

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Subsequent to the further amendments made to the "Shareholders Agreement" on 31 March 2014, the group met the de-recognition criteria as per LKAS 39, and the said 38% stake held by SH and SC in AAI and the financial liability which initially recognized in the group financial statements were de recognized and a derivative financial liability recognised in the group financial statements as at 31 March 2014. As at 31 March, 2014, the Group has pledged 52,368,036 shares (2013 – 52,368,036 shares) of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC and 2,000 shares (2013 – 2,000 shares) of Asian Alliance Insurance PLC owned by Softlogic Capital PLC as collaterals to the said Transaction.

37 Trade and Other Payables

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Trade and other payables	3,385,866,379	1,640,976,056	14,569,828	15,072,075
Reinsurance payables	94,989,789	195,824,731	-	-
Insurance provision - general	944,664,510	745,925,020	-	-
Sundry creditors including accrued expenses	1,326,135,939	1,319,388,915	-	-
	5,751,656,617	3,902,114,722	14,569,828	15,072,075

38 Income Tax Liabilities

In Rs.	GROUP	
	2014	2013
As at 31 March		
At the beginning of the year		234,890,927
Charge for the year		249,661,002
Acquisitions / (disposal) of subsidiaries		332,759,233
Payments and set off against refunds		-
		(1,094,037)
At the end of the year		(393,507,209)
		234,890,927

39 Short Term Borrowings

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Loans	3,976,934,513	6,466,730,701	84,619,125	410,418,102
Commercial papers	7,830,931,792	1,243,845,293	3,821,941,975	537,018,045
Margin trading loans	14,249,672	-	14,249,672	-
	11,822,115,977	7,710,575,994	3,920,810,772	947,436,147

40 Other Current Liabilities

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Advances received	142,536,919	56,257,119	-	8,808,460
Other taxes payables	120,373,841	147,461,685	18,028,769	6,571,866
Other liabilities	449,874,086	8,818,589	-	8,960,519
	712,784,846	212,537,393	18,028,769	24,340,845

41 Related Party Transactions

The Group and Company carried out transactions in the ordinary course of business with the following related entities.

41.1 Amounts due from related parties

In Rs.	Note	GROUP		COMPANY	
		2014	2013	2014	2013
As at 31 March					
Subsidiaries	41.3 - 41.4	-	-	2,452,716,329	900,941,515
Associates	41.5	579,913	933,462	380,735	104,477
Key Management personnel		198,547	93,448,952	-	-
		778,460	94,382,414	2,453,097,064	901,045,992

41.2 Amounts due to related parties

In Rs.	Note	GROUP		COMPANY	
		2014	2013	2014	2013
As at 31 March					
Subsidiaries	41.3 - 41.4	-	-	945,639,488	1,293,474,112
Associates	41.6	5,234,509	5,623,038	-	-
Key Management personnel		14,274,093	16,397,801	1,017,826	1,992,158
		19,508,602	22,020,839	946,657,314	1,295,466,270

41.3 Subsidiaries

In Rs.	COMPANY			
	Amount due to		Amounts due From	
As at 31 March	2014	2013	2014	2013
Asiri Hospital Holdings PLC	35,917,856	24,608,721	-	-
Asiri Surgical Hospitals PLC	22,888,811	12,810,629	-	-
Ceysand Resorts Ltd.	-	-	519,833,119	18,663,704
Future Automobiles (Pvt) Ltd.	-	99,438,467	53,510,599	-
Softlogic Automobile (Pvt) Ltd.	142,511	100,000	-	-
Softlogic B P O Services (Pvt) Ltd.	-	-	7,866,170	-
Softlogic Brands (Pvt) Ltd.	-	-	6,674,515	995,343
Softlogic Capital PLC	-	-	3,219,480	124,916,101
Softlogic City Hotels (Pvt) Ltd.	-	-	41,249,959	32,199,511
Softlogic Communications (Pvt) Ltd.	372,890,263	433,189,362	-	-
Softlogic Communication Services (Pvt) Ltd.	-	990	32,343	-
Softlogic Computers (Pvt) Ltd.	-	-	19,606,300	8,844,358
Softlogic Corporate Services (Pvt) Ltd.	-	-	180,615	1,601,021
Softlogic Destination Management (Pvt) Ltd.	-	-	5,414,184	2,669,679
Softlogic Information Technologies (Pvt) Ltd.	204,694,175	239,269,825	-	-
Softlogic International (Pvt) Ltd.	7,605,872	183,556,118	-	-
Softlogic Properties (Pvt) Ltd.	-	-	164,794,165	16,488,952
Softlogic Restaurant (Pvt) Ltd.	-	-	22,097,912	-
Softlogic Retail (Pvt) Ltd.	-	-	392,668,763	113,932,527
Softlogic Solar (Pvt) Ltd.	-	-	22,975,122	19,533,389
	644,139,488	992,974,112	1,260,123,246	339,844,585
Less - Provision for impairment	-	-	(22,975,122)	(18,397,755)
	644,139,488	992,974,112	1,237,148,124	321,446,830

Notes to the Financial Statements

41.4 Subsidiaries

Loans - Current In Rs.	COMPANY			
	Loans Received		Loans Given	
For the year ended	2014	2013	2014	2013
Asiri Hospitals Holdings PLC	85,000,000	85,000,000	-	-
Asiri Surgical Hospitals PLC	95,500,000	215,500,000	-	-
Future Automobiles (Pvt) Ltd.	-	-	137,911,574	-
Softlogic Capital PLC	-	-	350,664,035	210,070,685
Softlogic Communications (Pvt) Ltd.	-	-	246,929,824	333,100,000
Softlogic Destination Management (Pvt) Ltd.	-	-	1,584,606	-
Softlogic Information Technologies (Pvt) Ltd.	-	-	4,376,012	36,324,000
Softlogic International (Pvt) Ltd.	-	-	2,225,332	-
Softlogic Retail (Pvt) Ltd.	121,000,000	-	471,876,822	-
	301,500,000	300,500,000	1,215,568,205	579,494,685
Total	945,639,888	1,293,479,112	2,452,416,329	900,941,515

41.5 Amounts due from related parties

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Associates				
Abacus International Lanka (Pvt) Ltd.	579,913	933,462	380,735	104,477
	579,913	933,462	380,735	104,477

41.6 Amounts due to related parties

In Rs.	GROUP		COMPANY	
	2014	2013	2014	2013
As at 31 March				
Associates				
Gerry's Softlogic Pakistan	5,234,509	5,623,038	-	-
	5,234,509	5,623,038	-	-

41.7 Transactions with related parties

In Rs.	GROUP		COMPANY	
For the Year ended 31 March	2014	2013	2014	2013
Subsidiaries				
(Purchases)/ sales of goods	-	-	(16,203,937)	(9,251,588)
(Receiving) / rendering of services	-	-	330,606,590	251,660,675
(Purchases) / sale of property plant & equipment	-	-	(12,668,394)	-
Loans given/ (obtained)	-	-	862,622,047	671,087,585
Interest received / (paid)	-	-	301,540,484	208,971,703
Rent received / (paid)	-	-	17,230,000	20,182,000
Dividend received	-	-	379,542,198	340,287,954
Guarantee charges received	-	-	1,440,000	5,987,241
Guarantees given/ (obtained)	-	-	8,274,478,000	7,095,859,640
Associates				
(Purchases) / sale of property plant & equipment	26,466,211	19,671,031	-	-
(Receiving) / rendering of services	(186,055,138)	(86,128,107)	11,568,000	13,121,750
Dividend received	-	-	24,300,000	17,820,000
Key Management Personnel				
Loans given/ (received)	(14,075,546)	77,051,151	(1,017,826)	(1,992,158)
Guarantees received	1,551,000,000	1,718,700,000	230,000,000	311,700,000
Close family Members of KMP				
(Receiving)/rendering of services	-	-	-	-
Companies controlled/ jointly controlled/ significantly influenced by KMP and their close family members				
(Purchases) / sales of goods	37,191,954	16,419,885	-	-
(Receiving) / rendering of services	(9,396,029)	-	(9,396,029)	-
Loans (repayments) / obtained	(85,920,618)	754,329,856	-	-
Investment (in)/ by debentures	300,000,000	-	300,000,000	-
Interest (paid) / received	(38,580,242)	(242,360,630)	(26,408,219)	(81,532,466)
Dividend (paid)/ received	75,747,497	37,311,386	-	-

41.8 Terms and conditions of transactions with related parties

Transactions with related parties are carried out in the ordinary course of the business. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash. Interest bearing borrowings are at pre-determined interest rates and terms.

41.9 Compensation of key management personnel

Key management personnel include members of the Board of Directors of Softlogic Holdings PLC and its subsidiary companies.

In Rs.	GROUP		COMPANY	
For the Year ended 31 March	2014	2013	2014	2013
Short term employee benefits	174,197,317	165,995,338	37,260,000	30,291,384
Post employment benefits	16,466,543	15,632,104	5,130,350	2,808,000
Other long term employee benefits	-	-	-	-
Termination benefits	-	-	-	-
	190,663,860	181,627,442	42,390,350	33,099,384

Notes to the Financial Statements

42 Operating Segment Information

Revenue and Profit

In Rs.	Information Technology		Leisure		Retail	
For the year ended 31 March	2014	2013	2014	2013	2014	2013
Revenue						
Total revenue	6,403,570,630	7,035,694,658	132,423,798	98,666,167	8,621,034,694	6,653,510,234
Inter group	(421,239,755)	(751,892,807)	(40,676,542)	(43,806,856)	(1,120,264,669)	(1,006,382,508)
Total external revenue	5,982,330,875	6,283,801,851	91,747,256	54,859,311	7,500,770,025	5,647,127,726
Operating profit / (loss)	573,806,302	684,370,382	(93,255,745)	(92,533,696)	652,768,600	700,120,181
Finance income	5,730,967	23,312,347	9,217,727	560,361	151,346,628	125,266,388
Finance cost	(481,368,010)	(524,650,838)	(1,882,058)	(5,293,088)	(523,027,200)	(460,842,390)
Change in fair value of IP	-	-	-	-	7,410,000	-
Share of results of associates	-	-	-	-	-	-
Profit/ (loss) before taxation	98,169,259	183,031,891	(85,920,076)	(97,266,423)	288,498,028	364,544,179
Taxation	(10,390,349)	(14,765,959)	14,763,485	17,803,007	(38,604,022)	(81,896,029)
Profit/ (loss) after taxation	87,778,910	168,265,932	(71,156,591)	(79,463,416)	249,894,006	282,648,150
Depreciation of property, plant & equipment (PPE)	34,027,729	30,899,977	564,045	497,477	94,785,419	50,578,855
Amortisation of lease rentals paid in advance	-	-	-	-	-	-
Amortisation of intangible assets	3,764,778	3,740,659	47,588,114	47,588,114	4,641,721	-
Retirement benefit obligations and related cost	20,098,130	13,140,129	77,692	1,830,103	9,361,371	7,981,407
Purchase and construction of PPE	107,223,048	16,575,559	1,999,547,251	1,196,214,924	414,785,480	185,831,869
Additions to intangible assets	125,781,610	-	-	-	157,422,822	-

Automobile		Financial Services		Healthcare Services		Others		Group	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
439,380,205	732,954,508	7,639,711,388	5,784,245,337	7,705,208,318	6,943,191,714	425,318,818	350,944,939	31,366,647,851	27,599,207,557
(15,808,864)	(28,294,643)	(182,201,701)	(103,002,481)	(19,408,252)	(15,783,260)	(358,550,317)	(289,408,855)	(2,158,150,100)	(2,238,571,410)
423,571,341	704,659,865	7,457,509,687	5,681,242,856	7,685,800,066	6,927,408,454	66,768,501	61,536,084	29,208,497,751	25,360,636,147
(4,139,101)	16,523,016	(215,569,480)	(374,129,320)	1,839,331,660	1,746,536,217	(134,211,088)	(380,937,054)	2,618,731,148	2,299,949,726
7,767	-	971,900,078	599,433,302	49,302,047	58,519,505	7,407,608	18,364,071	1,194,912,822	825,455,974
(39,901,477)	(64,992,603)	(352,467,432)	(437,278,469)	(503,621,031)	(639,810,521)	(757,759,394)	(621,765,276)	(2,660,026,602)	(2,754,633,185)
-	-	-	-	-	-	83,690,500	61,309,000	91,100,500	61,309,000
-	-	-	-	-	-	13,280,969	20,823,707	13,280,969	20,823,707
(44,032,811)	(48,469,587)	403,863,166	(211,974,487)	1,385,012,676	1,165,245,201	(787,591,405)	(902,205,552)	1,257,998,837	452,905,222
15,238,087	4,568,798	(63,229,742)	(33,549,053)	(149,882,875)	(168,706,917)	(17,058,397)	(23,475,550)	(249,163,813)	(300,021,703)
(28,794,724)	(43,900,789)	340,633,424	(245,523,540)	1,235,129,801	996,538,284	(804,649,802)	(925,681,102)	1,008,835,024	152,883,519
5,213,793	534,675	84,505,964	73,394,909	653,281,972	633,385,519	29,457,928	34,844,849	901,836,850	824,136,261
-	-	-	-	1,036,927	1,036,933	-	-	1,036,927	1,036,933
-	-	137,307,727	134,695,519	8,521,877	8,521,878	2,221,134	-	204,045,351	194,546,170
2,038,930	706,000	15,827,191	14,676,957	51,580,366	50,182,309	6,571,323	4,402,242	105,555,003	92,919,147
128,922,594	605,800	433,644,779	100,125,830	361,963,301	534,374,423	13,078,253	224,742,206	3,459,164,706	2,258,470,611
-	-	14,239,939	8,381,405	-	-	7,563,029	-	305,007,400	8,381,405

Notes to the Financial Statements

42 Operating Segment Information

In Rs.	Information Technology		Leisure		Retail	
	2014	2013	2014	2013	2014	2013
As at 31 March						
Property, plant and equipment	159,032,690	84,434,869	3,713,905,587	1,693,703,972	1,132,134,602	777,514,639
Lease rentals paid in advance	-	-	-	-	-	-
Investment property	225,300,000	225,300,000	757,492,349	733,000,000	81,510,000	74,100,000
Intangible assets	125,328,306	3,691,571	366,255,928	413,844,042	152,781,101	-
Other non current financial assets	10,736,443	12,244,311	-	1,545,000	42,342,867	45,134,152
Rental receivable on lease assets and hire purchase	-	-	-	-	-	-
Other non current assets	937,385	-	1,455,999	-	41,005,220	-
Segment non current assets	521,334,824	325,670,751	4,839,109,863	2,842,093,014	1,449,773,790	896,748,791
Investments in associates	-	-	-	-	-	-
Goodwill	14,086,631	14,086,631	182,206,628	182,206,628	742,615,817	742,615,817
Deferred tax assets	-	-	-	-	-	-
Eliminations/ adjustment	-	-	-	-	-	-
Total non current assets	535,421,455	339,757,382	5,021,316,491	3,024,299,642	2,192,389,607	1,639,364,608
Inventories	772,240,418	870,549,643	271,532	271,532	3,059,829,268	2,206,084,390
Trade and other receivables	1,066,543,206	814,650,765	26,892,425	280,950,268	2,601,675,531	2,243,498,886
Loans and advances	-	-	-	-	-	-
Rental receivable on lease assets and hire purchase	-	-	-	-	-	-
Other current assets	249,395,077	137,242,591	380,854,430	259,296,403	410,527,140	264,282,467
Short term investments	24,305,264	109,414,655	124,600	400,252,415	21,811,103	28,320,645
Cash in hand and at bank	95,216,569	102,471,467	101,276,817	8,693,539	398,005,784	106,198,222
Segment current assets	2,207,700,534	2,034,329,121	509,419,804	949,464,157	6,491,848,826	4,848,384,610
Amounts due from related parties	-	-	-	-	-	-
Total current assets	2,207,700,534	2,034,329,121	509,419,804	949,464,157	6,491,848,826	4,848,384,610
Total assets						
Insurance contract liabilities	-	-	-	-	-	-
Interest bearing borrowings	199,598,401	101,227,512	2,471,430,887	1,630,151,659	337,250,829	366,651,849
Public deposits	-	-	-	-	-	-
Employee benefit liabilities	56,284,746	54,740,802	4,190,878	5,289,159	40,135,117	29,039,716
Other deferred liabilities	9,013,601	78,541,393	-	-	55,544,360	25,342,978
Other non current financial liabilities	-	-	-	-	-	-
Segment non current liabilities	264,896,748	234,509,707	2,475,621,765	1,635,440,818	432,930,306	421,034,543
Deferred tax liabilities	-	-	-	-	-	-
Eliminations/ adjustment	-	-	-	-	-	-
Total non current liabilities	264,896,748	234,509,707	2,475,621,765	1,635,440,818	432,930,306	421,034,543
Trade and other payables	754,007,370	334,159,133	159,724,034	106,848,646	1,942,204,873	851,352,538
Income tax liabilities	20,790,145	48,087,323	3,183,461	5,494,768	54,058,948	117,980,441
Short term borrowings	2,364,068,501	2,764,034,887	8,812,033	-	2,518,062,113	2,324,415,598
Current portion of interest bearing borrowings	104,707,592	106,884,782	-	-	77,775,799	341,837,319
Other current liabilities	71,844,827	51,945,077	908,136	557,720	156,650,730	54,809,957
Public deposits	-	-	-	-	-	-
Bank overdrafts	96,051,644	173,116,379	31,238,545	16,030,920	687,855,291	326,522,469
Segment current liabilities	3,411,470,079	3,478,227,581	203,866,209	128,932,054	5,436,607,754	4,016,918,322
Amounts due to related parties	-	-	-	-	-	-
Eliminations/ adjustment	-	-	-	-	-	-
Total current liabilities	3,411,470,079	3,478,227,581	203,866,209	128,932,054	5,436,607,754	4,016,918,322
Total liabilities						
Total segment assets	2,729,035,358	2,359,999,872	5,348,529,667	3,791,557,171	7,941,622,616	5,745,133,401
Total segment liabilities	3,676,366,827	3,712,737,288	2,679,487,974	1,764,372,872	5,869,538,060	4,437,952,865

Automobile		Financial Services		Healthcare Services		Others		Group	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
126,715,473	2,785,132	639,084,976	290,219,463	10,287,141,045	10,366,731,524	150,728,002	139,032,462	16,208,742,375	13,354,422,061
-	-	-	-	153,312,184	154,349,111	-	-	153,312,184	154,349,111
-	-	-	-	-	-	2,578,636,000	2,434,645,000	3,642,938,349	3,467,045,000
-	-	1,947,417,481	2,070,485,270	1,018,464,336	1,026,986,212	5,341,896	-	3,615,589,048	3,515,007,095
-	-	5,680,300,612	4,571,557,910	430,708,724	405,675,776	2,819,068	127,685,414	6,166,907,714	5,163,842,563
-	-	3,738,692,476	4,331,618,014	-	-	-	-	3,738,692,476	4,331,618,014
-	-	92,234,601	71,494,774	7,333,335	8,333,336	-	-	142,966,540	79,828,110
126,715,473	2,785,132	12,097,730,146	11,335,375,431	11,896,959,624	11,962,075,959	2,737,524,966	2,701,362,876	33,669,148,686	30,066,111,954
-	-	-	-	-	-	24,746,404	43,064,248	24,746,404	43,064,248
-	-	817,741,917	817,741,917	2,327,709,789	2,327,709,789	31,462,743	31,462,743	4,115,823,525	4,115,823,525
								307,629,785	230,672,828
								(47,257,444)	(37,768,987)
126,715,473	2,785,132	12,915,472,063	12,153,117,348	14,224,669,413	14,289,785,748	2,793,734,113	2,775,889,867	38,070,090,956	34,417,903,568
258,882,616	146,073,826	662,793,833	152,355,596	355,052,697	329,704,623	283,486	283,486	5,109,353,850	3,705,323,096
53,447,666	20,563,682	899,003,312	569,327,997	347,752,794	273,207,693	99,810,383	47,320,362	5,095,125,317	4,249,519,653
-	-	2,077,038,702	1,912,559,756	-	-	-	-	2,077,038,702	1,912,559,756
-	-	4,616,673,501	2,920,926,811	-	-	-	-	4,616,673,501	2,920,926,811
123,695,495	24,299,502	1,348,527,338	778,212,681	215,836,693	177,056,030	45,064,277	27,851,774	2,773,900,450	1,668,241,448
-	-	5,653,252,963	2,964,121,491	-	31,940,916	658,836,734	10,388,740	6,358,330,664	3,544,438,862
27,486,059	10,507,035	667,360,092	817,676,411	187,109,559	162,851,608	285,647,114	114,726,705	1,762,101,994	1,323,124,987
463,511,836	201,444,045	15,924,649,741	10,115,180,743	1,105,751,743	974,760,870	1,089,641,994	200,571,067	27,792,524,478	19,324,134,613
								778,460	94,382,414
463,511,836	201,444,045	15,924,649,741	10,115,180,743	1,105,751,743	974,760,870	1,089,641,994	200,571,067	27,793,302,938	19,418,517,027
								65,863,393,894	53,836,420,595
-	-	4,184,923,357	3,218,377,437	-	-	-	-	4,184,923,357	3,218,377,437
-	-	2,169,747,391	1,532,817,542	5,889,307,057	4,068,098,435	2,453,597,715	2,121,440,664	13,520,932,280	9,820,387,661
-	-	1,885,402,009	1,217,018,340	-	-	-	-	1,885,402,009	1,217,018,340
3,132,559	1,284,747	71,993,574	52,790,517	238,394,313	214,322,560	30,336,087	21,435,500	444,467,274	378,903,001
-	-	-	22,320,412	-	-	-	-	64,557,961	126,204,783
-	-	6,260,352	1,812,828,000	-	-	-	-	6,260,352	1,812,828,000
3,132,559	1,284,747	8,318,326,683	7,856,152,248	6,127,701,370	4,282,420,995	2,483,933,802	2,142,876,164	20,106,543,233	16,573,719,222
								332,324,498	366,359,147
								(521,083,345)	(264,592,900)
3,132,559	1,284,747	8,318,326,683	7,856,152,248	6,127,701,370	4,282,420,995	2,483,933,802	2,142,876,164	19,917,784,386	16,675,485,469
19,880,500	12,975,624	2,434,433,358	1,976,271,933	431,508,749	453,166,808	9,897,733	167,340,040	5,751,656,617	3,902,114,722
1,913,177	-	54,749,125	20,116,933	38,626,056	42,210,128	822,039	1,001,334	174,142,951	234,890,927
79,164,603	147,138,896	4,938,910,384	2,609,601,596	-	-	4,512,768,152	947,436,147	14,421,785,786	8,792,627,124
-	-	1,182,022,442	1,235,471,046	984,864,270	620,366,048	1,823,336,633	763,823,234	4,172,706,736	3,068,382,429
56,477,520	4,088,739	272,648,703	37,198,952	131,913,147	43,828,322	22,341,783	20,108,626	712,784,846	212,537,393
-	-	7,418,343,338	5,739,932,707	-	-	-	-	7,418,343,338	5,739,932,707
33,554,932	40,455,165	515,644,064	699,218,634	1,130,694,524	1,232,161,104	56,835,570	436,573,367	2,551,874,570	2,924,078,038
190,990,732	204,658,424	16,816,751,414	12,317,811,801	2,717,606,746	2,391,732,410	6,426,001,910	2,336,282,748	35,203,294,844	24,874,563,340
								19,508,602	22,020,839
								(2,627,938,709)	(1,303,779,707)
190,990,732	204,658,424	16,816,751,414	12,317,811,801	2,717,606,746	2,391,732,410	6,426,001,910	2,336,282,748	32,594,864,737	23,592,804,472
								52,512,649,123	40,268,289,941
590,227,309	204,229,177	28,022,379,887	21,450,556,174	13,002,711,367	12,936,836,829	3,827,166,960	2,901,933,943	61,461,673,164	49,390,246,567
194,123,291	205,943,171	25,135,078,097	20,173,964,049	8,845,308,116	6,674,153,405	8,909,935,712	4,479,158,912	55,309,838,077	41,448,282,562

Notes to the Financial Statements

43 Prior Year Adjustment

The Consolidated Financial Statements have been restated in accordance with Sri Lanka Accounting Standard LKAS – 8, Accounting Policies, changes in Accounting Estimates and Errors, to reflect the following.

The Group applied LKAS 19-Employee benefits (Revised 2013) in the current period. Accordingly actuarial gain and loss is recognized in other comprehensive income whereas it was previously recognized in the income statement. Actuarial gain of Rs.11,077,024 has been reclassified from income statement to other comprehensive income in line with the current year presentation.

Softlogic Information Technologies (Pvt) Ltd., Softlogic Computers (Pvt) Ltd., Softlogic Australia (Pty) Ltd., Softlogic Finance PLC, Asiri Hospital Holdings PLC which are subsidiaries of Softlogic Holdings PLC and Abacus International Lanka (Pvt) Ltd. which is an associate to Softlogic Holdings PLC adjusted errors mainly due to overstatement and under statement of assets and liabilities in previous years.

Comparative information in the Consolidated Financial Statements have been restated as follows:

43.1 Impact to the consolidated income statement for the year ended 31 March 2013

	Published for FY 2013	Impact of errors/ misinterpretation/ changes in accounting policy	Published for FY 2014
Cost of sales	(17,143,556,549)	(7,608,462)	(17,151,165,011)
Gross profit	8,217,079,598	(7,608,462)	8,209,471,136
Administrative expenses	(5,032,208,723)	(23,729,884)	(5,055,938,607)
Results from Operating Activities	2,331,288,073	(31,338,346)	2,299,949,727
Profit before taxation	484,243,569	(31,338,346)	452,905,223
Tax expense	(293,633,128)	(6,388,575)	(300,021,703)
Profit for the year	190,610,441	(37,726,921)	152,883,520
Attributable to:			
Equity holders of the parent	(338,365,963)	(33,063,530)	(371,429,493)
Non-controlling interest	528,976,404	(4,663,391)	524,313,013
Profit for the year	190,610,441	(37,726,921)	152,883,520
Earnings/ (loss) per share			
Basic	(0.44)	(0.04)	(0.48)

43.2 Impact to the consolidated comprehensive income statement for the year ended 31 March 2013

	Published for FY 2013	Impact of errors/ misinterpretation/ changes in accounting policy	Published for FY 2014
Profit for the year	190,610,441	(37,726,921)	152,883,520
Other comprehensive income			
Actuarial gains/ (loss) on retirement benefits	-	11,077,024	11,077,024
Tax on other comprehensive income	(156,081,827)	(2,518,149)	(158,599,976)
Other comprehensive income for the year, net of tax	1,915,656,933	8,558,875	1,924,215,808
Total comprehensive income for the year, net of tax	2,106,267,374	(29,168,046)	2,077,099,328
Attributable to:			
Equity holders of the parent	575,241,096	(17,917,161)	557,323,935
Non-controlling interest	1,531,026,278	(11,250,886)	1,519,775,392
Profit for the year	2,106,267,374	(29,168,047)	2,077,099,327

43.3 Impact to the consolidated financial position as at 01 April 2012 and 31 March 2013

	Equity as at 31 March 2013			Equity as at 01 April 2012		
	Published/ restated for FY 2013	Impact of errors/ misinterpretation/ changes in accounting policy	Published for FY 2014	Published for FY 2013	Impact of errors/ misinterpretation/ changes in accounting policy	Published for FY 2014
ASSETS						
Investments in associates	58,680,898	(15,616,650)	43,064,248	61,148,738	(15,616,650)	45,532,088
Rental receivable on lease assets and hire purchase	4,278,441,219	53,176,795	4,331,618,014	3,847,171,008	-	3,847,171,008
Total non-current assets	34,380,343,423	37,560,145	34,417,903,568	29,040,391,450	(15,616,650)	29,024,774,800
Trade and other receivables	4,277,651,687	(28,132,034)	4,249,519,653	3,351,059,939	(28,132,034)	3,322,927,905
Rental receivable on lease assets and hire purchase	2,986,756,466	(65,829,655)	2,920,926,811	2,203,841,473	-	2,203,841,473
Total current assets	19,512,478,716	(93,961,689)	19,418,517,027	15,647,420,915	(28,132,034)	15,619,288,881
Total assets	53,892,822,139	(56,401,544)	53,836,420,595	44,687,812,365	(43,748,684)	44,644,063,681
EQUITY AND LIABILITIES						
Revenue reserves	753,383,812	(78,257,321)	675,126,490	1,287,030,750	(60,340,159)	1,226,690,591
Equity attributable to equity holders of the parent	7,336,322,845	(78,257,321)	7,288,065,524	7,202,176,383	(60,340,159)	7,141,836,224
Non-controlling interests	6,298,335,034	(18,269,904)	6,280,065,130	4,110,003,320	(7,019,018)	4,102,984,302
Total equity	13,664,657,879	(96,527,225)	13,568,130,654	11,312,179,703	(67,359,177)	11,244,820,526
Other deferred liabilities	116,841,514	9,363,269	126,204,783	79,362,739	9,363,269	88,726,008
Total non-current liabilities	16,666,122,200	9,363,269	16,675,485,469	12,042,225,355	9,363,269	12,051,588,624
Trade and other payables	3,894,506,258	7,608,464	3,902,114,722	2,592,691,003	-	2,592,691,003
Income tax liabilities	191,813,896	43,077,031	234,890,927	235,413,778	14,247,224	249,661,002
Other current liabilities	232,460,475	(19,923,083)	212,537,392	192,569,748	-	192,569,748
Total current liabilities	23,562,042,060	30,762,412	23,592,804,472	21,333,407,307	14,247,224	21,347,654,531
Total equity and liabilities	53,892,822,139	(56,401,544)	53,836,420,595	44,687,812,365	(43,748,684)	44,644,063,681

Notes to the Financial Statements

44 Contingencies

Contingent Liabilities

There were no significant contingent liabilities as at the date of the statement of financial position other than what is disclosed below, which require adjustments to or disclosures in the financial statements.

44.1 Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Asiri Hospital Matara (Pvt) Ltd.

Pending litigations against Asiri Hospital Holdings PLC, Asiri Surgical Hospital PLC and Asiri Hospital Matara (Pvt) Ltd. with a maximum liability of Rs. 43 Mn, Rs. 50 Mn and Rs. 51 Mn respectively exist as at the 31 March 2014 (2013 - Asiri Hospital Holdings PLC : Rs. 43 Mn, Asiri Surgical Hospital PLC: Rs. Nil and Asiri Hospital Matara (Pvt) Ltd. - Rs. 51 Mn).

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 of the group. Accordingly no provision for any liability has been made in these financial statements.

44.2 Asian Alliance Insurance PLC

Asian Alliance Insurance PLC has been issued with an assessment by the Department of Inland Revenue on 28 October 2011 and 26 April 2013 under the Value Added Tax Act, in relation to the taxable period ending 31 December 2009 and 2010 for Rs. 4.90 Mn and Rs. 26.90 Mn respectively. The Company has filed an appeal in November 2011 on the basis that the underlying computation includes items which are exempt /out of scope of the VAT Act. The Commissioner General of Inland Revenue has determined the assessment and the Company is in the process of appeal to the Tax Appeals Commission. The Company is awaiting the final decision.

Based on the information available and the Tax expert advice, the Directors are confident that the ultimate resolution of the above contingency is unlikely to have a material adverse effect on the Statement of Financial Position of the Group.

45 Capital and Other Commitments

45.1 Capital commitments

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Capital commitments approved but not provided for	3,360,750,088	2,018,581,393	-	-

45.2 Guarantees issued and in-force

In Rs.	GROUP		COMPANY	
As at 31 March	2014	2013	2014	2013
Guarantees issued and in-force	14,650,000	7,413,629	8,274,478,000	7,095,859,640

45.3 As at 31 March 2014, outstanding currency forward agreement amount of Rs. 1,455,676,658/- (USD 11,041,177) (2013 - Rs. 2,595,760,000/-, USD 19,949,810) exist for the group.

46 Events After The Reporting Period

There were no significant events subsequent to the date of the statement of financial position, which require disclosure in the financial statements other than the following.

- 46.1 In March 2014, the shareholders of Softlogic Capital PLC, which is a subsidiary of Softlogic Holdings PLC approved to issue 388,960,000 ordinary shares in the proportion of thirteen (13) ordinary shares for every ten (10) ordinary shares in the capital of the Company by way of a Rights Issue, at a price of three rupees and forty cents (Rs.3.40) per share. Immediately after the right issue, the total no of shares of Softlogic Capital PLC increased to 688,160,000 shares from 299,200,000 shares.

Subsequent to the Rights Issue, shares were listed at the Colombo Stock Exchange on 22 May 2014.

The purpose of the issue was to settle Rs.1,322,464,000/- of the outstanding debt of the Company and funds raised from the issue have accordingly been utilised for the said purpose.

- 46.2 Softlogic Holdings PLC, which is the parent company of Softlogic Capital PLC subscribed to its entire entitlement of rights (i.e. 72.34%) and also applied for additional 55,298,284 right shares issued by Softlogic Capital PLC. After the allocation of shares of right issue, the controlling stake of the entity increased to 80.38% from 72.34%.

As a result of it, the effective holding in the Softlogic Finance PLC increased to 51.67% from 46.66%, Asian Alliance Insurance PLC increased to 47.20% from 42.49% and Softlogic Stockbrokers (Pvt) Ltd. increased to 80.38% from 72.34%.

- 46.3 On 13 March 2014, the directors of Asiri central Hospitals PLC ("ACH"), which is a subsidiary of Softlogic Holdings PLC adopted resolutions to initiate the process of delisting the Company's ordinary shares from the Official List of the Colombo Stock Exchange (the "CSE").

The resolution was approved by 87.50% of the shareholders present by person and proxy in favour for the delisting of the shares of ACH from the Official List of the CSE at the Extraordinary General Meeting of ACH held on 22 April 2014 and approval was granted for shares of ACH to be purchased by Asiri Hospital Holdings PLC at a price of Rupees two hundred and seventy five (Rs.275.00) per share from shareholders who may wish to divest of their shareholding in ACH.

Securities and Exchange Commission of Sri Lanka granted the approval for the delisting of the shares of ACH on 16 June 2014.

Exit Offer made by Asiri Hospital Holdings PLC, which is a subsidiary of Softlogic Holdings PLC to the shareholders of ACH expired on 21 July 2014.

Notes to the Financial Statements

47 Interest Bearing Borrowings

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
Softlogic Holdings PLC	Seylan Bank PLC	Term Loan	13.5%	59 monthly instalments of Rs.4,770,000/- and final instalment of Rs.4,696,000/- commencing from January 2011 (as per rescheduled terms dated December 2010)	107,731,039	164,752,558	a) Primary Concurrent Mortgage for Rs.200.00 Mn (Seylan Bank's interest Rs.70.00 Mn) over Land and Building at No. 14 and 14B De Fonseka Place Colombo - 05
							b) Secondary Concurrent Mortgage for Rs.80.00 Mn (Seylan Bank's interest Rs.30.00 Mn) over Land and Building at No. 14, 14B De Fonseka Place Colombo - 05
	Seylan Bank PLC	Term Loan	13.5%	47 monthly instalments of Rs.3,027,000/- and final instalment Rs.2,998,000/- commencing from October 2011 (as per rescheduled terms September 2011)	58,393,897	93,808,900	c) Personal Guarantee of Mr. A. K. Pathirage for Rs.30.00 Mn supported by Secondary Concurrent Mortgage for Rs.30.00 Mn
							d) Mortgage of 19,250,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC in Seylan Bank Slash a/c
Seylan Bank PLC	Seylan Bank PLC	Term Loan	8%	67 monthly instalments of Rs.305,766/- and final instalment Rs.305,804/- commencing from November 2010 (as per rescheduled terms September 2011)	12,539,373	15,712,201	e) Mortgage of 19,340,003 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
							f) Mortgage of 19,233,030 shares of Asiri Hospital Holdings PLC owned by Softlogic Information Technologies (Pvt) Ltd.
	Seylan Bank PLC	Term Loan	13.5%	47 monthly instalments of Rs.10,425,000/- and final instalment Rs.10,025,000/- commencing from June 2014	502,445,171		- g) Mortgage of 14,492,750 shares of Asiri Hospital Holdings PLC owned by Softlogic International (Pvt) Ltd.
							h) Mortgage of 63,200 shares of Lanka IOC PLC owned by Softlogic Holdings PLC
							i) Mortgage of 62,000,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR + 1.5% (AWPLR changes monthly)	48 monthly instalments of Rs.1,382,000/- and final instalment of Rs.1,334,000/- commencing from January 2010	4,761,000	17,609,311	a) Primary Concurrent Mortgage for Rs.200.00 Mn (Commercial Bank's interest Rs.130.00 Mn) over Land and Building at No. 14 and 14B De Fonseka Place Colombo - 05
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR + 1.5% (changes monthly)	57 monthly instalments of Rs.959,000/- and a final instalment of Rs.925,000/- commencing from January 2010	-	17,120,551	b) Secondary Concurrent Mortgage for Rs.80.00 Mn (Commercial Bank's Interest Rs.50.00 Mn) over Land and Building at No. 14, 14B De Fonseka Place, Colombo - 05
	Hatton National Bank PLC	Term Loan	AWPLR + 4%	6 monthly instalments of Rs.5.00 Mn and balance over 6 months based on utilisation of funds commencing from April 2013 after initial grace period of 4 months	-	100,269,193	a) Mortgage over Asiri Hospital Holdings PLC shares of 8,740,964 owned by Softlogic Holdings PLC b) Personal Guarantee from Mr. A. K. Pathirage for Rs.100.00 Mn
	Hatton National Bank PLC	Term Loan	AWPLR + 2.5%	29 monthly instalments of Rs.16.67 Mn and a final instalment of Rs.16.57 Mn from January 2014 after an initial grace period of 6 months	449,990,000	-	Mortgage of 87,041,230 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC
	Nations Trust Bank PLC	Term Loan	AWPLR + 3.5%	59 Monthly Instalments of Rs.4,166,667/- each and final instalment of Rs.4,166,667/- commencing from September 2011	123,967,574	178,134,241	- Mortgage of 25,084,000 shares (total) of Asiri Hospital Holdings PLC lodged in slash A/C owned by: - Softlogic Holdings PLC - 20,393,785 shares - Softlogic Information Technologies (Pvt) Ltd. - 2,163,753 shares - Softlogic Communications (Pvt) Ltd. - 72,108 shares - Softlogic International (Pvt) Ltd. - 2,454,354 shares
	Sri Lanka Savings Bank	Term Loan	9.50%	83 monthly instalment and final instalment of Rs.576,622/- commencing from September 2010	36,133,441	44,098,183	

Notes to the Financial Statements

47 Interest Bearing Borrowings (Contd.)

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Sampath Bank PLC	Term Loan	AWPLR + 1.5% (Semi-Annually reviewed)	13 equal instalments of Rs.4,000,000/- each from December 2013 to December 2014, a bulk repayment of Rs.750,000,000/- before 31 December 2014 and balance to be paid in 33 equal monthly instalments of Rs.6,200,000/- and final instalment of Rs.5,400,000/- commencing from January 2014	1,366,530,129	1,425,461,375	a) Mortgage of 72,200,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC b) Mortgage of 201,166,182 shares of Softlogic Capital PLC owned by Softlogic Holdings PLC c) Mortgage of 19,125,000 Asian Alliance Insurance PLC shares owned by Softlogic Capital PLC
	Bank of Ceylon	Term Loan	AWPLR + 2.5% (floor of 14.5%)	63 monthly instalments of Rs.1,666,667/- commencing from February 2013	81,173,319	101,423,318	a) Additional mortgage over Asiri Hospital Holdings PLC shares owned by following companies Share of Asiri Hospital Holdings PLC held by, - Softlogic Holdings PLC - 14,862,750 shares - Softlogic Information Technologies (Pvt) Ltd - 1,754,290 shares - Softlogic Communications (Pvt) Ltd. - 1,960,460 shares b) Personal Guarantee from Mr. A.K. Pathirage for the value of Rs.100.00 Mn
	Peoples Bank	Term Loan	AWPLR + 3.5%	48 monthly instalments of Rs.3,125,000/- commencing from June 2012	89,764,654	128,202,958	- Primary Mortgage over warehouse land and building complex at Piliyandala for (extent Lot 3R 10P, Lot B 3R 20p) owned by Softlogic Holdings PLC
					2,833,429,597	2,286,592,789	

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
Softlogic Information Technologies (Pvt) Ltd.	Commercial Bank of Ceylon PLC	Term Loan	AWPLR + 1.5% p.a	60 monthly instalments Rs.1,458,000/- per month commencing from April 2008 and final instalment of Rs.1,478,000/-	-	10,195,616	a) Corporate Guarantee of Softlogic Holdings PLC for Rs.307.50 Mn and a personal guarantee from Mr. A. K. Pathirage for Rs.43.75 Mn b) Mortgage over Asiri Hospital Holdings PLC shares owned by; - Softlogic Holdings PLC - 9,125,202 shares - Softlogic Information Technologies (Pvt) Ltd. - 240,417 shares
Softlogic Retail (Pvt) Ltd.	Hatton National Bank PLC	Term loan	AWPLR + 1.5%	34 monthly instalments of Rs.1,161,765/- each plus interest commencing from June 2010	-	1,000,000	Existing Concurrent Floating Mortgage Bond for Rs.1,007.00 Mn ranking paripasu with Sampath Bank PLC, Commercial Bank/ DFCC and Seylan Bank PLC over stocks of electrical/ household appliances stored at No. 402, Galle Road, Colombo - 03 and main warehouse and at the duty free shop at KIA with an assignment of book debts
	Hatton National Bank PLC	Term loan	AWPLR + 1.5% (Quarterly review)	59 monthly instalments of Rs.1,000,000/- each and a final instalment of Rs.2,000,000/- plus interest commencing from May 2010	12,000,000	25,000,000	Existing Primary Floating mortgage bond for Rs.179.00 Mn over property No. 402, Galle Road, Colombo - 03 owned by Softlogic Retails (Pvt) Ltd.
	Hatton National Bank PLC	Term loan	AWPLR + 1.5% (Quarterly review)	60 monthly instalments of Rs.1,667,000/- each plus interest commencing from June 2010	44,989,000	64,993,000	Existing Tertiary mortgage bond for Rs.100.00 Mn over property situated at No. 402, Galle Road, Colombo - 03 owned by Softlogic Retails (Pvt) Ltd.
	Hatton National Bank PLC	Term loan	AWPLR + 2.5% (Quarterly review)	60 monthly instalments of Rs.500,000/- each plus interest commencing from June 2012	19,000,000	25,000,000	Existing primary floating mortgage bond for Rs.30.00 Mn over immovable property at Danawakanda Estate, Demalagama, Dekatana owned by Softlogic Retails (Pvt) Ltd.
	Hatton National Bank PLC	Term loan	AWPLR + 2.5% (Quarterly review)	60 monthly instalments of Rs.2,000,000/- each plus interest commencing from June 2012	76,000,000	100,775,871	Quaternary mortgage bond for Rs.120.00 Mn over the property situated at No. 402, Galle Road Colombo - 03 owned by Softlogic Retails (Pvt) Ltd.
	Commercial Bank of Ceylon PLC	Term loan	AWPLR + 1.5%	6 equal monthly instalments of Rs.1,380,000/- and final instalment of Rs.1,700,000/- together with interest (as per amended facility offered dated March 2011)	1,700,000	18,260,000	a) Mortgage Bond over Stocks and other movable assets together with an assignment over book debts for Rs.50.00 Mn

Notes to the Financial Statements

47 Interest Bearing Borrowings (Contd.)

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Commercial Bank of Ceylon PLC	Term loan	AWPLR + 1.5%	To be paid in 12 equal monthly instalments of Rs.13,748,000/- each plus interest	-	68,764,000	<p>b) Primary Concurrent Mortgage Bond over Stocks and Book Debts for Rs.420.00 Mn</p> <p>c) Mortgage for Rs.130.00 Mn over 27,000,000 shares of Asiri Hospitals Holdings PLC owned by Softlogic Holdings PLC</p> <p>d) Corporate Guarantee from Softlogic Holdings PLC for Rs.505.00 Mn</p>
Softlogic International (Pvt) Ltd.	Hatton National Bank PLC	Term loan	AWPLR + 3% (monthly review)	47 monthly instalments of Rs.2,080,000/- and 1 instalment of Rs.2,240,000/- with a grace period of 1 year commencing from April 2009	4,320,000	29,280,000	Registered secondary floating mortgage bond for Rs.100.00 Mn over immovable properties situated at No. 402, Galle Road, Colombo - 03 and Dekatana owned by Softlogic Retails (Pvt) Ltd.
	Bank of Ceylon	Term loan	AWPLR + 3.0% p.a (monthly Review)	60 monthly instalments of Rs.1,481,481.49 with a 6 months grace period commencing from July 2009	3,753,607	20,903,703	<p>a) Personal Guarantee of Mr. A. K. Pathirage for Rs.80.00 Mn</p> <p>b) Corporate guarantee of Softlogic Information Technologies (Pvt) Ltd. for Rs.80.00 Mn</p> <p>c) Assignment over following company shares,</p> <p>i) Share of Asiri Hospital Holdings PLC held by,</p> <p>- Softlogic Holdings PLC - 1,628,803 shares</p> <p>- Softlogic Information Technologies (Pvt) Ltd. - 175,417 shares</p> <p>- Softlogic Communications (Pvt) Ltd. - 196,046 shares</p> <p>- Softlogic International (Pvt) Ltd. - 58,000 shares</p>
	Commercial Bank of Ceylon PLC	Term Loan	AWPLR + 1.5% (Monthly Review)	48 monthly instalments commencing from 13 November 2013 as follows First 10 equal months @ Rs.2,000,000/- each followed by	192,000,000	-	Primary Mortgage bond over 33,733,233 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
				next 12 equal months @ Rs.4,000,000/- each followed by			
				next 12 equal months @ Rs.5,000,000/- each followed by			
				next 11 equal months @ Rs.6,000,000/- each followed by			
				a final instalment of Rs.2,000,000/-			
Softlogic Solar (Pvt) Ltd.	Seylan Bank PLC	Term loan	8.00%	83 Equal Monthly instalments of Rs.200,600 commencing from September 2010	7,823,442	10,491,321	- Corporate Guarantee from Softlogic Holdings PLC for Rs.16,850,441.86
Softlogic City Hotels (Pvt) Ltd.	Bank of Ceylon	Term Loan	1st Year 5.5% + 6 months USD Libor	112 months including 30 months capital repayment grace period	1,178,530,888	682,902,922	a) Mortgage over freehold property of 2 R and 11.68 P owned by Softlogic Properties (Pvt) Ltd. and other project assets of Hotel being constructed b) Lodgment of Share Certificates of Softlogic City Hotels (Pvt) Ltd. which is owned by Softlogic Properties (Pvt) Ltd.
				first 06 months @ USD 100,000 pm each followed by			
				next 12 months @ USD 250,000 pm each followed by			
				next 64 months @ USD 300,000 pm each			
Ceysands Resorts Ltd.	International Finance Corporation	Term Loan	5.25% + 6 Months LIBOR	17 equal semi-annual instalments (March and September) starting from March 2016	1,292,899,999	947,248,737	a) Primary Mortgage over lease right over paradise Island land and Hotel building to be refurbished/ constructed by Ceysands Resorts (Pvt) Ltd. b) Mortgage over all movable assets held on the loan granted date c) Mortgage over 60% Ceysands Resorts Shares owned by Softlogic Properties (Pvt) Ltd.

Notes to the Financial Statements

47 Interest Bearing Borrowings (Contd.)

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
Softlogic Capital PLC	Sampath Bank PLC	Term loan	AWPLR + 1.25%	02 monthly instalments of Rs.1,000,000/-, 02 monthly instalments of Rs.500,000/-, 55 monthly instalments of Rs.6,800,000/- and a final instalment of Rs.5,216,000/- commencing from June 2012	338,416,000		- a) Mortgage of 72,200,000 shares of Asiri Hospital Holdings PLC owned by Softlogic Holdings PLC b) Mortgage of 201,166,182 shares of Softlogic Capital PLC owned by Softlogic Holdings PLC c) Lien over 10,000,000 shares of AAI PLC lodged in the custodial account with Sampath Bank
Softlogic Finance PLC	DFCC Bank	Term loan	17.14%	48 Equal monthly instalments of Rs.520,833/- commencing on September 2010	520,833	6,816,738	- Hire purchase and finance lease receivables
	DFCC Bank	Term loan	17.14%	48 Equal monthly instalments of Rs.1,041,667/- commencing January 2011	10,409,325	22,821,254	- Hire purchase and finance lease receivables
	Hatton National Bank PLC	Term loan	18.14%	36 Equal monthly instalments of Rs.1,388,889/- commencing from April 2010	-	32,000	- Hire purchase and finance lease receivables
	Commercial Bank of Ceylon PLC	Term loan	16.64%	48 Equal monthly instalments Of Rs.5,200,000/- commencing from August 2011	88,365,822	149,752,948	- Hire purchase and finance lease receivables
	Commercial Bank of Ceylon PLC	Term loan	16.64%	48 Equal monthly instalments of Rs.1,562,500/- commencing from September 2011	28,125,000	47,290,405	- Hire purchase and finance lease receivables
	Seylan Bank PLC	Term loan	17.00%	48 Equal monthly instalments of Rs.520,830/- commencing November 2010	-	9,860,073	- Hire purchase and finance lease receivables
	National Savings Bank	Term loan	17.39%	6 Biannual instalments of each of Rs.20 Mn each commencing from June 2011	-	39,791,465	- Hire purchase and finance lease receivables
	People's Bank	Term loan	16.64%	48 Equal monthly instalments of Rs.1,041,667/- commencing June 2011	15,330,473	27,888,527	- Hire purchase and finance lease receivables

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Bank of Ceylon	Term loan	17.14%	48 Equal monthly instalments of Rs.1,041,667/- commencing September 2011	18,749,990	31,249,994	Hire purchase and finance lease receivables
	Sanasa Development Bank	Term loan	22.00%	12 monthly instalments of Rs.7,781,723/- commencing December 2011	-	110,544,857	Hire purchase and finance lease receivables
	Sanasa Development Bank	Term loan	22.00%	12 monthly instalments of Rs.5,287,110/- commencing December 2012	-	86,856,674	Hire purchase and finance lease receivables
	Pan Asia Banking Corporation PLC	Revolving Loan	17.00%	Loan commencing from February 2012	-	150,000,000	Hire purchase and finance lease receivables
		Securitisation	12.66%	Within 36 months commencing from June 2010	-	2,500,000	Hire purchase and finance lease receivables
		Securitisation	12.31%	Within 48 months commencing from October 2010	9,101,697	47,754,934	Hire purchase and finance lease receivables
		Securitisation	11.80%	Within 48 months commencing from February 2011	-	66,627,492	Hire purchase and finance lease receivables
		Securitisation	15.23%	Within 48 months commencing from April 2011	29,417,469	101,101,944	Hire purchase and finance lease receivables
		Securitisation	13.08%	Within 48 months commencing from May 2011	90,858,352	200,469,689	Hire purchase and finance lease receivables
		Securitisation	12.30%	Within 24 months commencing from July 2011	-	31,670,719	Hire purchase and finance lease receivables
		Securitisation	13.17%	Within 36 months commencing from October 2011	24,584,781	90,591,258	Hire purchase and finance lease receivables
		Securitisation	16.59%	Within 48 months commencing from November 2011	89,509,961	168,926,091	Hire purchase and finance lease receivables
		Securitisation	16.59%	Within 24 months commencing from November 2012	43,750,000	118,750,000	Hire purchase and finance lease receivables
		Securitisation	16.88%	Within 24 months commencing from May 2013	135,145,557	-	Hire purchase and finance lease receivables

Notes to the Financial Statements

47 Interest Bearing Borrowings (Contd.)

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
		Securitisation	14.64%	Within 18 months commencing from May 2013	297,894,855	-	Hire purchase and finance lease receivables
		Securitisation	13.18%	Within 24 months commencing from November 2013	279,907,904	-	Hire purchase and finance lease receivables
	FMO	Term loan	13.76%	Two year grace period from the date of disbursement, repayable within 60 months of USD 1.2 Mn commencing from April 2014	774,460,487	750,167,865	Mortgage over lease and hire purchase receivable for the value of 1.3 times of the loans
	FMO	Convertible to equity	17.24%	Convertible option will be started from August 2013 to August 2016 with an option of converting USD 1.00 Mn per year	507,960,000	507,960,000	Mortgage over lease and hire purchase receivable for the value of 1.3 times of the loans
	Central Bank of Sri Lanka	Tsunami loan	3.00%	Within 78 months	-	714,284	
Asiri Hospital Holdings PLC	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.5%	60 equal monthly instalments of Rs.333,000/- commencing from 08 September 2011	5,292,758	9,677,000	Mortgage bond over CT machine at Jaffna lab
	Hatton National Bank PLC	Term loan	AWPLR + 1%	60 equal monthly instalments of Rs.3,334,000/- and final instalment of Rs.3,294,000/- commencing from May 2009 after 6 months grace period of time	3,294,000	43,302,000	Registered primary floating mortgage bond for Rs.200.00 Mn over the leased hold commercial property at No. 21, Kirimandala Mawatha, Colombo - 05 (Asiri Surgical Hospital PLC)
	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.5%	60 equal monthly instalments commencing from 12 months after first disbursement commencing from January 2009	-	3,125,000	Secondary mortgage over property at No. 181, Kirula Road, Colombo - 05
	DFCC Bank	Term loan	AWPLR + 0.75%	60 equal monthly instalments commencing from December 2007	-	19,999,964	Assignment of 134,915,107 ordinary shares of Asiri Surgical Hospital PLC held by Asiri Hospital Holdings PLC in favour of DFCC Bank
	Amana Bank Limited	Term loan	AWPLR	60 equal monthly instalments of Rs.2,500,000/- commencing from October 2011	77,500,000	105,000,000	Corporate guarantee from Asiri Surgical Hospitals PLC for Rs.150.00 Mn

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Nation Trust Bank PLC	Term loan	AWPLR + 1%	60 equal monthly instalments of Rs.2,500,000/- commencing from October 2010	47,500,000	80,000,000	- Corporate guarantee from Asiri Surgical Hospitals PLC for Rs.150.00 Mn
	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.5%	47 equal monthly instalments of Rs.2,500,000/- commencing from January 2013	80,000,000	110,000,000	- Concurrent mortgage over land marked lot L, land called Ambagahawatta bearing assessment No 181, Kirula Road, Colombo - 05
	International Financial Corporation	Term Loan	6.24%	17 equal semi annual commencing from April 2013	791,532,379	869,934,344	- 134,915,107 ordinary shares of Asiri Surgical Hospital PLC held by Asiri Hospital Holdings PLC
	Sampath Bank PLC	Term Loan	AWPLR + 1.5%	60 equal monthly instalments of Rs.5,300,000/- commencing from April 2012	196,392,000	261,069,819	- Shares purchased under Asiri Surgical Mandatory Offer by Asiri Hospital Holdings PLC
	Commercial Bank of Ceylon PLC	Term loan	AWPLR + .85%	89 equal monthly instalments of Rs.24.72 Mn commencing from 7th month after first disbursement and a final instalment of Rs.24.92 Mn commencing from June 2014	2,225,000,000		- a) Primary mortgage Bond for Rs.2,225 Mn over 74,454,026 shares of Central Hospital Ltd b) Corporate guarantee from Asiri Surgical Hospitals PLC for Rs.550.00 Mn c) Corporate guarantee from Central Hospitals Ltd for Rs.562.50 Mn
	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.75%	59 equal monthly instalments of Rs.8,333,000/- each and a final instalment of Rs.8,353,000/- together with interest commencing from September 2013	446,669,000		- - Corporate guarantee from Asiri Surgical Hospitals PLC for Rs.500.00 Mn
Asiri Surgical Hospital PLC	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.5%	60 Equal monthly instalments commencing from 12 months after first disbursement commencing from December 2008	-	15,000,000	- Corporate guarantee from Asiri Hospitals Holdings PLC for Rs.300.00 Mn
	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.5%	59 Equal monthly instalments with one year grace period commencing from December 2009	-	6,800,000	- Secondary concurrent mortgage bond with Hatton National Bank PLC over the leased hold commercial property at No. 21, Kirimandala Mawatha, Colombo - 05 of the company for Rs.175.00 Mn

Notes to the Financial Statements

47 Interest Bearing Borrowings (Contd.)

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Commercial Bank of Ceylon PLC	Term loan	PLR + 0.5%	59 Equal monthly instalments of Rs.1,670,000/- and final instalment Rs.1,470,000/- commencing from December 2009	13,160,000	33,200,000	- Primary mortgage over machinery imported and corporate guarantee from Asiri Hospitals PLC of Rs.250.00 Mn
	Hatton National Bank PLC	Term loan	AWPLR + 1.5%	59 Equal monthly instalments of Rs.2,900,000/- and final instalment Rs.3,900,000/- plus interest commencing from June 2008	-	9,700,000	- Concurrent Secondary mortgage bond for Rs.350 Mn over property at No. 21, Kirimandala Mawatha, Colombo - 05
	DFCC Bank	Term loan	AWPLR + 1%	59 Equal monthly instalments of Rs.3,390,000/- commencing from August 2009 after one month grace period from the date of first disbursement	17,121,867	57,627,100	- Mortgage of 134,915,107 shares of Asiri Surgical Hospital PLC owned by Asiri Hospital Holdings PLC
	DFCC Bank	Term Loan	AWPLR + 0.25%	59 Equal monthly instalments of Rs.3,390,000/- commencing from April 2011 after one month grace period from the date of first disbursement	85,538,200	125,423,720	a) Corporate Guarantee from Asiri Hospital Holdings PLC for Rs.200.00 Mn b) Mortgage of 66,000,000 shares of Asiri Surgical Hospital PLC owned by Asiri Hospital Holdings PLC
	DFCC Bank	Term Loan	AWPLR + 0.25%	56 Equal monthly instalments of Rs.1,786,000/- commencing from September 2011 after four months grace period from the date of first disbursement	54,072,354	74,999,990	a) Corporate Guarantee from Asiri Hospital Holdings PLC for Rs.100.00 Mn b) Primary Mortgage over Movable Machinery
	International Financial Corporation	Term Loan	6.24%	17 equal semi annual starting from April 2013	224,431,880	244,150,000	a) A primary mortgage in respect of leasehold rights over the property are Krimandala Mawatha, Narahenpita belonging to Asiri surgical Hospital PLC

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
							b) A primary additional security mortgage in respect of the property at Norris Canal Road, Colombo - 10 belonging to Central Hospital Limited ranking concurrently and pari passu with the existing mortgage in respect of such property as further and additional security to the mortgage bond above
	Board of Investment	Lease	AWDR	25 years commencing from FY 2000/01	42,416,666	46,488,666	
Asiri Central Hospitals PLC	Sampath Bank PLC	Syndication loan	AWPLR + 2.5%	60 equal monthly instalments of Rs.3,166,667/- commencing from October 2011 after 2 years grace period of time	98,166,657	136,166,661	Syndicated loan is secured by a primary mortgage bond over the Company's premises, at No. 37 Horton Place, Colombo - 07
	Bank of Ceylon			60 equal monthly instalments of Rs.2,166,667/- commencing from October 2011 after 2 years grace period of time	64,999,990	90,999,994	
	Commercial Bank of Ceylon PLC			60 equal monthly instalments of Rs.2,500,000/- commencing from October 2011 after 2 years grace period of time	75,000,000	105,000,000	
	Hatton National Bank PLC			60 equal monthly instalments of Rs.1,666,667/- commencing from October 2011 after 2 years grace period of time	49,999,990	69,999,994	
	National Development Bank PLC			60 equal monthly instalments of Rs.416,667/- commencing from October 2011 after 2 years grace period of time	8,999,990	17,499,994	
	National Savings Bank			60 equal monthly instalments of Rs.2,166,667/- commencing from October 2011 after 2 years grace period of time	68,499,990	90,999,994	
Central Hospital Ltd	Bank of Ceylon	Term Loan	1st year - AWPLR + 1% p.a. & 2nd year onwards - AWPLR + 1.5% p.a.	96 equal monthly instalments of Rs.10,578,000/- commencing from July 2014 onwards after two years grace period	960,055,519	960,055,513	Primary concurrent mortgage over the company's premises at No. 114, Norris Canal Road, Colombo - 10

Notes to the Financial Statements

47 Interest Bearing Borrowings (Contd.)

47.1 Security and Repayment Terms

Company	Lending institution	Nature of facility	Interest rate	Repayment term	Outstanding balance		Security
					2014	2013	
					Rs.	Rs.	
	Sampath Bank PLC	Term Loan	AWPLR + 0.5%	59 equal monthly instalments of Rs.4,200,000/- each and a final instalment of Rs.2,200,000/- commencing from October 2013	179,000,000	-	Corporate guarantee of Asiri Hospital Holdings PLC for Rs.250.00 Mn
	International Financial Corporation	Term Loan	6.24%	17 equal semi annual starting from April 2013	1,329,474,705	1,464,900,000	A first ranking mortgage/ chattel mortgage on the movable and immovable assets of the Company, acceptable to IFC, a pledge of shares in the Company, Project Funds Agreement etc
Asiri Hospital Matara (Pvt) Ltd.	Sampath Bank PLC	Term loan	AWPLR + 1.5%	59 equal monthly instalments of Rs.3,330,000/- each and a final instalment of Rs.3,530,000/- commencing from March 2010	80,120,000	119,581,842	Primary mortgage over hospital premises at No. 26, Esplanade Road, Uyanwatta, Matara and No. 15, Dharmarathna Mawatha, Uyanwatta, Matara owned by Asiri Hospital Matara (Pvt) Ltd.
	Commercial Bank of Ceylon PLC	Term loan	PLR + 1%	83 equal monthly instalments of Rs.360,000/- with final of Rs.120,000/- commencing from December 2010	15,600,000	19,920,000	Corporate guarantee of Asiri Hospital Holdings PLC for Rs.30.00 Mn
	Sampath Bank PLC	Term Loan	AWPLR + 1.5%	47 equal monthly instalments Rs.521,000/- each and final instalment of Rs.513,000/-	-	513,000	Primary mortgage Bond for Rs.25.00 Mn over the CT scanner
					15,688,792,984	12,252,681,765	

Investor Information

1 General

Stated Capital - Rs.5,089,000,000.00

2 Stock Exchange Listing

The ordinary shares of Sotdlogic Holdings PLC were listed in the Colombo Stock Exchange of Sri Lanka on 20 June 2011 and the trading commenced on 12 July 2011.

3 Shares held by the public was 30.05 % as at 31 March 2014

4 Distribution of Shareholding as at 31 March 2014

There were 15,557 registered shareholders as at 31 March 2014.

No. of Shares held	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
1 - 1,000	9,314	59.87	6,288,636	0.81
1,001 - 10,000	5,165	33.20	18,242,844	2.34
10,001 - 100,000	904	5.81	27,702,002	3.55
100,001 - 1,000,000	142	0.91	38,859,665	4.99
Over 1,000,000	32	0.21	687,906,853	88.31
Total	15,557	100.00	779,000,000	100.00

5 Analysis report of Shareholders as at 31 March 2014

Category	No. of Shareholders	% of Shareholders	Total Holding	% of Total Holding
Individual	15,172	97.53	607,158,532	77.94
Institutional	385	2.47	171,841,468	22.06
Total	15,557	100.00	779,000,000	100.00
Resident	15,501	99.64	735,164,074	94.37
Non-resident	56	0.36	43,835,926	5.63
Total	15,557	100.00	779,000,000	100.00

Investor Information

6 Twenty Major Shareholders as at 31 March 2014

Shareholder	No. of Shares	%
1 Mr. A K Pathirage	311,860,096	40.03
2 Mr. H K Kaimal	64,870,800	8.33
3 Mr. R J Perera	60,836,700	7.81
4 Mr. G W D H U Gunawardena	57,527,300	7.38
5 Pemberton Asian Opportunities Fund	40,000,000	5.13
6 Commercial Bank of Ceylon PLC/A K Pathirage	38,950,000	5.00
7 Bank of Ceylon A/C Ceybank Unit Trust	20,472,173	2.63
8 Sri Lanka Insurance Corporation Ltd-General Fund	15,812,400	2.03
9 Dr. K M P Karunaratne	10,313,159	1.32
10 Employees Provident Fund	7,230,500	0.93
11 Asian Alliance Insurance PLC - A/C 02 (Life Fund)	4,591,702	0.59
12 Mrs. A Selliah	4,236,000	0.54
13 Arunodhaya Investments (Private) Limited	3,950,000	0.51
14 Arunodhaya Industries (Private) Limited	3,950,000	0.51
15 Arunodhaya (Private) Limited	3,950,000	0.51
16 Waddock Mackenzie Ltd/Hi-Line Trading (Pvt) Ltd.	3,868,046	0.50
17 Miss. S Subramaniam	3,800,000	0.49
18 Mr. V Kailasapillai	3,800,000	0.49
19 Mrs. A Kailasapillai	3,800,000	0.49
20 Sampath Bank PLC A/C No. 01	3,594,000	0.46

7 Share Trading Information

	2013/2014
Highest (Rs.)	12.70
Lowest (Rs.)	8.00
Closing (Rs.)	10.60
Turnover (Rs.)	922,186,785.70
No. of shares traded	89,103,020.00
No. of trades	15,281.00

8 Equity Information

	2013/2014
Earnings per share (Rs.)	0.20
Dividend per share (Rs.)	0.155
Dividend pay out (%)	77%
Net Asset Value per share (Rs.)	8.8

9 Debt Information

10,000,000 Rated, Unsecured, Redeemable Debentures at the rate of 15.75% (annual effective rate of 16.70%) were issued on 9 September 2013. The listed debentures were not traded during the period from 9 September 2013 to 31 March 2014. Therefore, highest traded price, lowest traded price, interest yield and yield to maturity of trades as at 31 March 2014 were not available.

Corporate Directory

	Date of Registration	Registered Office
Softlogic Holdings PLC	25/02/1998	No. 14, De Fonseka Place, Colombo 05
1 Abacus International Lanka (Pvt) Ltd.	21/01/1999	Softlogic Building, Level 4, No. 14, De Fonseka Place, Colombo 05
2 Asian Alliance Insurance PLC	21/04/1999	7th Floor, Millennium House, No. 46/58, Nawam Mawatha, Colombo 02
3 Asian Alliance General Insurance Ltd.	28/03/2014	7th Floor, Millennium House, No. 46/58, Nawam Mawatha, Colombo 02
4 Asiri Central Hospitals PLC	07/09/1992	No. 37, Horton Place, Colombo 07
5 Asiri Diagnostics Services (Pvt) Ltd.	19/09/1995	No. 181, Kirula Road, Colombo 05
6 Asiri Hospital Holdings PLC	29/09/1980	No. 181, Kirula Road, Colombo 05
7 Asiri Hospital Kandy (Pvt) Ltd	16/03/2007	No. 21, Kirimandala Mawatha, Colombo 05
8 Asiri Hospital Matara (Pvt) Ltd.	17/04/2007	No. 21, Kirimandala Mawatha, Colombo 05
9 Asiri Surgical Hospital PLC	30/03/2000	No. 21, Kirimandala Mawatha, Colombo 05
10 Capital Reach Portfolio Management (Pvt) Ltd	24/05/2006	Level 2, No.33, Park Street, Colombo 02
11 Central Hospital Ltd.	14/09/2006	No. 114, Norris Canal Road, Colombo 10
12 Ceysand Resorts Ltd.	06/03/1973	No. 14, De Fonseka Place, Colombo 05
13 Dai-Nishi Securities (Pvt) Ltd.	26/07/1993	No. 14, De Fonseka Place, Colombo 05
14 Future Automobiles (Pvt) Ltd.	06/12/2010	No. 14, De Fonseka Place, Colombo 05
15 Nextage (Pvt) Ltd.	11/04/2012	No. 79, C W W Kannangara Mawatha, Colombo 07
16 Softlogic Australia (Pty) Ltd.	05/01/2000	Unit 2, Building B, 18-24 Ricketts Road, Mount Waverley, Vic 3149
17 Softlogic Capital PLC	21/04/2005	No.14, De Fonseka Place, Colombo 05
18 Softlogic City Hotels (Pvt) Ltd.	30/06/2011	No. 14, De Fonseka Place, Colombo 05
19 Softlogic Communication Servises (Pvt) Ltd.	16/09/2009	No. 14, De Fonseka Place, Colombo 05
20 Softlogic Communications (Pvt) Ltd.	30/10/2000	No. 14, De Fonseka Place, Colombo 05
21 Softlogic Computers (Pvt) Ltd.	13/09/1995	No. 14, De Fonseka Place, Colombo 05
22 Softlogic Corporate Services (Pvt) Ltd.	24/06/2005	No. 14, De Fonseka Place, Colombo 05
23 Softlogic Destination Management (Pvt) Ltd.	22/03/2012	No. 14, De Fonseka Place, Colombo 05
24 Softlogic Finance PLC	24/08/1999	Level 2, No.33, Park Street, Colombo 02
25 Softlogic Information Technologies (Pvt) Ltd.	02/09/1992	No. 14, De Fonseka Place, Colombo 05
26 Softlogic International (Pvt) Ltd.	09/06/1997	No. 14, De Fonseka Place, Colombo 05
27 Softlogic Properties (Pvt) Ltd.	04/01/2005	No. 14, De Fonseka Place, Colombo 05
28 Softlogic Solar (Pvt) Ltd.	14/11/2002	No. 14, De Fonseka Place, Colombo 05
29 Softlogic Stockbrokers (Pvt) Ltd.	26/11/2010	No. 6, 37th Lane, Queens Road, Colombo 03
30 Softlogic Brands (Pvt) Ltd (formerly known as Uni Walker Distributors (Pvt) Ltd.)	08/11/1993	No. 14, De Fonseka Place, Colombo 05
31 Softlogic Retail (Pvt) Ltd (formerly known as Uni Walkers (Pvt) Ltd.)	06/09/1969	No. 14, De Fonseka Place, Colombo 05
32 Softlogic Automobiles (Pvt) Ltd (formerly known as Uni Walkers Automobiles (Pvt) Ltd.)	02/04/2012	No. 14, De Fonseka Place, Colombo 05
33 Softlogic Restaurants (Private) Limited	05/08/2013	No.14, De Fonseka Place, Colombo 05
34 Softlogic BPO Services (Private) Limited	13/12/2013	No.14, De Fonseka Place, Colombo 05
35 Softlogic Retail One (Private) Limited	04/07/2014	No. 14, De Fonseka Place, Colombo 05

Notice of Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Softlogic Holdings PLC will be held at the "Committee Room C" of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Friday the 12th day of September 2014 at 3.00 p.m. for the following purposes:

- 1) To receive and consider the Annual Report of the Board of Directors and Financial Statements of the Company and of the Group for the year ended 31 March 2014 together with the Report of the Auditors thereon.
- 2) To re-elect Mr. G W D H U Gunawardena who retires by rotation in terms of Article 87 of the Articles of Association of the Company, as a Director.
- 3) To re-elect Mr. M P R Rassool who retires by rotation in terms of Article 87 of the Articles of Association of the Company, as a Director.
- 4) To re-elect Mr. W M P L De Alwis, PC who retires by rotation in terms of Article 87 of the Articles of Association of the Company, as a Director.
- 5) To re-elect Mr. G L H Premaratne who retires in terms of Article 94 of the Articles of Association of the Company, as a Director.
- 6) To re-elect Mr. R A Ebell who retires in terms of Article 94 of the Articles of Association of the Company, as a Director.
- 7) To re-appoint the retiring Auditors, Messrs Ernst & Young, Chartered Accountants, as Auditors of the Company for the ensuing year and to authorise the Directors to determine their remuneration.
- 8) To authorise the Directors to determine and make donations for the year ending 31 March 2015 and up to the date of the next Annual General Meeting.

By Order of the Board

SOFTLOGIC CORPORATE SERVICES (PVT) LTD



SECRETARIES

31 July 2014
Colombo

Note:

A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend on behalf of him/her.

The Form of Proxy is enclosed in this Report.

The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 14, De Fonseka Place, Colombo 05 by 3.00 p.m. on Wednesday the 10th day of September 2014 being forty eight (48) hours before the time appointed for the holding of the meeting.

Form of Proxy

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

Mr. A K Pathirage of Colombo	(whom failing)
Mr. G W D H U Gunawardena of Colombo	(whom failing)
Mr. R J Perera of Colombo	(whom failing)
Mr. H K Kaimal of Colombo	(whom failing)
Mr. M P R Rassool of Colombo	(whom failing)
Dr. S Selliah of Colombo	(whom failing)
Mr. W M P L De Alwis, PC of Colombo	(whom failing)
Mr. G L H Premaratne of Colombo	(whom failing)
Mr. R A Ebell of Colombo	(whom failing)

as *my/our Proxy to represent *me/us and to speak and vote for *me/us on *my/our behalf at the ANNUAL GENERAL MEETING OF THE COMPANY to be held at the "Committee Room C" of Bandaranaike Memorial International Conference Hall (BMICH), Baudhaloka Mawatha, Colombo 07 at 3.00 p.m. on the 12th day of September 2014 and at any adjournment thereof, and at every poll which may be taken in consequence thereof.

	FOR	AGAINST
1) To receive and consider the Annual Report of the Board of Directors and the Financial Statements of the Company and of the Group for the year ended 31 March 2014 together with the Report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2) To re-elect Mr. G W D H U Gunawardena who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
3) To re-elect Mr. M P R Rassool who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
4) To re-elect Mr. W M P L De Alwis, P C who retires by rotation in terms of Article 87 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
5) To re-elect Mr. G L H Premaratne who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6) To re-elect Mr. R A Ebell who retires in terms of Article 94 of the Articles of Association, as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7) To re-appoint Messrs Ernst & Young, Chartered Accountants, as Auditors and to authorise the Directors to determine their remuneration.	<input type="checkbox"/>	<input type="checkbox"/>
8) To authorise the Directors to determine and make Donations	<input type="checkbox"/>	<input type="checkbox"/>

.....
Signature/s*

.....
Date

Note:

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

Instructions as to completion

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and the National Identity Card number and signing in the space provided and filling in the date of signature.
2. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a member, to attend and vote on behalf of him. Please indicate with an "X" in the boxes provided how your Proxy is to vote on each resolution. If no indication is given, the Proxy in his discretion will vote as he thinks fit.
3. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy for registration, if such Power of Attorney has not already been registered with the Company.
4. In the case of a Corporate Member, the Form of Proxy must be executed in the manner prescribed by the Articles of Association/Statute.
5. The completed Form of Proxy should be deposited at the Registered Office of the Company, No. 14, De Fonseka Place, Colombo 05 by 3.00 p.m. on Wednesday the 10th day of September 2014 being forty eight (48) hours before the time appointed for the holding of the meeting.

Please provide the following details:

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

Corporate Information

Name of Company

Softlogic Holdings PLC

Legal Form

Company was incorporated on 25th February 1998 under the name of Softlogic Holdings (Private) Limited and re-registered on 17th December 2007 under the Companies Act No. 07 of 2007. Changed to a Public Limited Liability Company on 10th December 2008. The shares of the Company were listed on the Colombo Stock Exchange on 20th June 2011 and the name of the Company was changed to Softlogic Holdings PLC w.e.f. 25th August 2011.

Company Registration No

PV 1536 PB/PQ

Registered Office of the Company

14, De Fonseka Place,
Colombo 05
Sri Lanka

Contact Details

14, De Fonseka Place,
Colombo 05
Sri Lanka

Tel : +94 (11) 557 5000

Fax : +94 (11) 259 5441

E-mail : info@softlogic.lk

Web : www.softlogic.lk

Shareholder Queries

Softlogic Holdings PLC - Investor Relations,
14, De Fonseka Place,
Colombo 05,
Sri Lanka

Email : investorrelations@softlogic.lk

Tel: : +94 (11) 557 5176

Fax: : +94 (11) 2505 306

Directors

A K Pathirage - Chairman/ Managing Director

G W D H U Gunawardena

R J Perera

H K Kaimal

M P R Rassool

Dr S Selliah

W M P L De Alwis, PC

G L H Premaratne

R A Ebell

Audit Committee

R A Ebell - Chairman

W M P L De Alwis, PC

Dr S Selliah

G L H Premaratne

Remuneration Committee

W M P L De Alwis, PC - Chairman

G L H Premaratne

Secretaries and Registrars

Softlogic Corporate Services (Pvt) Ltd

14, De Fonseka Place,

Colombo 05

Sri Lanka

Investor Relations

Softlogic Holdings PLC

14, De Fonseka Place,

Colombo 05

Sri Lanka

Tel : +94 (11) 557 5176

Fax : +94 (11) 259 5441

E-mail : investorrelations@softlogic.lk

Contact for Media

Softlogic Holdings PLC

14, De Fonseka Place,

Colombo 05

Sri Lanka

Tel : +94 (11) 557 5000

Fax : +94 (11) 259 5441

Bankers

Sampath Bank PLC

Commercial Bank of Ceylon PLC

Hatton National Bank PLC

Seylan Bank PLC

National Development Bank PLC

Nations Trust Bank PLC

Bank of Ceylon

Union Bank of Colombo PLC

Pan Asia Banking Corporation PLC

Hongkong and Shanghai Banking

Corporation Limited

People's Bank

Sri Lanka Savings Bank Limited

Auditors

Ernst & Young

Chartered Accountants

No. 201, De Saram Place

Colombo 10

Sri Lanka

Lawyers

Nithya Partners, Attorneys-at-Law

No. 97 A, Galle Road

Colombo 03

Sri Lanka



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