ANNUAL REPORT **2014/15**

STRONG to the CORE

SENKADAGALA FINANCE PLC

Vision

Our vision is to be a leading financial institution in Sri Lanka that delivers high quality services and achieves excellence in all spheres of activity while being socially conscious, at all times.

Mission

To provide a wide range of diversified financial services and to acquire a portfolio of loanable funds that yields an adequate return to our shareholders, whilst safeguarding the interests of our depositors and other stakeholders.

STRONG to the CORE

Throughout our history spanning 46 years, one phrase best encapsulates the core character of Senkadagala Finance – Stability and Strength. From our core outwards and in every direction, the Company consciously built its business edifice on stable strength...so much so that whatever the operating ‘climate’, we continue to deliver positive financial results and great value to stakeholders. We actively cultivate experience and expertise as desired qualities to possess and these among others have helped us build a sound financial background from which all enterprise is launched.

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Form of Proxy - Enclosed

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About Us

Senkadagala Finance PLC was initially formed in the City of Kandy in 1968. With over 46 successful years in business, the Company has become one of the largest licensed finance companies operating under the purview of the Central Bank of Sri Lanka.

Principal lines of business of the Company comprise finance leases, hire purchases and commercial loans. Moving towards diversification, the Company also provides pawn brokering, investment in money market instruments and acceptance of deposits in the form of fixed deposits, certificates of deposit and savings deposits.

With the intention of strengthening its market segment further, the Company initiated an insurance brokering business, which commenced operations in January 2013 and is expected to gain high returns in the future.

Expanding its reach to the public at large has been a key priority of the Company which was put in motion and implemented vigorously throughout the year. The Company moved into seventeen (17) dispersed locations in the country, bringing the total number of service centres to forty one (41) and the number of branches to thirty nine (39) as at the end of March 2015.

Senkadagala Finance was listed on the *Diri Savi* Board of the Colombo Stock Exchange in March 2011.

Fitch Ratings Lanka Ltd. has affirmed the BBB+ (lka) credit rating of the Company, noting the excellent track record of performance along with the healthy asset quality, improved credit control systems and the long operating history.

The registered office of the Company is situated at 2nd Floor, No. 267, Galle Road, Colombo 03.

Financial and Operational Highlights

Company	2015	2014	Change (%)
Financial Results of the Year (Rs. million)			
Total income	**3,715**	3,623	2.55
Interest income	**3,584**	3,528	1.59
Net interest income	**1,834**	1,660	10.46
Profit before VAT on financial services and taxation	**697**	657	6.09
Profit before taxation	**647**	622	4.09
Profit for the year	**540**	535	0.87
Dividends paid	**108**	215	(49.94)
Earnings retained during the year	**432**	314	37.60
Financial Position (Rs. million)			
Loans and advances	**13,583**	12,676	7.15
Total assets	**18,073**	15,870	13.88
Deposit base	**6,542**	5,624	16.32
Borrowings	**4,788**	3,499	36.84
Debentures	**3,580**	4,157	(13.89)
Shareholders' funds	**2,534**	2,102	20.54
Operational Results of the Year (Rs. million)			
New advances disbursed	**8,264**	6,861	20.44
Net flow of deposits	**917**	2,212	(58.52)
Debt instruments issued	**–**	1,160	(100.00)
Borrowings obtained	**3,383**	1,860	81.86
Capital expenditure incurred	**473**	408	15.96
Information per Ordinary Share (Rs.)			
Earnings per share	**8.27**	8.63	(4.17)
Dividends per share	**2.95**	1.79	64.80
Net assets per share	**38.85**	35.80	8.52

540

Profit for the Year
(Rs. million)

2014: Rs. 535 million Change: 0.87%

13,583

Loans and Advances
(Rs. million)

2014: Rs. 12,676 million Change: 7.15%

80

Branches and Service Centres
(Nos.)

2014: 63 Nos. Change: 27.00%

Company	2015	2014	Change
Key Performance Indicators			
Return on average total assets (%)	**3.18**	3.55	(0.37 %pt)
Return on average shareholders' funds (%)	**23.28**	29.11	(5.83 %pt)
Net interest margin (%)	**11.78**	11.78	–
Gross non-performing assets ratio (%)	**4.30**	3.48	0.82 %pt
Interest cost to interest earned ratio (%)	**48.84**	52.96	(4.12 %pt)
Interest cover (times)	**1.31**	1.29	1.55%
Equity to assets ratio (%)	**14.02**	13.24	0.78 %pt
Debt to equity ratio (times)	**3.30**	3.61	(8.59%)
Price earning ratio (times)	**7.25**	5.09	42.44%
Dividends yield (%)	**3.58**	5.18	(1.60 %pt)
Statutory Regulated Ratios			
Core capital ratio (%) (Minimum statutory requirement 5%)	**16.54**	14.00	2.54 %pt
Total capital ratio (%) (Minimum statutory requirement 10%)	**22.97**	20.93	2.04 %pt
Liquid assets to deposit liabilities ratio (%) (Minimum statutory requirement 10%)	**42.75**	36.86	5.89 %pt
Rating			
Fitch Ratings Lanka Ltd.	BBB+(lka)	BBB+(lka)	

18,073

Total Assets
(Rs. million)

2014: Rs. 15,870 million Change: 14.00%

2,534

Shareholders' Funds
(Rs. million)

2014: Rs. 2,102 million Change: 20.55%

601

Staff Strength
(Nos.)

2014: 492 Nos. Change: 22.15%

Chairman's Message

With the 17 service centres opened during the year our branch network has augmented to 80 expanding our distribution network to extend an inclusive service to our customers in dispersed locations.

Dear Shareholders,
We warmly welcome you to the 46th Annual General Meeting of Senkadagala Finance PLC and present to you the Annual Report for the financial year 2014/15.
Our performance reflects our sustainable business perspective, our objective to safeguard the interest of all stakeholders, good governance and effectiveness of our risk management process.

Diverse Developments in the Global Economy

Globally, 2014 was a challenging and eventful year due to major political and economic developments in various regions and nations. Recovery of the United States was strong while growth in the Euro area was stagnant. Meanwhile, China, India and other emerging markets recorded lower rates of economic growth after many years of double-digit growth. Reflecting these trends, global growth in 2014 was a modest 3.3%. Although, the sharp drop in oil prices was initially expected to ignite an economic upturn globally, it is now questionable. Taking these into consideration, major international financial institutions such as the World Bank and IMF have issued pessimistic forecasts for 2015 and 2016. Accordingly, IMF has reassessed global growth for 2015 and 2016 to be 3.5% and 3.7% respectively.

Commendable Economic Growth in Sri Lanka

Amid diverse developments in the global economy, Sri Lanka recorded an economic growth of 7.4% in 2014. The low interest rates which prevailed throughout the year coupled with low and stable inflation, contributed towards sustaining economic growth during the year.

Going forward, Sri Lankan economy is projected to reach upper middle income levels in the medium term. This will be supported by appropriate economic policies that promote a favourable high growth and low inflation regime. Improved investor-friendly environment through good governance and transparency upheld by the Government would facilitate the growth momentum.

NBFI Sector Grows Amid Challenges

The financial sector of Sri Lanka, recorded an improved performance in 2014 supported by the continued expansionary monetary policy and improved macroeconomic performances. On account of the relatively relaxed monetary policy stance and high excess liquidity, market interest rates declined during 2014. Although a significant contraction in private sector credit was recorded during the first half of 2014, a considerable increase was registered from August to December 2014.

Licensed finance companies and specialized leasing companies sectors, which represented 7% of Sri Lanka's financial system, recorded a moderate asset growth due to the lower demand for credit in the first six months of the year. The lower interest rate scenario improved the credit demand and maintained the rising non-performing loans at a manageable level. Several prudential policy measures were adopted to strengthen risk management and build the capacity of the sectors to facilitate better absorption of risks during the year.

Key Focus Areas

One of our prime focus areas for the year was to expand our distribution network to extend an inclusive service to our customers in dispersed locations. With the 17 service centres opened during the year our branch network has augmented to 80.

Introducing financial products using latest technological advancements has always been an important customer centric initiative for us. The state-of-the-art IT system has enabled us to provide customers with a value added and an efficient service. This has paved the way to deliver a great customer experience, making everyday services easier and more convenient, resulting in a loyal customer base.

Attaining a quality asset base is another key focus area of our Company. Our continuous focus on compliance and implementing new regulations promptly has made it possible for us to capture the benefits of compliance driven investments.

We owe the success we have achieved over the years to our employees, who aim to be the best in everything they do. Effective management of human resources enables us to ensure that our customers have a positive experience in their dealings with us. Hence, we invest significantly in employee development in areas such as leadership capabilities, strong execution, ability to understand customers and agility. Our highly capable and experienced management team provides the necessary leadership to provide an effective customer experience every time.

Commendable Performance

I am pleased that we have delivered improved margins and revenues. Accordingly, the profit before tax grew by 4% year on year to Rs. 647 million in the financial year in review. Our operating costs increased substantially during the year on account of the service centres opened. Total assets increased by 13.8% to Rs. 18.1 billion compared to Rs. 15.8 billion in 2013/14. The loan portfolio also swelled to Rs. 13.6 billion from Rs. 12.6 billion, recording a growth of 7%.

Despite the declining interest rates, we grew our deposit base by 16% to Rs. 6.5 billion. This was a noteworthy achievement considering the high interest rates offered by commercial banks for deposits of senior citizens. Total equity increased by 20% reflecting an increase of Rs. 432 million. The core capital ratio and the total capital ratio stood at 16.5% and 22.9% respectively, indicating a strengthened balance sheet.

In August 2014, we acquired 100% shareholding of Newest Capital Ltd., a specialised leasing company, under the Financial Sector Consolidation programme of the Central Bank of Sri Lanka.

Rewarding Shareholders

The Board has proposed to pay a final dividend of Rs. 0.80 per share in order to reward our shareholders. We have also formulated strategies to enhance the profitability which will ultimately improve the shareholder wealth.

The capitalisation of reserves carried out in May 2014, was a further step taken by the Company to reward its shareholders.

A Future of Opportunity

With the strengthening of the financial sector of Sri Lanka and the improved governance structure coupled with sound risk policies, the banking and financial sector will be in a better position to seek foreign funding on more favourable terms. This positive economic background is expected to create a favourable environment for growth of the Company.

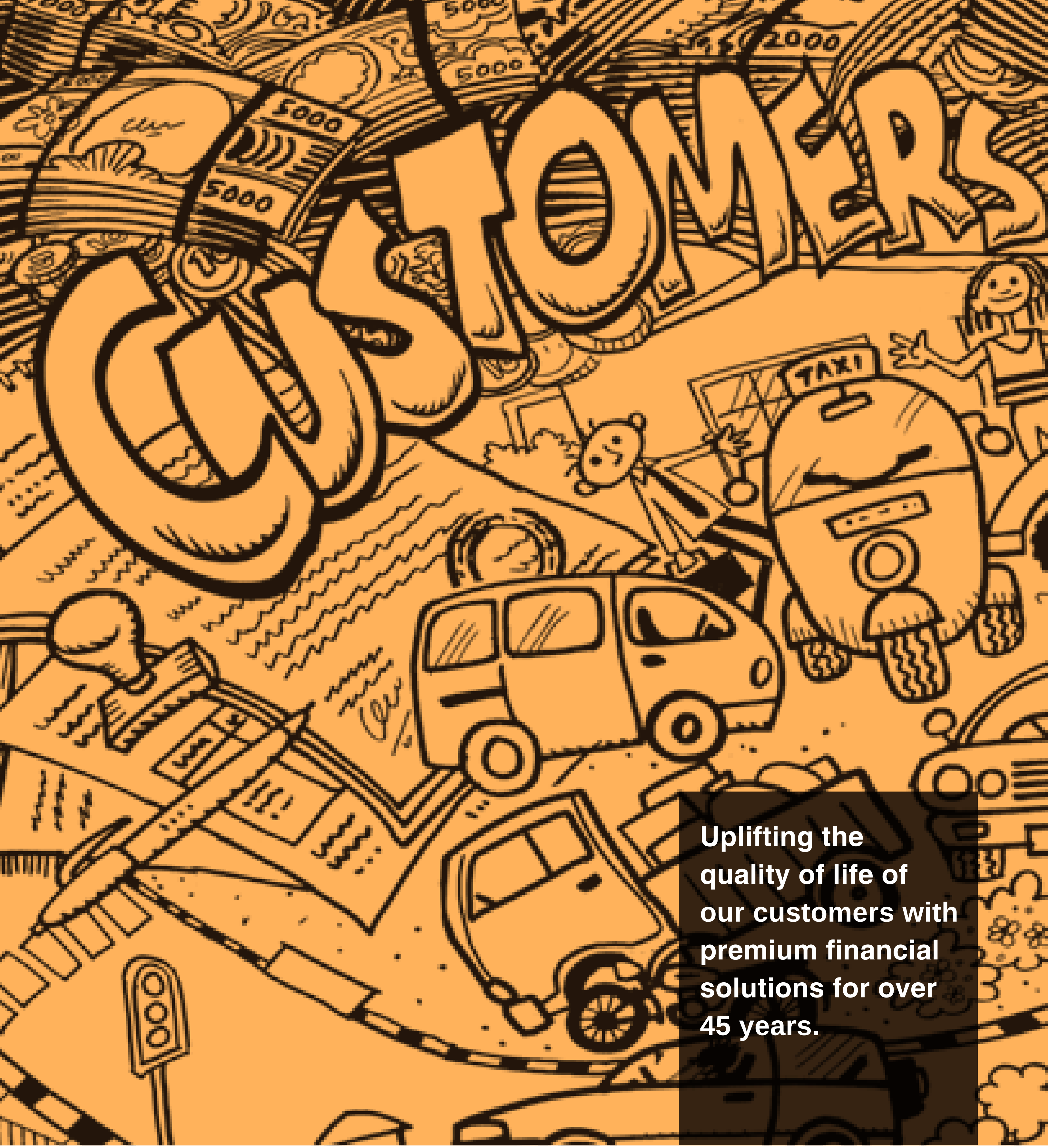
Expansion will be at a moderate pace, however we will continue to strengthen our branch network and invest in IT, in order that we develop more customer convenient and customer relevant solutions and systems.

Appreciation

As we move ahead, we will continue to pursue the same strategy that has served us well these past 46 years - a strategy to make our Company more sustainable, resilient and generating greater value for you, our shareholders.

I take this opportunity to thank the fellow board members for their support and co-operation. I especially thank the Managing Director/CEO and all the staff members for their passion and vigour during the year. I appreciate the continued support and guidance extended by the Director and the staff of the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka. Finally, I convey my heartfelt thanks to the shareholders for the confidence placed in our institution and our valued customers for their patronage.

Mr. Ravi Dias
Chairman
22nd July 2015



Uplifting the quality of life of our customers with premium financial solutions for over 45 years.

Managing Director/ CEO's Review

During the fiscal year we recorded a profit after tax of Rs. 540 million compared to the profit of Rs. 535 million last year and our asset base swelled by 13.8% to Rs. 18.1 billion.

Over the years, we have carefully built a platform and business model that differentiates us from our competitors.

Winning Initiatives

In order to ensure profitability and sustainable growth of our Company we embarked on several initiatives during the year.

Our branch expansion took off with full vigour during the year where we opened 17 service centres increasing our geographical presence. We now have 39 fully-fledged branches and 41 service centres. This enabled us to deliver an inclusive service and grow our customer base by reaching the untapped segments in Sri Lanka.

Adopting new technologies we expanded our product portfolio, enhanced our service standards not only to meet customer expectations, but to anticipate and surpass them. We now facilitate real time cash transfers on savings accounts through the online portal of our website. In addition, our affiliation with SLIPS enables us to provide a superior and faster customer service which has proved to create a competitive advantage when securing new businesses.

We are amongst the very few finance companies in Sri Lanka to gain connectivity to the SWIFT (Society for Worldwide Interbank Financial Telecommunications) network. This helps us to deliver a more convenient and secure platform for our customers to conduct their financial transactions speedily within a global network of over 8,800 banks and institutions.

Our loyal depositor base is a key competitive advantage for us. Despite the challenging economic conditions and stiff competition especially for fixed deposits, we increased our deposit base by 16% to Rs. 6.5 billion during the period under review. This is a commendable achievement given the fact that commercial banks offered higher interest rates to senior citizens pursuant to the November 2014 and February 2015 Budgets.

We also extended our co-operation to the Financial Sector consolidation plan of the Central Bank of Sri Lanka, by acquiring Newest Capital Ltd., a specialised leasing company.

Our Performance

During the fiscal year we recorded a profit after tax of Rs. 540 million compared to the profit of Rs. 535 million last year. The large number of service centres opened during the year together with the write-offs and amortisations on account of the merger with Newest Capital Ltd., had an impact on the Group profits. Although the credit demand was subdued during the first six months of the year, our lending portfolio increased by 7% to Rs. 13.6 billion. This was due to the pickup of credit demand during the latter part of the year and the decrease in vehicle prices from December 2014 to February 2015. Our asset base swelled by 14% to Rs. 18.1 billion during the year.

Although there was a decline in our portfolio quality due to numerous external and internal challenges, we successfully managed our non-performing portfolio by taking appropriate actions. We organised several auctions for the sale of repossessed vehicles with a positive outcome which was reflected on the profits and asset quality.

Driving Sustainability

Sustainability, a key value and area of responsibility for our Company, has become a strong business driver as well. We continued to nurture strong customer relationships, improve our service standards, expand our product offering, buildup our human resources, conduct our CSR activities and include environmental, social and governance aspects into our operations. More of our sustainability initiatives are detailed under Management Discussion and Analysis section of this Report.

Building a Stronger Entity

The importance of risk management is continuously emphasised by the management. We constantly revise and develop the risk management techniques to cater to the rapid developments in the regulatory environment. With the development of technology it is vital to update our risk management techniques. Accordingly, we strengthened our Integrated Risk Management Committee during the year.

Future Outlook

Going forward we expect the low interest regime to prevail for the foreseeable future. A dramatic drop in market rates was experienced over the past financial years. This trend gave rise to repricing risks and also to default risks. The volatility of the market rates affects the performance of the finance companies in many ways. Therefore, it is of utmost importance that the capital markets are stable to promote the development of the financial sector. In addition, the stabilisation of vehicle prices is a key consideration for the finance business industry. Volatility in the tax rates imposed on motor vehicles not only affects new businesses but also impacts the registered motor vehicle financing market.

As we move ahead, we will continue to build a strong, differentiated brand. With the increased geographical coverage and the favourable market outlook, we remain positive about the growth prospects of our Company. More emphasis will be given to reinforcing our core business activities, strengthening existing relationships while fostering new ones. We will consolidate our branch network to derive optimal benefits and also to manage the cost to income ratio of our Company. We will mobilise our savings products intensively to increase the cost effective funding base.

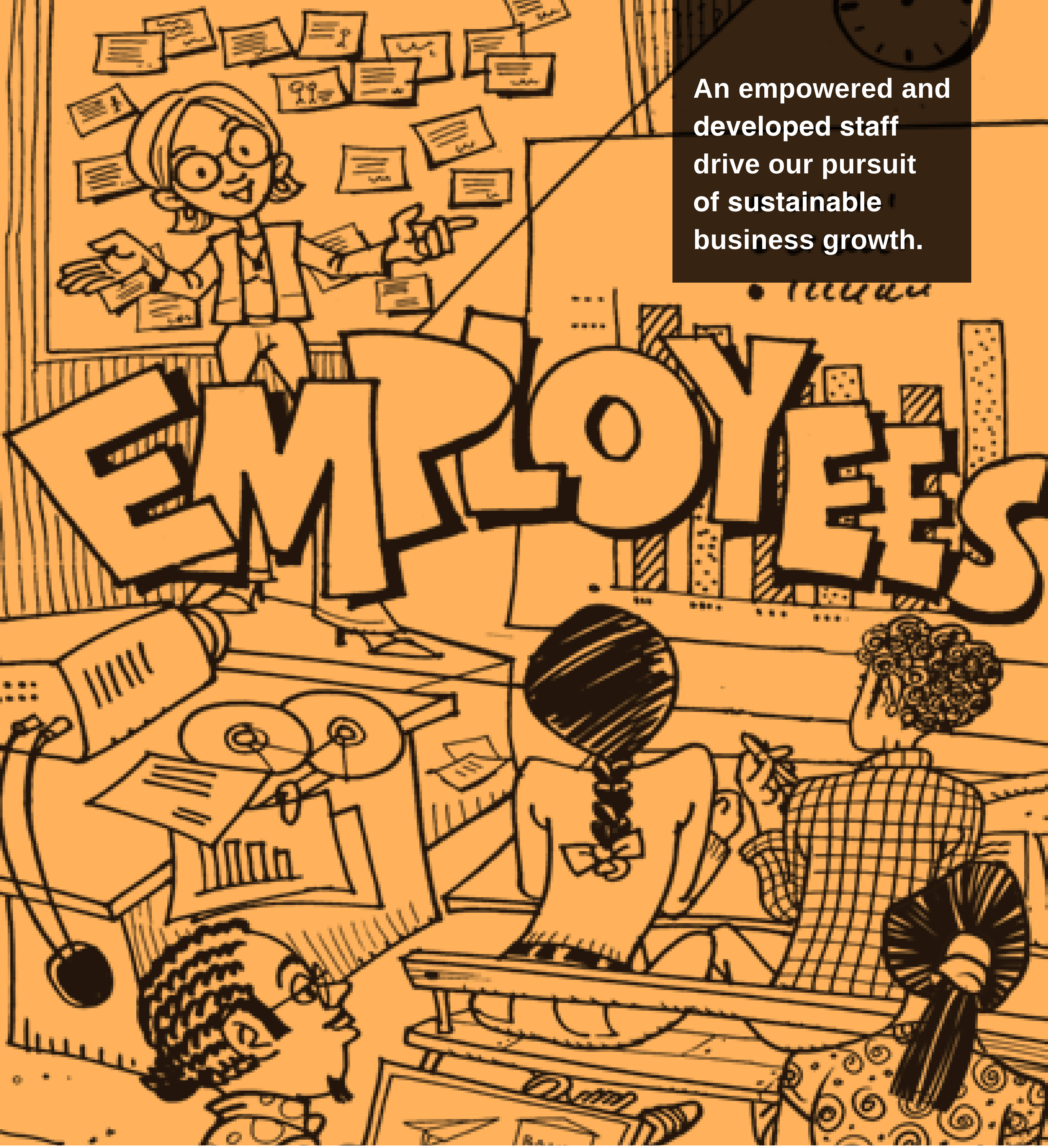
As part of controlling the asset quality of our products, Company undertook measures to manage the non-performing advances with a better credit evaluation process and management information systems, whereby an early warning system was placed to identify and detect any deterioration in quality of assets. Further our IT platform will be continuously improved for product innovation, service enhancement and maintaining required controls.

Guided by our core values and a focus on continuous improvement we will move ahead to generate greater value for all our stakeholders.

Acknowledgements

In conclusion, I extend my appreciation to the Board of Directors for their guidance and continued support. I acknowledge the commitment and dedication of the senior management team and all staff members. I am grateful for the support extended by the Director and the staff of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka. Also, I deeply value the continued patronage and loyalty of our customers and shareholders.

Mr. Lakshman Balasuriya
Managing Director/CEO
22nd July 2015



An empowered and developed staff drive our pursuit of sustainable business growth.

Management Discussion and Analysis

Senkadagala Finance has continuously strived to strengthen the core values of the entity through initiatives such as investments in information technology, expansion of the branch network, strengthening the capital base and streamlining credit appraisals.

A Macroeconomic Review

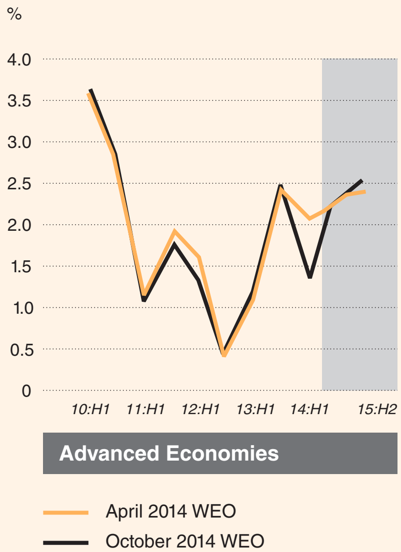
Global Economy Grows Moderately

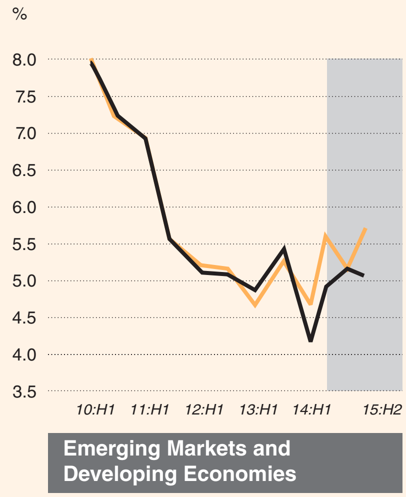
Global economic growth remained at 3.3% for the second consecutive year in 2014. This was largely due to fall backs in the expected overall activity levels and post-crisis adjustments of the prolonged recovery process from the global financial crisis in 2008.

Amongst advanced economies, growth in the United States rebounded ahead of expectations on account of muted inflationary pressure, appreciation of the Dollar and decline in oil prices. Japan on the other hand fell into technical recession in the latter part of 2014 due to weak private domestic demand. Growth in the Euro area was modestly weaker due to weak investment and inflation.

In developing economies, growth in China was below expectation, causing important regional effects in emerging Asia. Adverse geopolitical pressure resulted in lower foreign investments and domestic production which affected the growth momentum of Russia, India recovered its growth prospects as a result of effective policy changes and renewed confidence.

GDP Growth
(Annualised Semiannual Percent Change)





Source: IMF World Economic Outlook – October 2014

However, global growth was revised downward relative to the October 2014 World Economic Outlook (WEO). This was based on reassessment of prospects of major economies, where except for the United States; the growth projections of all other major economies were reduced. Factors such as lower oil prices, depreciation of the euro and yen, lingering legacies of the crisis and weak investment influenced this revision. Accordingly, projected global economic growth in 2015 is 3.5% and 3.7% for 2016.

Global Economic Outlook

			Projections	
	2013	2014	2015	2016
World Output	3.3	3.3	3.5	3.7
Advanced Economies	1.3	1.8	2.4	2.4
United States	2.2	2.4	3.6	3.3
Euro Area	-0.5	0.8	1.2	1.4
Japan	1.6	0.1	0.6	0.8
Emerging Market and Developing Economies	4.7	4.4	4.3	4.7
China	7.8	7.4	6.8	6.3
India	5	5.8	6.3	6.5
World Trade Volume	3.4	3.1	3.8	5.3
Imports				
Advanced Economies	2	3	3.7	4.8
Emerging Market and Developing Economies	5.5	3.6	3.2	6.1
Commodity Prices (US Dollars)				
Oil	-0.9	-7.5	-41.1	12.6
Non-Fuel (average based on world commodity export weights)	-1.2	-4.0	-9.3	-0.7
Consumer Prices				
Advanced Economies	1.4	1.4	1.0	1.5
Emerging Market and Developing Economies	5.9	5.4	5.7	5.4
London Interbank Offered Rate (%)				
On USD Deposits (6 Months)	0.4	0.3	0.7	1.9
On Euro Deposits (3 Months)	0.2	0.2	0	0.1
On Japanese Yen Deposits (6 Months)	0.2	0.2	0.1	0.1

Percentage change unless otherwise noted.

Source: IMF World Economic Outlook update – January 2015

Sri Lanka's Economic Growth

Sri Lanka has recorded an economic growth rate of 7.4% in 2014, exceeding the performance of emerging market economies. Services sector continued to be the largest contributor, expanding by 6.5%, largely due to the expansion facilitated by the 5+ Hub strategy and greater emphasis in high value added service exports. Industry sector recorded the highest sectoral growth of 11.4% with positive contribution from all sub-sectors. Agriculture sector maintained its positive growth pace amid adverse weather conditions during the year.

The economic expansion was mainly driven by the increased level of domestic consumption expenditure. Investments in the construction industry contributed to the aggregated demand increase which provided an impetus to the economy.

Macroeconomic Performance (2010-2014)

Indicator	Unit	2010	2011	2012	2013 (a)	2014 (b)
Real Sector and Inflation						
Real GDP Growth	%	8.0	8.2	6.3	7.2	7.4
GDP at Market Prices	Rs. billion	5,604	6,543	7,579	8,674	9,785
Per Capita GDP	US$	2,397	2,836	2,922	3,280	3,625
Annual Average Inflation	%	6.2	6.7	7.6	6.9	3.3
External Sector						
Trade Balance	% of GDP	-9.7	-16.4	-15.9	-11.3	-11.1
Current Account Balance	% of GDP	-2.2	-7.8	-6.7	-3.8	-2.7
Overall Balance	US$ million	921	-1,059	151	985	1,369
External Official Reserves	US$ million	7,196	6,749	7,106	7,495	8,208
Fiscal Sector						
Current Account Balance	% of GDP	-2.1	-1.1	-1.0	-0.8	-1.3
Overall Balance	% of GDP	-8.0	-6.9	-6.5	-5.9	-6.0
Central Government Debt	% of GDP	81.9	78.5	79.2	78.3	75.5
Monetary Sector (c)						
Broad Money Growth (M_{2b})	%	15.8	19.1	17.6	16.7	13.4
Growth in Credit to the Private Sector (in M_{2b})	%	24.9	34.5	17.6	7.5	8.8

(a) Revised

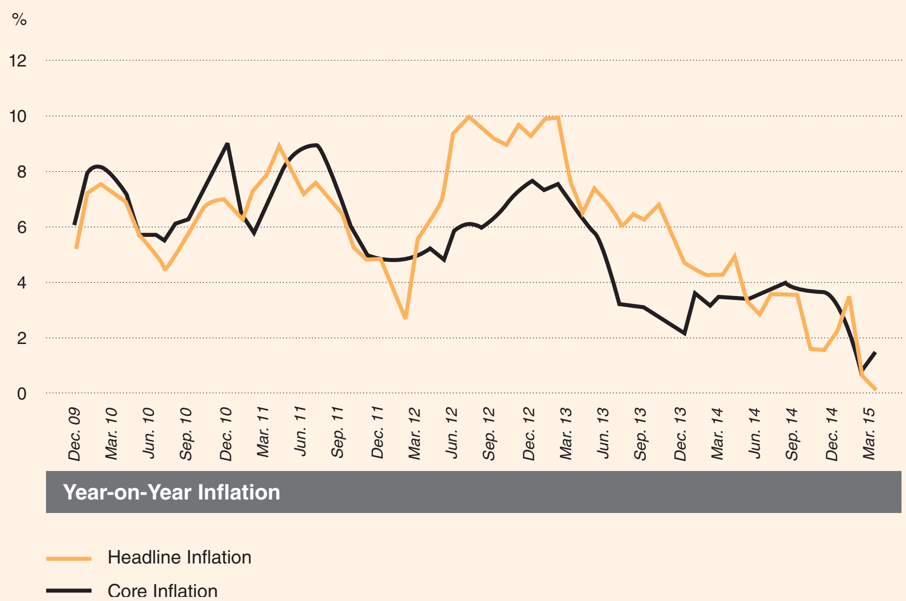
(b) Provisional

(c) Year on year growth based on end year values

Source: Central Bank of Sri Lanka – Annual Report 2014

Annual average inflation remained subdued at 3.3% maintaining single digit inflation for 71 months in a row.

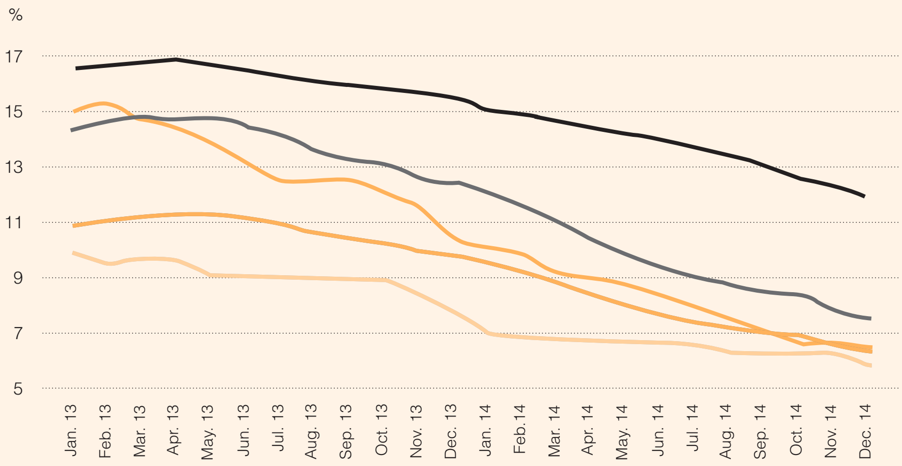
Annual average inflation remained subdued at 3.3% maintaining single digit inflation for 71 months in a row. The per capita income was recorded at US Dollars 3,625, indicating that Sri Lanka is well on its way to achieving the per capita income target of US Dollars 4,000 by end 2015. External positions remained healthy, with foreign reserves peaking at US Dollars 8.2 billion or at 5.1 months of imports as at end of year 2014. Amidst global market volatility, exchange rate remained relatively stable through effective open market operations of the Central Bank of Sri Lanka (CBSL). However, towards the latter part of the year there was upward pressure on the exchange rate, mainly driven by volatile global conditions and increase in imports.



Year-on-Year Inflation

Source: Central Bank of Sri Lanka Annual Report 2014

Despite excess liquidity in the market, volatility in the inter-bank call money rate was minimised through proactive monetary operations. There was a gradual decline in market interest rates reflecting the relaxed monetary policy stance.



Movement of Selected Market Interest Rates

Monthly AWPR AWLR T-Bill Yield (91-day)
AWDR AWFDR

Source: Central Bank of Sri Lanka Annual Report 2014

The banking sector maintained its growth momentum and business expansion whilst showcasing the strength and resilience of the sector. The non-banking financial institutions too recorded a moderate growth in 2014.

Going forward, Sri Lanka is expected to maintain a sustainable growth momentum in 2015 amid sustained low and stable inflation and expected improvements in business confidence. Inflation is expected to remain at low levels, on account of reduction in fuel prices and prices of other essential items combined with improved supply conditions.

The external sector would remain resilient with continued foreign currency inflows to the current account as well as to the financial account of the Balance of Payments (BOP). In addition, the external sector is projected to strengthen with the expected reduction in expenditure on imports especially due to relatively low oil prices, higher inflows on account of tourism and workers' remittances and receipts to the Government, the banking sector and other private corporates.

Sri Lanka is expected to gradually move into the upper middle income status in terms of per capita GDP. This coupled with improved infrastructure facilities is expected to support the flow of investments into the country.

Credit to the private sector from commercial banks would sustain its growth momentum benefiting from low market interest rates and increased business confidence.

Performance of the Financial Sector

The financial sector expanded and remained resilient supporting the growth momentum of the economy.

The implementation of the financial sector consolidation plan was a major policy initiative taken by the Central Bank during the year to further strengthen the domestic financial system. It is aimed at enhancing the stability, dynamism and competitiveness of the financial sector to meet the growing financing needs of the domestic economy and support future economic growth. The initiatives relating to the mergers/acquisitions that have already commenced continued to progress with respective banks and Non-Bank Financial Institutions working towards the timelines set at the beginning of the year. By end of 2014, 10 mergers were completed and 22 were in progress.

The monetary policy stance remained relatively relaxed since end 2012. As a result there has been a continued downward shift in the market interest rates including medium to long-term interest rates. This has narrowed the spread between lending and deposit rates. Consequently, the Rupee liquidity in the domestic money market remained high during the first nine months of 2014.

There was a significant increase in the overall Non-Performing Loans (NPL) of financial institutions consequent to the increase in non-performing pawning advances during the first half of 2014. However, due to the prudent measures adopted by financial institutions, the assets quality improved in tandem with the decline in interest rates resulting in the moderation in NPLs since August 2014.

Although, the credit demand remained sluggish in early 2014, the demand picked up by August 2014 with the easing of the monetary policy.

Total Assets of the Major Financial Institutions

	2013 (a)		2014 (b)	
	Rs. billion	Share (%)	Rs. billion	Share (%)
Banking Sector	7,187.5	69.6	8,436.4	70.0
Central Bank	1,246.0	12.1	1,464.3	12.1
Licensed Commercial Banks	5,022.2	48.7	5,884.6	48.9
Licensed Specialised Banks	919.3	8.9	1,087.5	9.0
Other Deposit Taking Financial Institutions	756.4	7.3	892.0	7.4
Licensed Finance Companies	653.0	6.3	779.6	6.4
Co-operative Rural Banks	94.9	0.9	103.5	0.9
Thrift and Credit Co-operative Societies	8.5	0.1	8.9	0.1
Specialised Financial Institutions	378.0	3.7	439.9	3.7
Specialised Leasing Companies	64.5	0.6	73.6	0.6
Primary Dealers	213.6	2.1	191.1	1.6
Stock Brokers	10.3	0.1	11.3	0.1
Unit Trusts/Unit Trust Management Companies	55.8	0.5	128.6	1.1
Market Intermediaries (c)	29.5	0.3	29.1	0.2
Venture Capital Companies	4.4	0.0	6.2	0.1
Contractual Savings Institutions	1,998.3	19.4	2,272.9	18.9
Insurance Companies	360.4	3.5	411.7	3.4
Employees' Provident Fund	1,300.0	12.6	1,486.9	12.3
Employees' Trust Fund	178.5	1.7	199.1	1.7
Approved Pension and Provident Funds	123.0	1.2	134.2	1.1
Public Service Provident Fund	36.4	0.4	41.0	0.3
Total	10,320.2	100.0	12,041.1	100.0

(a) Revised
(b) Provisional
(c) Includes Underwriters, Investment Managers and Margin Providers

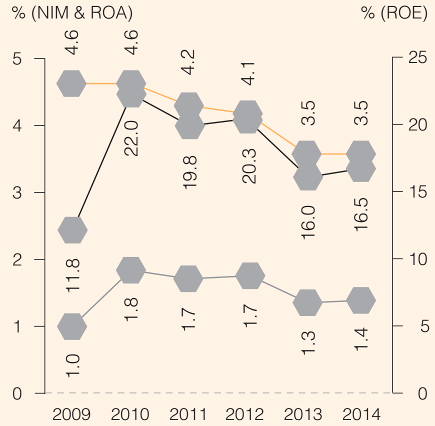
Source: Central Bank of Sri Lanka – Annual Report 2014

There was a significant improvement in the Stock Market as a result of improved macroeconomic fundamentals, strengthening of the corporate sector and increased domestic and foreign investor participation. As a result, the market capitalisation of the Colombo Stock Exchange surpassed Rs. 3 trillion by September 2014.

Supported by timely policy initiatives and regulatory and supervisory measures, the banking sector remained sound and resilient during the year. The asset growth was moderate during the early part of the year but gradually improved in the last quarter. The funds mobilised were mainly utilised for investment activities. Credit growth moderated largely due to the decline in pawning advances, however, recorded a steady increase by the end of the year.

Proactive measures were taken by licensed banks to improve asset quality by recovering NPLs, particularly the non-performing pawning advances. The liquidity position of banks remained healthy, and was well above the minimum statutory requirement of 20%. With the improved credit growth towards the end of the year, the liquidity position dropped. However, this was well in excess of the statutory requisite level.

Profits of the banking sector increased from Rs. 74.6 billion in 2013 to Rs. 88 billion in the year 2014. However, the profitability decreased marginally, mainly due to reduction in Net Interest Margins. This was mainly due to, lower yields resulting from changes in the asset structure and the downward adjustment of interest rates.



Profitability Indicators of the Banking Sector

- Net Interest Margin (NIM)
- Return On Equity (ROE)
- Return On Assets (ROA)

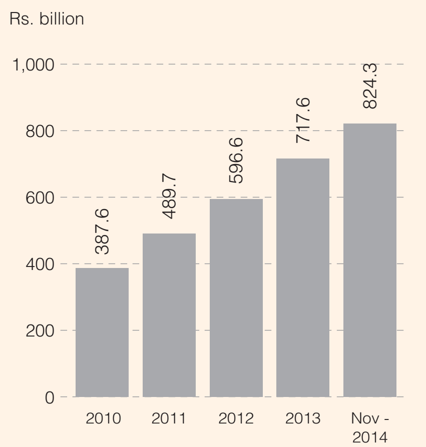
Source: Central Bank of Sri Lanka Annual Report 2014

The banking sector remained well-capitalised to withstand any adverse shocks. The capital adequacy framework was further strengthened, in tandem with the move towards the Basel II capital framework.

The banking sector consists of 34 licensed banks with one new commercial bank which commenced its operations in April 2014. This sector comprised 6,554 banking outlets and 2,635 ATMs spread across the country as at the end of year 2014.

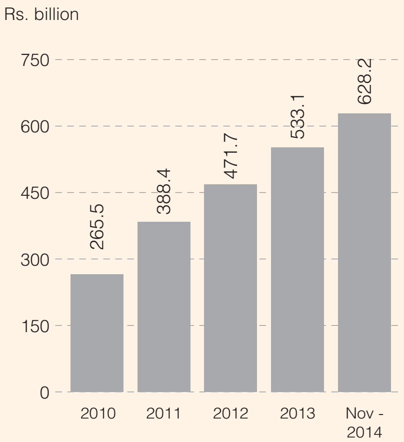
Moderate Growth of Non-Bank Financial Institutions (NBFI)

The NBFIs which consists of Licensed Finance Companies (LFCs) and Specialised Leasing Companies (SLCs) remained moderate during the first eight months of 2014 mainly due to lower credit demand existed. The NBFI sector which represented 7% of assets of the Sri Lanka's financial system consists of 48 LFCs and 8 SLCs with a branch network of 1,132 at the end of year 2014.



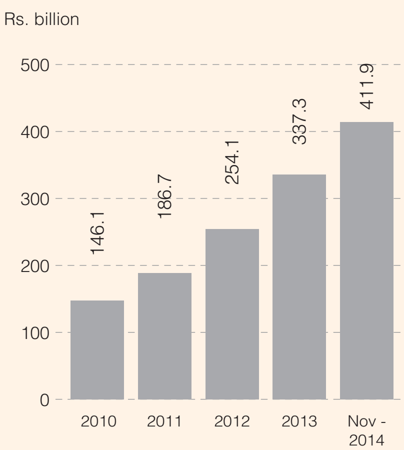
Assets

Source: Central Bank of Sri Lanka Annual Report 2014



Accomodations

Source: Central Bank of Sri Lanka Annual Report 2014



Deposits

Source: Central Bank of Sri Lanka Annual Report 2014

The sector experienced a low growth, with total assets expanding by 18.9% to Rs. 853 billion for the year ended 2014 compared to a growth of 20.3% in 2013, mainly due to low demand for credit. Accommodations accounted for 75% of the assets and recorded a growth of 16% compared to December 2013. Investments consisting of equity and debt instruments increased notably by 39.6% in 2014 compared to a growth of only 1.3% in 2013. Liquid assets also showed a steady growth mainly in the form of Treasury Bills.

The proportion of deposits increased to 48.5% as at December 2014 compared to 47% of the previous comparable period. Deposits continue to be the main source of funding for this sector. The year on year growth in deposits was 22.7%. Borrowings had a year on year growth of 12.9% reaching Rs. 217 billion, compared to Rs. 192 billion of the year 2013.

The capital of the sector also increased by a notable 20.3% compared to that of year 2013 which was an increase of 2.6%. By the end of 2014 capital reached Rs. 117 billion. This growth was mainly fuelled by internally generated profits. However, the capital adequacy ratios decreased marginally due to the increase in the risk weighted asset base. The total capital ratio and the core capital ratio stood at 13.5% and 13% respectively at the end of year 2014. Nevertheless both the ratios were well in excess of the statutory requirement.

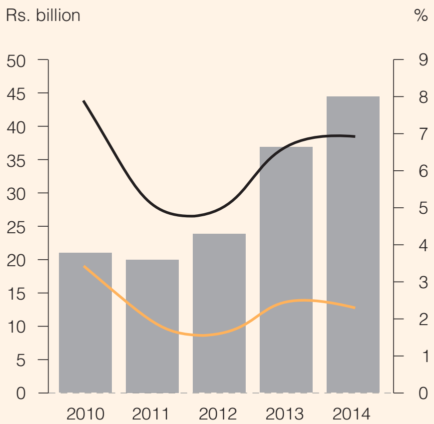
Composition of Assets and Liabilities of the LFC and SLC Sector

	2013 (a)		2014 (b)		Change (%)	
Item	Rs. billion	Share (%)	Rs. billion	Share (%)	2013 (a)	2014 (b)
Assets						
Accommodation	553.1	77.1	641.4	75.1	17.3	16.0
Investments	29.8	4.1	41.6	4.9	1.3	39.6
Others	134.8	18.8	170.3	20.0	41.0	26.4
Liabilities						
Total Deposits	337.3	47.0	414.0	48.5	32.7	22.7
Total Borrowings	192.3	26.8	217.1	25.4	9.3	12.9
Capital Elements	97.4	13.6	117.2	13.7	2.6	20.3
Total Funds	627.0	87.4	748.3	87.7	19.4	19.3
Others	90.6	12.6	105.0	12.3	26.5	15.9
Total Assets/Liabilities	717.6	100.0	853.3	100.0	20.3	18.9

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka – Annual Report 2014

The assets quality deteriorated marginally during the year as reflected in the increased non-performing ratio, which had risen from 6.7% in 2013 to 6.9% as at the end of 2014. Total non-performing assets increased to Rs. 44.3 billion by the end of 2014 compared to Rs. 36.9 billion in 2013, an increase of 19.9%. This was mainly driven by the high lending rates prevailed during 2012/13 and the gold price fluctuations, affecting pawning advances.



Non-Performing Advances and Provisions

Gross NPA (Rs. billion)
Gross NPA Ratio (%)
Net NPA Ratio (%)

Source: Central Bank of Sri Lanka Annual Report 2014

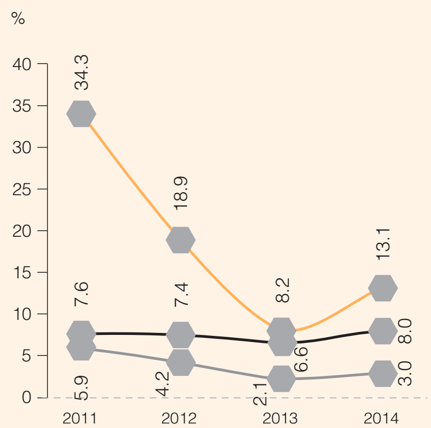
Profitability of the NBFI sector improved during the year 2014. Profit after tax for the year increased by 79.6%, compared to the decrease of 48.4% of year 2013. In absolute terms in 2014 all LFCs and SLCs recorded a profit after tax of Rs. 13.9 billion compared to Rs. 7.7 billion in 2013. The key reason for the said improvement is the increase in Net Interest Income. This recorded a growth of 40.9%, from Rs. 44 billion in 2013 to Rs. 62 billion by the end of 2014.

Composition of Income and Expenses of the LFC And SLC Sector

			Growth			
	2013 (a)	2014 (b)	2013 (a)		2014 (b)	
Item	Amount Rs. billion	Amount Rs. billion	Amount Rs. billion	%	Amount Rs. billion	%
Interest Income	117.3	131.3	24.5	26.4	14.0	11.9
Interest Expenses	73.2	69.2	20.7	39.3	(4.1)	(5.5)
Net Interest Income	44.1	62.2	3.8	9.5	18.1	40.9
Non-Interest Income	17.2	20.8	3.9	29.5	3.6	21.2
Non-Interest Expenses	39.3	48.2	9.3	30.8	8.8	22.4
Staff Cost	13.6	17.5	2.6	23.5	3.9	28.8
Loan Loss Provisions (Net)	8.1	11.8	6.6	436.3	3.7	45.3
Profit before Tax	13.8	23.0	(8.8)	(38.9)	9.2	66.6
Tax	6.1	9.2	(0.3)	(5.2)	3.1	50.2
Profit after Tax	7.7	13.9	(7.2)	(48.4)	6.2	79.6

(a) Revised
(b) Provisional

Source: Central Bank of Sri Lanka – Annual Report 2014



Profitability Indicators of the LFC and SLC Sector

Return On Equity
Net Interest Margin
Return On Assets

Source: Central Bank of Sri Lanka Annual Report 2014

Several policy and regulatory measures were adopted by the CBSL, to strengthen the resilience of the sector. Under the financial sector consolidation programme, 10 LFCs and SLCs completed the consolidation plans while 22 were in progress at the end of year 2014. In addition, policy measures such as revision of maximum interest rates offered on deposits, revision of annual license fees and the withdrawal of the Investment Fund Account were enacted during the year. Amendment of the Value Added Tax Act No. 07 of 2014 was another important regulatory measure taken during the year. The SNBFI Department also initiated several mechanisms to strengthen the risk management of the LFCs and SLCs.

Overview of the Business Environment

A key success factor for implementing turnaround business strategies is proper understanding of the internal and external business environment. SWOT analysis is an analysis technique used to scan the environment. At Senkadagala Finance we strive to convert our weaknesses into strengths and capitalise on opportunities by virtue of strengths.

Convert

Match

To be capitalised

Strengths

- Over 46 years of operational expertise
- Skilled, well-trained and experienced human capital
- Internally developed IT system tailor-made to our specific needs
- Healthy capital adequacy ratios
- Healthy liquid asset levels maintained throughout
- Increasing deposit base with loyal customers
- Strategically located network of branches and service centres

Weaknesses

- Expansion of the branch network stressing profitability
- Deterioration of operational efficiency
- Majority of newly-opened branches/ service centres are yet to break even
- High reliance on the main product line
- Absence of innovative products
- Increase in defaults and NPA rates

Opportunities

- Low interest rate regime
- Potential economic growth
- New tax regulations favouring finance leasing business
- Foreign collaboration and investments
- Development in capital markets in the country
- Expansion in tourism
- Easing of tax regimes increasing the funding opportunities
- Influx of new vehicles

Threats

- Fluctuations in import duties affecting the imported motor vehicle market
- Improved customer awareness and price sensitivity
- High competition due to increased number of participants
- Job opportunities for skilled workers in the industry
- Exposure to the high risk sector of the market

We support the growth of our business partners, providing them with advanced business solutions.

Operational Review

Strong to The Core

Senkadagala Finance strives to serve all its stakeholders with perfection. During the 46 years of operations we have continuously strived to strengthen the core values of the entity. Through initiatives such as investments in information technology, expansion of the branch network, strengthening the capital base and streamlining credit appraisals, the management of Senkadagala Finance is creating sustainable growth while strengthening core competencies of the entity.

Strategic Initiatives

During the year, we embarked on several initiatives to strengthen our Balance Sheet and created strategic ties to generate value in the future.

Business Affiliations

In order to increase our business volume and drive the Company image amongst the leasing industry, we launched an island-wide joint sales promotion with DIMO during the financial year, offering several benefits to our valued customers. This promotion helped to significantly improve the leasing business, especially during the first half of the year when the credit demand was notably low.

In March 2014, we entered into a loan agreement with the International Finance Corporation (IFC); a member of the World Bank Group. This venture increased the low cost fund base of the Company enabling us to be resilient to local market trends. In addition, we have benefited immensely by the technical knowledge and the financial business support extended by IFC. Subsequent to drawing the funds in April 2014, we took measures to minimise our foreign currency exposure in collaboration with Commercial Bank of Ceylon PLC.

Supporting Consolidation

Under the Financial Sector Consolidation Programme, the Central Bank of Sri Lanka granted us approval to buy Newest Capital Ltd; a category 'B' specialised leasing company. Accordingly, we entered into a share purchase agreement with the shareholders of Newest Capital Ltd. and acquired 100% of its fully-paid issued capital for a consideration of Rs. 300 million. Accordingly, Newest Capital became a fully-owned subsidiary of Senkadagala Finance.

Expanding Our Branch Network

We continued to augment our branch network which commenced in financial year 2011/12. This has not only increased our business growth but enhanced access and increased customer convenience as well. Accordingly, 17 new service centres were opened in Moratuwa, Elpitiya, Minuwangoda, Tissamaharama, Balangoda, Hingurakgoda, Wellawaya, Wariyapola, Dehiwala, Bandarawela, Ragama, Warakapola, Rambukkana, Kalmunai, Chavakachcheri, Nelliadi and Kohuwala. Two of these centres are located in the Northern Province, whilst one is in the Eastern Province. Our network now consists of 39 branches and 41 service centres.

Senkadagala Finance PLC's Managing Director/CEO Mr. L. Balasuriya and Newest Capital Majority shareholder and retiring Chairman Mr. J Ratnayake shake hands whilst exchanging the share purchase agreement. Also present at the occasion are Mr. J. P. R. Karunaratne (Director), Mr. H. B. D. Karunaratne (Additional Director) of the Department of Supervision of Non-Bank Financial Institutions of the Central Bank of Sri Lanka and officials of the two companies.

Branch opening at Chawakachcheri

Branch opening at Nelliadi

Branch opening at Warakapola

Branch opening at Elpitiya

Branch opening at Balangoda

Branch opening at Dehiwala

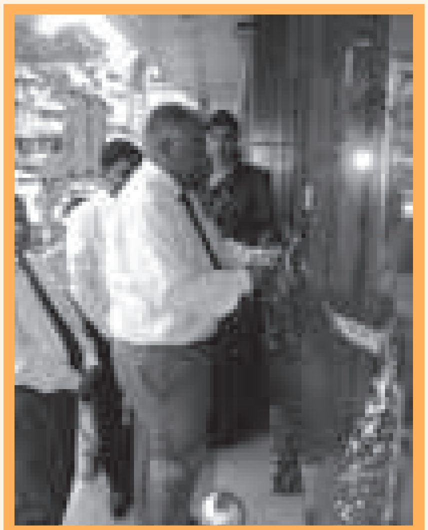
Branch opening at Kohuwala

Branch opening at Minuwangoda

Branch opening at Kalmunai

Branch opening at Hingurakgoda

Branch opening at Wellawaya



Branch opening at Bandarawela

Branch opening at Rambukkana

Capitalisation of Reserves

To further strengthen the capital base and to reward the shareholders, the management issued 6,522,755 ordinary shares in the form of capitalisation of reserves for a consideration of Rs. 40/- per share. The shares were issued in a proportion of one for every nine shares held, increasing the stated capital of the Company to Rs. 1 billion.

Information Technology Supporting Growth

We became the first finance company in Sri Lanka to gain connectivity with the SWIFT (Society for Worldwide Interbank Financial Telecommunications) network, in affiliation with Lanka Financial Services Bureau Ltd. (LFSBL). Through SWIFT, LFSBL facilitates secure transfer of financial messaging telecommunications within a global network of over 8,800 banks and institutions. Through this affiliation, we are now able to offer enhanced security to our customers on transactions. In addition, we have gained secure access to a global network of trusted banks and financial institutions which would enhance the value and quality of our customer services.

We continuously strive to enhance the use of Information Technology within the organisation. We are equipped with an internally-developed advanced Information Technology (IT) system which is tailor-made to our requirements.

The fully-integrated system facilitates all IT needs; from carrying out routine transaction recording to generating useful management information reports that facilitate sound decision making. This has enabled us to maintain a higher level of operational efficiency and high standard of customer service. We continually upgrade our IT system to maintain the competitive edge in the market.

Since IT is a crucial aspect of our operations, we invested in a Data Centre during the financial year. Business continuity is a key concern. Companies rely heavily on information systems to run their operations. If a system becomes unavailable, the operations may be impaired or stalled completely. Hence, providing a reliable infrastructure for IT operations is imperative to minimise disruptions to business operations. A Data Centre offers a secure environment which minimises the probability of a security breach by assuring the integrity and functionality of its hosted computer environment.

Counter Measures for the Growing Defaults

There was a significant increase in the non-performing assets of the Company, due to the market conditions that prevailed during the year. As a result there was a marked increase in the number of repossessed assets. A system was set up to view the images of the repossessed assets in our compound. This has enabled the staff members as well as the customers to obtain information on motor vehicles in our compounds and enable efficient disposal of the same.

Towards the end of the year, with the fluctuation of prices of motor vehicles, the disposal of repossessed vehicles became considerably difficult. In order to rectify this issue, the management organised Motor Fairs. Customers were offered attractive prices for vehicles at concessionary rates for leases. By this we managed to improve our new businesses while reducing our repossessed stocks.

Riyapola organised in Kandy

Our Product Portfolio

Senkadagala Finance strives to attain a product mix which yields a high return. Core business activities of the Company are deposits and loans. Principal lending products are Finance Leases and Hire Purchases. Products such as personal loans, commercial loans, pledged loans and pawning supplement them. Certificates of deposit, Fixed deposits and savings are the forms of accepting deposits. Foreign currency exchange activities are also carried out in addition to the above. We provide insurance brokering services through our fully-owned subsidiary, Senkadagala Insurance Brokers. Senkadagla Finance is equipped and committed to provide its customers with the full spectrum of financial services.

Finance Leases

With many participants, Finance Lease Market continues to be highly competitive with specialised leasing companies, peer finance companies and commercial banks. Increasing customer awareness and price sensitivity creates price-based competition futile.

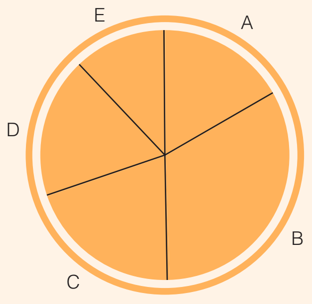
At Senkadagala Finance we have a customer centric approach for business promotion. With the help of our state-of-the-art technology we are in a position to disburse loan funds to the customers in a shorter span of time. This has become our competitive advantage. The joint promotion with DIMO also helped to improve the finance lease business during the year.

Eased tax regulations applicable for the leasing business, introduced by the 2015 budget helped to boost this product. Accordingly, the Company managed to record a growth of 36% over the year, from Rs. 6,002 million in 2014 to Rs. 8,151 million by the end of March 2015. The average loan size stood at Rs. 625,000/-, while the yield on average finance leases was 20%.

Hire Purchase

Hire purchases include primarily financing of registered vehicles and other equipment. Towards the latter part of the year, subsequent to channelling majority of new businesses through finance leases, hire purchases experienced a setback, a decrease of 20% compared to Rs. 6,167 million of year 2014. Due to comparatively higher risks associated with this product the yield on hire purchases was 27%. Average size of a hire purchase advance is Rs. 950,000/-.

Analysis of Loan Portfolio by Size of Facility



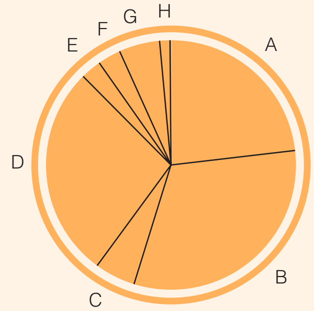
A - 17% Below Rs. 0.5 million
B - 33% Rs. 0.5 million to Rs. 1.0 million
C - 20% Rs. 1.0 million to Rs. 1.5 million
D - 18% Rs. 1.5 million to Rs. 2.5 million
E - 12% Above Rs. 2.5 million

Other Loans and Advances

Commercial loans recorded an increase of Rs. 19.5 million, a growth of 42% compared to March 2014. These loans are granted to entrepreneurs and small to medium-size enterprises to fulfil their short to medium-term financial requirements. Whereas personal loans are granted to individuals who need to finance their short to medium-term, non-commercial financial needs. Gross personal advances have increased by Rs. 2 million. Net advances had only a marginal growth.

Pawning business is the latest addition to our lending product portfolio. From its inception in the financial year 2011/12, the management was sceptical of this line of business. Therefore, restrictive measures were taken. As a result, the pawning advances experienced a year on year decrease of 1%. However, with the stabilisation of gold prices in the market, there is a positive outlook for this avenue of credit. The management of Senkadagala Finance continues to adopt precautionary measures while promoting the business.

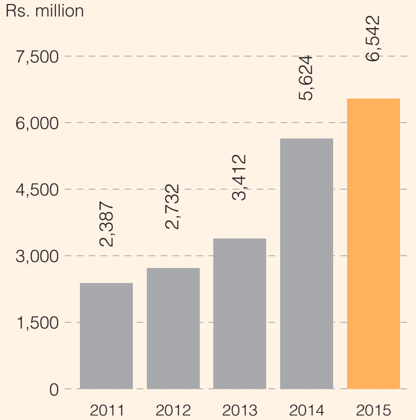
Analysis of Loans and Advances by Vehicle Type



A - 23% Cars/Jeeps
B - 32% Vans
C - 5% Buses
D - 27% Lorries
E - 3% Land Vehicles - Tractors
F - 3% Motor Cycles
G - 5% Three Wheelers
H - 2% Other Loans

Deposits

Senkadagala Finance is one of the licensed finance companies operating under the purview of the Central Bank of Sri Lanka and is authorised to accept deposits from the general public.



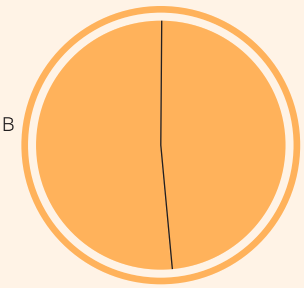
Growth of Deposit Base

Fixed Deposits

Fixed deposits, also known as term deposits are accepted for a period ranging from 1 month to 5 years, with interest payable monthly, quarterly or at maturity as per customer preference. Interest rates offered to deposits are governed by ceiling rates imposed by the Central Bank of Sri Lanka. Fixed deposits provide a valuable source of funding for finance companies.

According to the 2015 Budget and the succeeding Interim Budget, commercial banks were directed to offer senior citizens a relatively high interest rate. The management was expecting a major segment of our fixed deposits which consists of deposits of senior citizens, to flow out of the Company. However, by the end of March 2015 the Company recorded a Rs. 798 million growth in its FD base, an increase of 14% compared to the previous year.

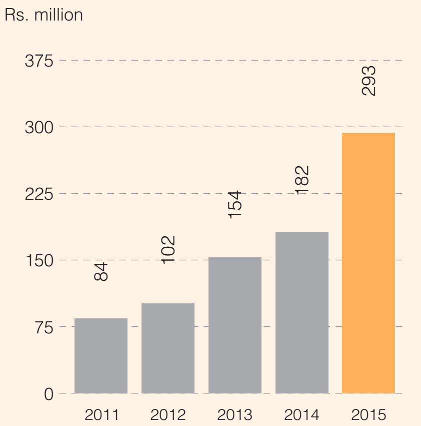
Analysis of Deposits Based on Customer Age



A - 49% Senior Citizens
B - 51% Customers Other than Senior Citizens

Savings Deposits

Savings deposits also increased by Rs. 111 million, a growth of 61% compared to Rs. 182 million in 2014. The savings product of the Company is equipped with a chip driven VISA debit card, SMS alerts on transactions done and online transaction facilities. With its relatively lower interest cost, this product is with high potential. The management has the intention of developing this product to cater to funding requirements of the Company.



Savings Deposits

Senkadagala Insurance Brokers (SIB)

Senkadagala Insurance Brokers (Pvt) Ltd. is a fully-owned subsidiary of Senkadagala Finance, which provides intermediary services to Senkadagala Finance in insuring its lease and hire purchase asset portfolio. Through its services insurance brokering arm will retain the customers within the Group, who would otherwise sever its ties with Senkadagala Finance once their lease or hire purchase commitments are fulfilled. The insurance brokering company is promoting its services to the existing customer base of Senkadagala Finance at present, but in future its activities will be extended to facilitate life insurance as well.

In the 2014/15 financial year, SIB has generated a profit before tax of Rs. 70.8 million, a growth of 29% compared to Rs. 54.9 million of the previous year.

Financial Review

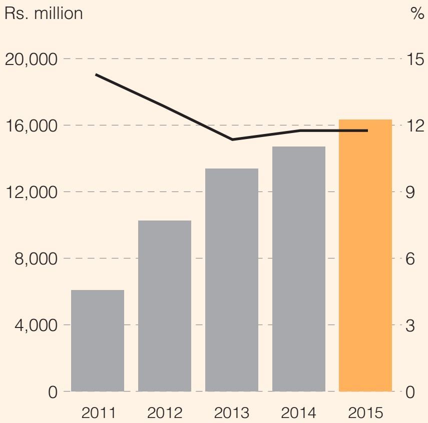
Overview

The financial year started in a background where the demand for credit was low despite the low interest rates that prevailed in the market. However, the hype in the vehicle market and the improvement in credit demand revived the industry as well as Senkadagala Finance since August 2014. During the latter half of year the new finance business flourished, but the increased default rates which was triggered as a result of unrecoverability of advances granted during the high interest rate era, affected the profitability of the entity.

Senkadagala Finance continued expanding its branch network, opening doors in 17 new locations around the country. Further, in accordance with the Financial Sector Consolidation programme we acquired 100% ownership of a Specialised Leasing Company. Amidst all this, Senkadagala Finance managed to record a profit after tax of Rs. 540 million, a marginal growth from Rs. 535 million of last financial year.

Profitability

Net interest income of the entity increased from Rs. 1,660 million in 2014 to Rs. 1,834 million, a growth of 10.5%. However the Net Interest Margin (NIM) was 11.78%, which was on par with the previous financial year. The low interest rates that prevailed in the market was a key reason for the mediocre NIM of the company. Regardless of the decline in interest expenses by 6% compared to last financial year, the interest income only increased by 1.6%. The Net Interest Margin of the LFC and SLC industry by the end of the year 2014 stood at 8%.



Return on Interest Earning Assets

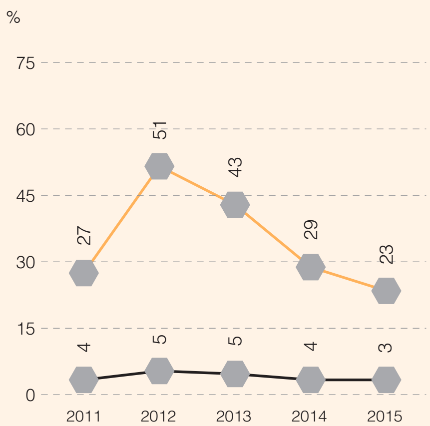
Interest Earning Assets (Rs. million)

Net Interest Margin (%)

Pre-tax profit of the Company was recorded at Rs. 647 million, a growth of Rs. 25 million from Rs. 622 million of the last financial year. Throughout the year the Company continued with its branch expansion initiative, which stressed the operational efficiency of the entity. The increase in the defaults and fluctuations in the secondhand vehicle market also affected the bottom-line. However during the 2014/15 financial year the Company recorded a growth in pre-tax profit of 4% compared to the last financial year's decline of 8%, which is a commendable improvement.

The year on year growth in post tax profit was marginal, a 0.9% growth from Rs. 534.9 million in 2014 to reach Rs. 539.6 million by the end of March 2015. The increase in deferred tax diminished the growth rate experienced on pre-tax profit.

Profitability indicative ratios such as Return on Assets (ROA) and Return on Equity (ROE) have also deteriorated during the year. The low yield in the market was a key reason for the poor return on assets. Investments in expansion of the branch network and the fact that most of the branches opened during the year are yet to breakeven by the end of the year also contributed to the low profitability ratios.



Profitability Indicators

ROE

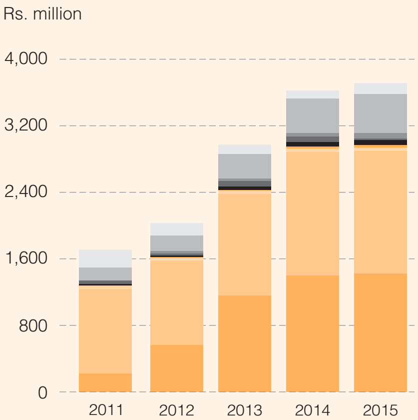
ROA

Total income for the year was Rs. 3,715 million a growth of 2.5% from 2014.

Income

Total income for the year was Rs. 3,715 million, a growth of 2.5% from Rs. 3,623 million in 2014. This comprises interest income, fee and commission income and other operating income, out of which interest income is 96.4%. The Company recorded an interest income of Rs. 3,584 million for this financial year compared to Rs. 3,528 million in 2014. Rs. 3,399 million or 95% of interest income was earned from loans and advances. Interest income from short-term investments decreased by Rs. 53.7 million due to the absence of higher than average liquidity held during the previous financial year.

Since its recovery in August 2014, new finance business for the entity showed a notable growth. Fee based income of the entity witnessed a growth of 28% due to this reason. For the financial year ended March 2015 the Company recorded an income of Rs. 35 million from this avenue.



Analysis of Income

Rs. 3,716 million

2014: Rs. 3,623 million Change Rs. 92 million

- Non Interest Income
- Other Interest Income
- Repurchase Agreements
- Money Market Instruments
- Government Securities
- Fixed Deposit Loans
- Pawning Advances
- Commercial Loans
- Personal Loans
- Hire Purchases
- Finance Leases

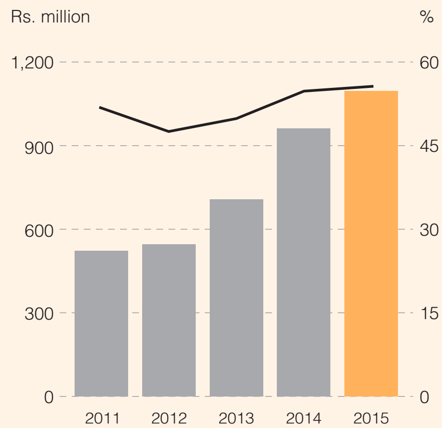
A notable growth in income was recorded in trading of equity instruments and financial assets designated at fair value, a year-on-year growth of 94% and 140% respectively. The sustained growth momentum observed in the equity market was the main contributor for these results. Other operating income also improved by 30% during the financial year.

Expenses

In line with the declining trend in the market rates, the interest expense of the Company decreased for the financial year under review. A drop of Rs. 118 million was recorded from to Rs. 1,868 million of last year. Composition of interest expenses has changed in accordance with the funding mix during the year. Accordingly, interest on deposits from customers and commercial paper has increased by 23% and 104% respectively, while interest on bank borrowings and securitised borrowings declined by 59% and 17%. Throughout the year the funding mix of the entity was formulated in order to maximise the profitability of the entity, hence we were able to achieve a 10.5% growth in net interest income for the underlying financial year.

Personnel expenses increased in-line with the staff numbers, who were recruited for the branch network expansion. This together with salary increments and promotions, increased the personal expenses for the year by Rs. 60 million, to reach Rs. 362 million by the financial year ended 31st March 2015. Additionally establishment expenses also increased mainly driven by the increasing service centre numbers. The increase was Rs. 67.6 million, a growth of 22% compared to Rs. 308 million in year 2014.

The selling expenses saw a reduction of 44% compared to Rs. 90 million of 2014 to reach Rs. 51 million by the year end. The key reason for the decrease was a cut down on investment on advertising. However, despite the reduction in advertising expenses the deposit base increased gradually over the year and the new finance business also flourished since August 2014. Operating expenses in whole experienced a growth of 10.5%, amounting to Rs. 50 million from Rs. 475 million in March 2014.

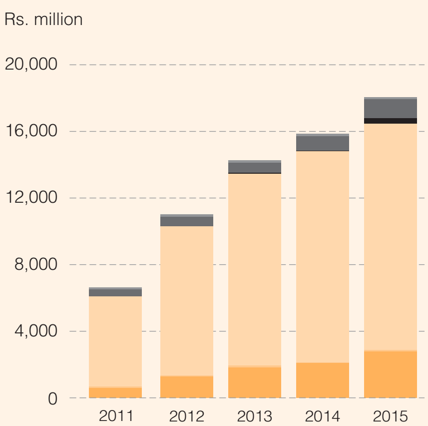


Operational Expenses Analysis

- Operational Expenses (Rs. million)
- Cost to Income Ratio (%)

Assets

Total assets of the Company at year end reached Rs. 18,073 million, a growth of 14% compared to Rs. 15,870 million of year 2014. The year on year growth in total assets is higher compared to 11% of last year.



Total Assets

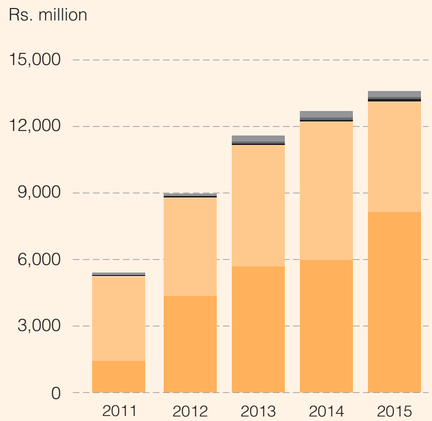
Rs. 18,073 million

2014: Rs. 15,870 million   Change Rs. 2,203 million

- Other Assets
- Property and Equipment
- Investment in subsidiary
- Loans and advances
- Investments
- Cash and Near Cash Items

Loans and Advances

Loans and advances increased by 7%, to reach Rs. 13,583 million, compared to Rs. 12,676 million of the previous year. However, when individual products are considered finance leases increased by Rs. 2,150 million a growth of 36% from Rs 6 billion in year 2014 to reach Rs. 8 billion, whereas the Hire purchase portfolio decreased by Rs. 1,243 million to reach Rs. 4.9 billion, a drop of 20%. This phenomenon was a result of the changes to the tax regulations introduced by the 2015 budget, which created a comparatively favourable condition for the growth of the finance lease business. Loans and advances accounted for 75% of total assets.



Analysis of Loans and Advances

Rs. 13,582 million

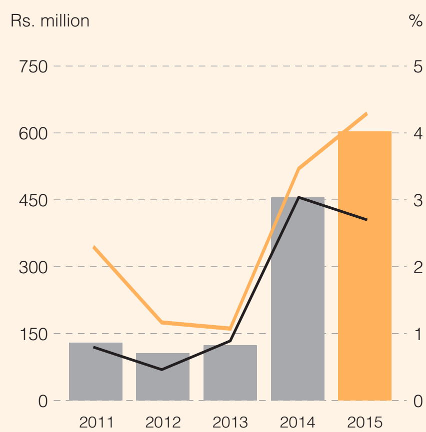
2014: Rs. 12,676 million   Change Rs. 906 million

- Other Advances
- Pawning Advances
- Personal Loans
- Commercial Loans
- Hire Purchases
- Finance Leases

The finance leases accounted for 45% of Company's total asset base, yielding a return of 20% on average over the year. The return on average on Hire purchase loans was 27% and this product accounted for 27% of the total asset base. When other loans and advances are considered the year-on-year growth was just 0.06%. However, when individual products are considered commercial loans had attained a notable growth of Rs. 20 million over the year, a growth of 42% compared against last year.

Asset Quality

Senkadagala Finance strives to maintain the quality of its loan portfolio, by practicing stringent screening together with sound internal controls. We have managed to limit our Gross Non-Performing Assets Ratio, which is gross non-performing advances as a percentage of total loans and advances at 4.3% by end of March 2015. Even though this is deterioration from 3.48% of March 2014, the Company has managed to recover from the worsening trend in NPAs. The comparative gross ratio for the LFC and SLC sector stood at 6.9%. With the fall of market interest rates, high degree of advances that were granted during the high interest rate regime were defaulted. This was the main reason for the deterioration of asset quality for the sector.



Asset Quality

- Non Performing Advances (Rs. million)
- Gross NPA Ratio (%)
- Net NPA Ratio (%)

For the financial year under review, the loan losses charged to the income statement of the entity has increased by 22%. A key contributing factor for the said increase was the fluctuating vehicle prices affecting the recovery through sale of repossessed assets. Towards the latter part of the year the portfolio quality improved; however it is not depicted in the ratio due to availability of uncleared repossessed stocks.

Liquid Assets

Repurchase agreements and cash and near cash items accounted for 3.2% and 2.2% of total assets respectively. With the revival of new business from August 2014, the excess liquidity available with the Company gradually decreased. Accordingly total repurchase agreements and cash and near cash items reduced by 35% over the year, reaching a total of Rs. 986 million by the end of March 2015. Deposits with commercial banks constitute of deposits held in foreign currency to hedge the exposure on foreign currency borrowings.

Treasury bills and bonds held for maturity experienced a growth of 91%, in rupee terms to Rs. 508 million. This increase came in to effect in line with the liquid asset directives put forward by the Central Bank of Sri Lanka. Accordingly, with effect from July 2014 the company increased its investment in liquid assets to the value equal to 10% of its unsecured borrowings.

Other Assets

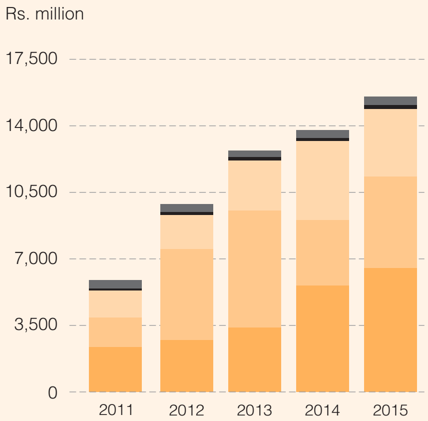
During the year-in-line with the financial sector consolidation program of the Central Bank of Sri Lanka, the Company acquired 100% ownership of Newest Capital Ltd., a specialised leasing establishment. With this the investment in subsidiaries of the Company increased by Rs. 300 million.

Financial assets held at fair value through profit or loss had a year on year growth of 22%, reaching Rs. 91.5 million. The Company managed to generate Rs. 4 million and Rs. 15.7 million by trading and marking to market of these assets respectively, a commendable return of 23% on average investment.

With the opening of 17 new service centres the fixed assets of the Company witnessed a growth of Rs. 223 million, from Rs. 738 million in March 2014 to reach Rs. 961 million by the end of the current financial year. With the development in the information technological infrastructure of the Company the intangible assets also increased by 106%, to reach Rs. 82 million by March 2015.

Liabilities

Total liabilities of the Company reached Rs. 15,539 million, a growth of 12.9% compared to Rs. 13,768 million of last year. Deposits from customers is the key component of liabilities amounting to 42% of total liabilities, other major components being borrowings and debentures issued with 30% and 23% of total liabilities respectively.



Total Liabilities

Rs. 15,539 million

2014: Rs. 13,768 million   Change Rs. 1,771 million

- Other Liabilities
- Deferred Tax Liability
- Debentures
- Borrowings
- Deposits from Customers

Deposits

Total deposits from customers reached Rs. 6,542 million by the end of March 2015, a growth of 16%. The company recorded this growth in a background where commercial banks were offering comparatively higher rates for senior citizen fixed deposits. This is a demonstration of the unwavering customer loyalty enjoyed by the Company throughout.

The fixed deposit base of the entity increased by Rs. 798 million a growth of 15% reaching Rs 6.2 billion by the end of the year. The savings deposit base enjoyed a growth of 61%, reaching Rs. 293 million. Saving deposits accounted for 4.5% of the total deposit base. The average cost on savings deposits for the year was 6% and the low cost characteristic associated with this source of funding makes it a cost effective method of funding. With this understanding the management of the Company has equipped the savings product with many facilities and is expecting to promote this product in future.

Borrowings

Total borrowings of the Company increased by Rs. 1,289 million, a growth of 37%, from Rs. 3,498 million, in the last year to Rs. 4,788 million by the end of year 2015. Growth came primarily from Bank borrowings, an increase of Rs. 1,522 million from Rs. 1,406 million in March 2014. The management capitalising on the low market interest rates that prevailed funded its new business growth primarily through bank borrowings; hence a notable growth was evident in this source of funding. Commercial papers also recorded a growth of Rs. 262 million, to reach Rs. 627 million by the end of the year.

Debt securities issued by the Company experienced a decrease of 14% over the year. No new issues were done and Rs. 554 million was redeemed during the year. The Company has in issue two listed debentures in the main board of the Colombo Stock Exchange, further details of which are on page 184 of this report.

The debt to equity ratio of the entity reduced from 3.61 times in 2014 to 3.3 times by the end of this financial year, easing the leverage position of the Company.

Equity

The equity base of the entity grew by Rs. 432 million, a growth of 21% to Rs. 2.5 billion. The growth was primarily due to retained earnings.

In May 2014, the Company issued shares by way of a capitalisation of reserves. Accordingly, 6,522,755 shares were distributed among the existing shareholders of the Company in proportion of 1 share for every 9 held. Reserves amounting to Rs. 261 million were capitalised increasing the stated capital of the entity to Rs. 1,008 million.

As at 31st March 2015 the core capital ratio and the total capital ratio stood at 16.54% and 22.97% respectively, which is a notable growth from 14% and 20.93% of last year. In addition to earnings capitalised, the Company transferred Rs. 170.6 million to the retained earnings, in accordance with the Guidelines on the Operations of the Investment Fund Account dated 7th August 2014. Further details on capital adequacy of the Company is given on pages 177 to 179 of this report.

Future Outlook

Our Growth Strategy

We will continue with our branch expansion strategy at a slower pace, which has proved to be an effective mechanism for business expansion. However, rapid expansion has its detrimental effects on the operational efficiency of the entity. Accordingly, branches will be opened in strategic locations to facilitate business growth and an increased level of attention will be given to breakeven the newly opened branches in a shorter span of time. This will enable us to enter untapped markets and further penetrate populated areas while maintaining profitability.

We will also capitalise on the favourable measures taken to promote leasing business, with the introduction of the new tax regulations subsequent to the 2015 Budget.

The current trend in the market prices of gold rates is creating a conducive environment for the pawning business. We will open pawning windows in many of our new branch locations. However, due caution will be exercised to mitigate the operational risks associated with this business.

We continually strive to expand the deposit backed funding of the Company. Our fixed deposit base has recorded an exceptional growth in the recent years as a result of our loyal customer base. We are happy that our deposit base did not decline, despite commercial banks offering higher interest rates to the senior citizens during the year. Going forward, we will promote our savings deposit base as a source of low cost funding. We have added value to this product by enabling online transactions and SMS alerts.

Profiles of the Board of Directors

Mr. W. M. R. S. Dias
Chairman
(w.e.f. 18th August 2014)

Mr. Ravi Dias, a banker by profession, served Commercial Bank of Ceylon PLC for four decades and retired as the Managing Director/Chief Executive Officer of the Bank recently.

He is a fellow of the Chartered Institute of Bankers – UK, holds a Degree in Law (LLB) and is a Hubert H Humphrey Fellow.

Mr. Dias is a Committee Member of the Ceylon Chamber of Commerce and Chairs the Banking, Finance and Capital Markets Steering Committee, a Sub Committee of the Chamber. He serves on the Boards of Carson Cumberbatch PLC, Tokyo Cement (Lanka) PLC and Ceylon Tea Marketing Group. He has served on the Boards of LankaClear (Pvt) Ltd., Lanka Financial Services Bureau Ltd. and was a Council Member of the Employers' Federation of Ceylon in the past.

Dr. Prathap Ramanujam
B.Sc. (Hons), M.Sc. (UK), Ph.D. (Aus.)
Deputy Chairman
(w.e.f. 18th August 2014)

Dr. Ramanujam holds a first class B.Sc. (Hons.) Degree from the University of Peradeniya and a M.Sc. Degree in Economics from the University of Bristol (UK). He obtained his Ph.D. in Economics from the Australian National University, Canberra, Australia. Retired after 38 years of distinguished service in the Public Sector. He was the Permanent Secretary to several key ministries including Tourism, Livestock Development and Estate Infrastructure, Civil Aviation and Urban Development during the last 14 years of his career in the Public Sector. He has also served as a Director of the National Savings Bank and the State Mortgage and Investment Bank during his career in the Public Sector.

Dr. Ramanujam is currently Chairman and CEO of Panasian Power PLC, Chairman and Director of Manelwela Hydropower (Pvt) Ltd., and Padiyapelella Hydropower (Pvt) Ltd. He is also a Director of Panasian Investments (Pvt) Ltd. and a Director in Ceylon Agro Industries Ltd.

Mr. Lakshman Balasuriya
B.Sc. (Lond.), M.Sc. (Lancaster)
Managing Director/Chief Executive Officer

Mr. Lakshman Balasuriya is a Director of Senkadagala Hotels Ltd., E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. He holds a B.Sc. (Lond.) and M.Sc. (Lancaster) and has 34 years of experience in finance, hotels and other commercial fields. He is the Managing Director and Chief Executive Officer of Senkadagala Finance PLC.

Dr. Asoka Balasuriya
B.Sc. (Lond.), Ph.D. (Lond.)
Director

Dr. Balasuriya holds a B.Sc. (Lond.) and a Ph.D. (Lond.) and has over 30 years of experience in the field of gem and jewellery. He is also a Director of Senkadagala Hotels Ltd., Thompsons Beach Hotels Ltd. and is the Chairman of E.W. Balasuriya & Co. (Pvt) Ltd.

Ms. Lakshmi Fernando
B.Sc. (Hons.)
Director

Ms. Fernando holds a B.Sc. (Hons.) and has over 17 years of experience in the field of finance as well as in hotel management. She is a Director of Thompsons Beach Hotels Ltd., Senkadagala Hotels Ltd. and E.W. Balasuriya & Co. (Pvt) Ltd.

Dr. Mahendra Balasuriya
B.V.Sc.
Director

Dr. Balasuriya is a Director of Senkadagala Hotels Ltd., E.W. Balasuriya & Co. (Pvt) Ltd. and Thompsons Beach Hotels Ltd. He holds a Bachelor's Degree in Veterinary Science and has over 27 years of experience in hotels and other related fields.

Mr. Widanalage Ajith Terence Fernando
FCMA, MA (Colombo)
Independent Non-Executive Director

Mr. Fernando is a Fellow of the Chartered Institute of Management Accountants of the United Kingdom (FCMA) and has a MA in Financial Economics from the University of Colombo.

He counts over 25 years experience in the capital markets of Sri Lanka. He founded Capital Alliance in 2000 and currently serves as the Group CEO. The Capital Alliance Group includes Capital Alliance Ltd. (a primary dealer for Government Securities, appointed by the Central Bank of Sri Lanka), Capital Alliance Securities (Pvt) Ltd. (which is a trading member of the Colombo Stock Exchange), Capital Alliance Investments Ltd. (a licensed Unit Trust manager) and Capital Alliance Finance Ltd., the leading Investment banking firm.

In addition, he serves on the Boards of many listed and unlisted companies including ADZ Insurance Brokers (Pvt) Ltd., Ashthi Holdings (Pvt) Ltd., Ceylon Tea Brokers PLC, First Media Solutions (Pvt) Ltd. and Zen Capital (Pvt) Ltd.

Mr. Sanjay Kulatunga

MBA, ACMA, CFA

Independent Non-Executive Director

Mr. Sanjay Kulatunga has experience as a founder and an Executive Director in a diverse array of industries ranging from Finance, Export Manufacturing and Import Substitution. He holds a series of Non-Executive Directorships in listed as well as unlisted companies.

Mr. Kulatunga has an MBA from the University of Chicago 'Booth School of Business'. He is an Associate Member of the Chartered Institute of Management Accountants (ACMA) as well as a Chartered Financial Analyst (CFA).

Mr. Sanath Divale Bandaranayake

B.Sc. (University of Sri Lanka)

Executive Director

Mr. Bandaranayake joined the Company after his retirement from Commercial Bank of Ceylon PLC, the largest private and the most awarded bank in Sri Lanka, having completed 36 years of service.

He has served the Bank in various capacities such as Branch Manager (Kandy, City Office), Chief Manager, Assistant General Manager and Deputy General Manager (Operations) and was a core member of the Management team which led the Bank to important milestones: i.e. introducing the Banking Software to the Bank's operations which is used even today, introduction of Holiday Banking, Supermarket Banking and a 24 hour banking service.

During his career at the Bank he was appointed as Director at LankaClear and also served as Director of Commex Sri Lanka S.R.L. (subsidiary of Commercial Bank based in Italy) and OneZero Company Ltd. (subsidiary of Commercial Bank engaged in the business of Information Technology).

Mr. Bandaranayake holds a Bachelor's Degree in Physical Sciences from the University of Sri Lanka, Vidyodaya Campus.

Mr. Tilak Collure

B.Sc. (Colombo) M P A (USriJ)

Independent Non-Executive Director

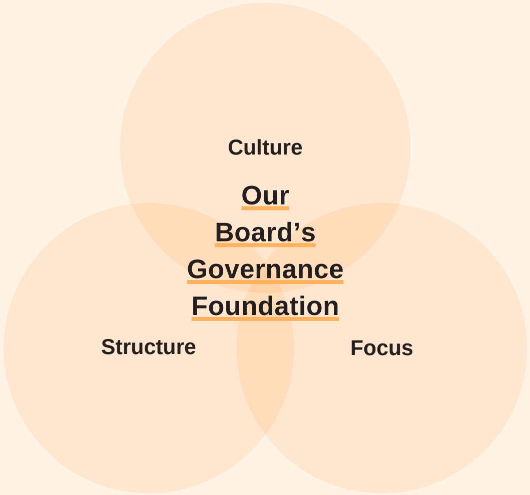
Mr. Collure is a former Senior Public Servant from the Administrative Services who has held a number of high level positions during 35 years in the Government Service, mainly in the areas of Trade, Commerce and Logistics.

He has served as the Permanent Secretary to the Ministry of Industry and Commerce , the Ministry of Transport and the Ministry of Ports and Aviation.

During his career, he was also Chairman/ CEO of major Public Sector institutions such as the Ceylon Shipping Corporation, Ceylon Fertilizer Corporation, Ceylon Petroleum Corporation, National Insurance Corporation and the Sri Lanka Standards Institute.

Mr. Collure holds a B.Sc. in Natural Sciences (Colombo) and a Masters in Public Administration with Merit Award (PIM/University of Sri Jayawardenepura).

Corporate Governance



Collaborative culture, independent structure and focused approach ensure good governance

Culture

- Firm and Board culture of consensus
- Mutual accountability
- Meritocracy

Structure

- Robust leadership
- Sound proportion of Independent Directors
- Frequent and regular interactions with senior management

Focus

- Long-term prospects of constituents
- Firm-wide strategy and risk management
- Management performance, depth and succession

Good Governance

With the strong foundation depicted in the diagrams, the Corporate Governance philosophy at Senkadagala Finance has taken its own shape towards achieving the expected effectiveness.

As per the concept of Corporate Governance, which has been defined as a system by which companies are directed, managed and controlled; the effective, transparent and accountable governance of affairs of a Company by its management, including the conduct of the Board, ensures good corporate governance. Therefore, we at Senkadagala Finance PLC, place a strong emphasis on adopting and implementing sound principles and practices of good corporate governance derived over its foundation. The Company's policy of employing principles and practices of good governance ensures that its affairs are conducted in an effective and transparent manner and is well communicated to all its branches, service centres and departments within the organisation.

Moreover, governance of financial institutions should aim at protecting the interests of all stakeholders such as shareholders, customers, employees, suppliers, regulators, depositors and the general public. Therefore, to that effect, the overall responsibility for governing the Company has been initiated by the Board of Directors, followed by the management committee, who takes leadership and a supervisory role in ensuring that the business is conducted in a transparent, sound and prudent manner. In governing the operations of the Company, the Board ascertains its core objectives and devises strategic plans in keeping with its corporate vision, mission and corporate values. The Board, as part of its duties, establishes policies, procedures and practices for smooth conduct of operations while providing financial, human and other resources for the attainment of its corporate objectives. Company continues to excel in the area of financial reporting which enhances transparency, one of the key features of an enterprise practicing sound corporate governance practices. The Company's corporate governance structure has been designed, based on recommended best practices, regulatory requirements and industry standards. It has been further developed in the recent past in order to accommodate additional requirements of the regulators. The governance structure adopted by the Company is a standard top-down approach which in parallel has formed several subcommittees to monitor and provide feedback to the Board on key areas of concern as given in the below diagram:

Chairman

Key Objective
Governance of the Board

Independent Non-Executive Chairman

Board of Directors

Key Objective
Overall conduct of the business and strategy setting

Five Independent Non-Executive Directors and Five Executive Directors

Management Committee

Key Objectives
Implementation of strategy and actions in respect of financial planning and performance; day-to-day management of operations

Five Executive Directors from different disciplines

Audit Committee

Key Objectives
Effective governance of financial reporting, internal controls and risk management systems, review of significant accounting judgments, assumptions and estimates, management of the relationship and appointment of the External Auditor, monitoring and review of the effectiveness of the internal audit function

Four independent Non-Executive Directors with accounting and auditing background

Integrated Risk Management Committee

Key Objectives
Development and implementation of policy on risk management including corporate compliance, review, assess and monitor all the risks faced by the Company and compliance with policies, procedures and other regulatory requirements

One Independent Non-Executive Director and two Executive Directors with the Senior Management

Remuneration Committee

Key Objectives
Development and implementation of the Company's remuneration framework and policies for Directors and the Management including all incentives, bonuses and retirement benefits

Three Independent Non-Executive Directors

The Company, during the year, has committed to comply with all corporate governance requirements including the following:

- The Direction on Corporate Governance for Licensed Finance Companies issued by the Central Bank of Sri Lanka (CBSL), under Direction No. 3 of 2008 and amendments thereto which is effective from 1st January 2009.
- The Continuing Listing Requirements, Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE).
- The Code of Best Practice on Corporate Governance, issued jointly by the Securities and Exchange Commission (SEC) of Sri Lanka and the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Finance Companies Direction No. 3 of 2008 (and subsequent Amendments thereto) on Corporate Governance for Registered Finance Companies in Sri Lanka

This Direction which comprises of ten fundamental principles, namely the responsibilities of the Board of Directors, meetings of the Board, composition of the Board, criteria to assess the fitness and propriety of Directors, delegation of functions, the Chairman and the Chief Executive Officer, Board appointed committees, related party transactions and disclosures. The established structures in place and the conformance to the requirements are tabulated below under each fundamental principle.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
2 The Responsibilities of the Board of Directors			
2 (1)	Strengthening the safety and soundness of the operations of the finance company	Complied	The Board is responsible for overseeing the strategic direction, ensuring adequacy of risk management procedures, maintaining effective communication with all stakeholders, reviewing internal control systems and management information systems for their effectiveness, identifying and defining the responsibilities of Key Management Personnel including succession planning, understanding the regulatory environment and exercising due diligence in hiring and oversight of External Auditors.
2 (2)	Chairman & CEO	Complied	The functions and the responsibilities of the Non-Executive Chairman and the Managing Director/CEO have been in-line with the Section 7 of the direction The Chairman is required to provide leadership to the Board to ensure that the Board effectively discharges its responsibilities. The Managing Director/CEO on the other hand, being an Executive Director, is responsible for effective running of day-to-day operations of the Company.
2 (3)	Independent professional advice	Complied	Independent professional advice could be obtained by the Directors, as and when required, at the Company's expense.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
2 (4)	Voting for resolutions in matters of interest	Complied	There had been no such circumstances that arose during the year and procedure is in place to avoid conflict of interest in relation to matters of interests. There is proper identification and disclosure of Directors' Interest in Contracts and Related Party Transactions through proper recording and disclosure in Financial Statements.
2 (5)	Formal schedule of matters	Complied	The Board ensures direction and the control of the finance company is under its authority through decisions made by way of a formal schedule of matters reserved for it, which was approved by the Board during the last financial year and remained unaltered during this year.
2 (6)	Situation of Insolvency	Complied	Such situation has not arisen as Company fulfilled all its obligations Accordingly. Company makes payment of interest and capital on due maturity dates to its depositors and its borrowers, when they fall due.
2 (7)	Corporate Governance Report	Complied	This report satisfies the stipulated requirement.
2 (8)	Scheme of self-assessment	Complied	This was implemented during the last financial year and annual self-assessment by each Director on Board Performance has been done accordingly during this financial year.
3 Meetings of the Board			
3 (1)	Number of meetings	Complied	Please refer table of Directors' attendance for the Board meetings given later in this section. Board papers and other matters which require Board's consent had been taken up directly at Board meetings as much as possible.
3 (2)	Inclusion of proposals by all Directors in the agenda	Complied	All directors are able to submit proposals for discussion on matters pertaining to promotion of business and the risk management of the Company.
3 (3)	Notice of Meetings	Complied	Directors are given adequate time and minimum notice period for all Board meetings.
3 (4)	Attendance of Directors	Complied	All Directors have attended the Board meetings as stipulated by the Direction. Attendance of Directors at Board meetings is given later in this Annual Report.
3 (5)	Board Secretary	Complied	The Board Secretary has been appointed by the Board to handle secretarial services of the Board and other functions specified by the statutes.
3 (6)	Agenda for Board Meetings	Complied	Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. Prior to circulation, Board Secretary obtains Chairman's approval for the Notice of Meeting and the agenda.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
3 (7)	Access to the Company Secretary	Complied	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction.
3 (8)	Minutes of Board Meetings	Complied	Duly perfected minutes of the Board meetings are available with the Board Secretary and those are accessible by any Director at any point in time.
3 (9)	Details of Minutes	Complied	Minutes of all Board meetings are duly recorded in sufficient details and retained by the Board Secretary under the direct supervision of the Chairman.
4 Composition of the Board			
4 (1)	Number of Directors	Complied	There were ten Directors in the Board as at the end of the year.
4 (2)	Period of Service of a Director	Complied	Period of service of Non-Executive Directors has not exceeded nine years.

Name of Director	Directorship Status	Number of months/years in position as at 31st March 2015
Mr. Ravi Dias	Chairman - Independent Non-Executive Director	Completed 7 months
Dr. P. Ramanujam	Deputy Chairman Independent Non-Executive Director	Completed 2 years
Mr. W. A. T. Fernando	Independent Non-Executive Director	Completed 4 years
Mr. S. Kulatunga	Independent Non-Executive Director	Completed 2 years
Mr. Tilak Collure	Independent Non-Executive Director	Completed 10 months

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
4 (3)	Appointment of an employee as a Director	Complied	No such situation has arisen during the year.
4 (4)	Number of Independent Non-Executive Directors	Complied	Board comprised of five Independent Non-Executive Directors out of total of ten Directors in the Board as at the end of the financial year.
4 (5)	Alternate Director	Complied	No such situation has arisen during the year.
4 (6)	Skills & Experience of Non-Executive Directors	Complied	All five Non-Executive Directors of the Board possess adequate skills and experience to contribute to the Board in effectively discharging its obligations. The details of experience level of each Non-Executive Director have been set out on pages 38 and 39 in this Report.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
4 (7)	Non-Executive Directors in the Quorum of the Meetings	Complied	Required quorum was maintained at the Board meetings convened during the year and the satisfactory proportion of Non-Executive Directors were present at these meetings.
4 (8)	Directors Information	Complied	Composition of the Board by category of Directors, Executive Directors, Non-Executive Directors and Independent Non-Executive Directors has been disclosed in this Report on page 61.
4 (9)	Appointment of new Directors	Complied	There has been a formal and transparent procedure for the appointment of new Directors to the Board.
4 (10)	Filling a casual vacancy of a Director	Complied	No such situation has arisen during the year.
4 (11)	Resignation/Removal of a Director	Complied	All new appointments and resignations are informed to the Director, Department of Supervision of Non-Bank Financial Institutions and also to the Colombo Stock Exchange on a timely manner.
5 Criteria to Assess the Fitness and Propriety of Directors			
5 (1)	Directors over 70 years of age	Complied	As at the end of the financial year, all Directors of the Company were below the age of 70 years.
5 (2)	Holding of office in companies	Complied	Holding of office by the Directors of Senkadagala Finance PLC has been in accordance with this corporate governance requirement.
6 Delegation of Functions			
6 (1)	Delegating work	Complied	The Board ensures delegation of authority at various levels does not hinder or reduce its ability as a whole to discharge its functions.
6 (2)	Reviewing of delegation process	Complied	Delegation of authority is being reviewed by the Board as and when necessary.
7 The Chairman and the Chief Executive Officer			
7 (1)	Roles of Chairman and CEO	Complied	The roles of Chairman and CEO are segregated and are not performed by the same person.
7 (2)	Chairman is an Independent Non-Executive Director, if not appointing a Senior Director	Complied	The Chairman of Senkadagala Finance PLC, Mr. Ravi Dias is an Independent Non-Executive Director.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
7 (3)	Relationship between Chairman and CEO and other Directors	Complied	There are no material relationships, including financial, business or family between the Chairman and CEO and other members of the Board which impair their respective roles and functions as members of the Board.
7 (4) - 7 (11)	Role of the Chairman	Complied	Chairman provides leadership to the Board and ensures the Board works effectively and discharges its responsibilities. He also ensures that all key issues are discussed by the Board in a timely manner. Board Secretary prepares the agenda for Board meetings under direct supervision of the Chairman. The agenda with Notice of Meeting is duly circulated to the Directors at least seven days prior to the meeting. All Directors are informed adequately and in a timely manner of the issues arising at each Board meeting. Chairman ensures full and active contribution of all members of the Board and also ensures the Board acts in the best interests of the Company. Chairman does not engage in activities involving direct supervision of Key Management Personnel.
8 Board Appointed Committees			
8 (1)	Board Committees	Complied	There are three Board-appointed subcommittees namely Audit Committee, Integrated Risk Management Committee and Remuneration Committee. Minutes are kept for each of the above committees under the supervision of the Chairman relating to each Committee. A report on the performance, duties and functions of each committee has been made available in this Annual Report.
8 (2)	Audit Committee	Complied	Mr. W. A. T. Fernando, a qualified Chartered Management Accountant and an Independent Non-Executive Director of the Company acts as the Chairman of the Audit Committee. Other members of the Committee are also Independent Non-Executive Directors and possess multifaceted experience including finance background. The details of the Audit Committee are set out in the Audit Committee report on page 52.
8 (3)	Integrated Risk Management Committee	Complied	IRMC consists of one Independent Non-Executive Director, two Executive Directors including CEO and Key Management Personnel. All key business risks are addressed and assessed on a continuous basis by the IRMC through its periodic meetings.

CBSL Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
9 Related Party Transactions			
9 (2)	Avoiding conflict of interest in Related Party Transactions and favourable treatments	Complied	There were no such transactions reported during the year. The Board has taken steps to avoid conflict of interest due to related party transactions as well as favourable treatments to related parties. Particulars relating to related party transactions have been disclosed in the Notes to the Financial Statements. The Company has not entered in to any transaction in a manner that would grant the related party' more favourable treatment' than if dealt with an unrelated customer.
10 Disclosures			
10 (2)	Disclosures in the Annual Report	Complied	(a) A statement to the effect that the Annual Audited Financial Statements have been prepared in line with applicable accounting standards and regulatory requirements, inclusive of specific disclosures is given on pages 87 and 88. (b) Statement of Internal Control by the Board is given on page 94. (c) The statement referred to in Section (b) above has been certified by Messrs KPMG, External Auditor of the Company. (d) Names and other information of Directors are provided on pages 38 and 39. (e) Fees and remuneration paid by the Company to the Directors in aggregate is given on page 146. (f) There were no accommodations granted to related parties during the year. (g) The details of aggregate values of remuneration paid by the Company to its Key Management Personnel are disclosed on page 146. (h) There were no non-compliances to prudential requirements, regulations, laws and internal controls. (i) There were no regulatory and supervisory concerns on lapses in the finance company's risk management, non-compliance with the Act, and rules and directions that have been communicated by the Director of NBFI and directed by the Monetary Board to be disclosed to the public. (j) The External Auditor of the Company has submitted a factual finding report on the corporate governance status and its compliance with Directions issued by the Director, Department of Non-bank Supervision of the Central Bank of Sri Lanka.

The Continuing Listing Requirements, Section 7.10 on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange (CSE)

Section 7.10 of the CSE Listing Rules requires a listed entity to publish in the Annual Report relating to the financial year commencing on or after 01st April 2007 a statement confirming that as at the date of the Annual Report they are in compliance with the Corporate Governance Rules and if they are unable to confirm compliance, set out the reasons for its inability to comply. The rule addresses the areas such as Non-Executive Directors, Independent Directors, Disclosures relating to Directors, Criterion for defining Independence, Remuneration and Audit Committees. Following table depicts the level of compliance of the Company under each area.

CSE Rule	Corporate Governance Principle	Compliance Status	Level of Compliance
7.10.1	Non-Executive Directors	Complied	There were five Non-Executive Directors and it was more than one-third of the Board of Directors.
7.10.2	Independent Directors	Complied	All five Non-Executive Directors were Independent Directors as well. Non-Executive Directors have submitted the signed declarations of their independence.
7.10.3	Disclosures relating to Directors	Complied	Annual determinations as to the independence of Directors have been made and disclosed in the Annual Report. (Refer directorship status under Board and Committee meetings – attendance on page 61) Brief résumé of each Director has been set out on pages 38 and 39. Information relating to new appointments to the Board is disclosed to the CSE, when appointments are made to the Board.
7.10.4	Criteria for defining independence	Complied	All criteria given in determining the independence of Directors have been taken in to consideration for the determination of independence status of the Company's Independent Directors.
7.10.5	Remuneration Committee	Complied	The Remuneration Committee solely consists of Independent Non-Executive Directors and the MD/CEO attends the meeting by invitation. The report of the Remuneration Committee including its policy and scope has been set out on page 64 of this Annual Report.
7.10.6	Audit Committee	Complied	The Audit Committee consists of four Independent Non-Executive Directors. The report of the Audit Committee including its composition, policy and scope has been set out on page 62 of this Annual Report.

Code of Best Practice on Corporate Governance issued jointly by the Securities and Exchange Commission (SEC) of Sri Lanka and The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka)

This voluntary code consists of seven fundamental principles, namely Directors, Directors' Remuneration, Relations with Shareholders, Accountability and Audit, Institutional Investors, Other Investors and Sustainability Reporting. The level of adoption of the best practices mentioned under each fundamental principle is depicted below:

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A Directors			
A.1 The Board			
Senkadagala Finance is headed by an effective Board which direct, lead and control the Company			
A.1.1	Board meetings	Adopted	Board met 12 times during the year, at approximately monthly intervals. Details of the meetings and individual attendance are given on page 61.
A.1.2	Board responsibilities	Adopted	The Board of Directors of Senkadagala Finance is responsible for the following; • Formulating, implementing and executing a sound business strategy. • Ensuring CEO and the management team possess the skills, experience and knowledge to device the strategy. • Having a proper succession plan for the Key Management Personnel including CEO. • Securing integrity of information, prudent management of risks, designing effective internal controls and, ensuring business continuity. • Ensuring compliance with laws and regulations. • Considering all stakeholder interests in the corporate decision-making process. • Recognising sustainable business development in Company's strategy, decisions and other activities. • Company's values and standards are set with emphasis on adopting appropriate accounting policies.
A.1.3	Independent professional Advice	Adopted	Independent professional advice could be obtained by the Directors as and when required at the Company's expense.
A.1.4	Access to the Company Secretary	Adopted	All Directors have the opportunity to obtain advice and services of the Company Secretary without any restriction. There has not been any instance where there is a requirement to remove the secretaries of the Company.
A.1.5	Independent judgment of Directors	Adopted	Directors bring independent judgment and scrutiny on decisions taken by the Board on issues of strategy, performance, resources and standard of its business conduct.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.1.6	Directors' dedication of adequate time and efforts	Adopted	Board of Directors of the Company dedicates sufficient time to review Board papers and call for additional information and clarifications if required. And also follows up on actions taken for issues discussed at the meetings.
A.1.7	Training for Directors	Adopted	All Directors are given the opportunity to get trained. Specific training on financial services industry is also available by way of presentations to the Board and attending seminars such as Directors' symposium at CBSL, etc.

A.2 Chairman and Chief Executive Officer

In Senkadagala Finance PLC Chairman is responsible for conducting the business of the Board while MD/CEO of the Company is responsible for conducting the business of the Company.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.2.1	Key tasks of Chairman and CEO	Adopted	The roles of the Chairman and MD/CEO have been separated to ensure that no individual has unfettered powers of decision-making.

A.3 Chairman's Role

Chairman of the Company is responsible for effective conduct of the Board as to preserve the order and good corporate governance.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.3.1	Role of the Chairman	Adopted	The Chairman who is a Non-Executive Independent Director ensures effective discharge of Board functions through - • Having monthly Board meetings with adequate notice preserving the agenda prepared by the Company Secretary under his close supervision. • Ensuring effective participation of both Executive and Non-Executive Directors in the decision-making process while maintaining the balance of power among them. • Encouraging effective contribution of all the Directors' respective capabilities towards benefit of the Company. • Obtaining views of all Directors for issues under consideration. • Ensuring that the Board is in complete control of the Company's affairs and alerts to its obligations to shareholders while maintaining proper communication with all the stakeholders.

A.4 Financial Acumen

The Board of the Company consists of members with sufficient financial acumen and knowledge to offer guidance on matters of finance.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.4	Availability of sufficient financial acumen and knowledge	Adopted	The Board includes fellow members of both local and international professional accounting bodies. (The details of qualifications of Directors are given on pages 38 and 39). These Directors are having sufficient financial acumen and knowledge to offer guidance on matters of finance to the Board.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.5 Board Balance			
The Board of the Company consists of five Non-Executive Directors and five Executive Directors.			
A.5.1	Ratio of Executive and Non-Executive Directors	Adopted	A ratio of 1:1 is available and it ensures that the Board decisions are taken impartially. The roles of the Chairman and the MD/CEO are not vested in one person.
A.5.2	Independent Directors	Adopted	All the Non-Executive Directors are independent and within the requirements of the Code.
A.5.3	Mode of Independent	Adopted	All Independent Directors are independent of management and free of business relationships so that they could exercise their unfettered and independent judgment over decisions without any material interference.
A.5.4	Declaration of Independence	Adopted	All Independent Non-Executive Directors submit their annual declarations as to their independence against the specified criteria.
A.5.5	Determination of independence of the Directors by the Board	Adopted	The Board determines that the submission of declaration by the Independent Directors as to their independence is a fair representation and continues to evaluate it annually.
A.5.6	Alternate Director	Not Applicable	The requirement for appointing an Alternate Director has not arisen during the year.
A.5.7 & A.5.8	Senior Independent Director	Not Applicable	Such situation has not arisen as roles of Chairman and MD/CEO have been clearly separated.
A.5.9	Meetings with Non-Executive Directors	Adopted	The Chairman can meet with Non-Executive Directors without the presence of Executive Directors if necessary twice a year when Non-Executive Directors meet the External Auditor without Executive Directors being present as per the requirement under CBSL Direction on Corporate Governance.
A.5.10	Recording of concerns in Board minutes	Not Applicable	There have been no concerns about the matters of the Company which could not be resolved unanimously. All matters taken up for discussion were resolved through unanimity at Board meetings.
A.6 Supply of Information			
Company has provided appropriate timely information to the Board enabling it to discharge its duties effectively.			
A.6.1	Information to the Board by Management	Adopted	Management provides appropriate and timely information to the Board and Board calls for further information where necessary. The Chairman ensures all Directors are provided with all necessary information pertaining to the issues discussed at Board meetings.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.6.2	Notice of Board meetings	Adopted	The Board papers including previous meeting minutes and agenda are sent to the Directors at minimum seven days before the respective Board meeting. This would give adequate time for Directors to study the related matters and get ready for effective discussion at Board meetings.

A.7 Appointments to the Board

There should be a formal and transparent procedure on new appointments to the Board.

A.7.1	Nomination Committee	Not Adopted	The Board as a whole decides on the selection of new Directors.
A.7.2	Assessment of Board Composition	Adopted	The Board as a whole annually assesses the Board composition, to ascertain whether the combined knowledge and experience of the Board matches the strategic demands facing the Company. Findings of the assessment of the Board are considered for new Board appointments and re-election of Directors.
A.7.3	Disclosure of details of new Directors to Shareholders	Adopted	When appointing a new Director to the Board, a brief résumé of the Director, experience and skills, other directorships, status of independence, etc. are disclosed not only to the shareholders but also to the general public as per the requirements under CSE Listing Rules.

A.8 Re-election

All Directors should be required to submit for re-election at regular intervals and at least once in every three years.

A.8.1	Appointment of Non-Executive Directors	Adopted	Non-Executive Directors are only appointed for a period of nine years with the age limit of seventy years.
A.8.2	Election of Directors	Adopted	Appointment and re-appointment of all Directors including the Chairman of the Board is subject to election by shareholders.

A.9 Appraisal of Board Performance

Board performance is evaluated annually in order to ensure satisfactory discharge of its responsibilities.

A.9.1 & A9.2	Appraisal of Board Performance and annual self-evaluation of Board performance and its committees	Adopted	A formal Board performance evaluation process has been implemented and it is carried out annually. A check list has been introduced for this purpose and it is filed with minutes of the Board meetings by the Secretary.
A.9.3	Mode of Board performance appraisal	Adopted	Board performance evaluation is being carried out as detailed in above Section A 9.1 and A 9.2.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption

A.10 Disclosure of Information in Respect of Directors

Details of Directors should be made available for the shareholders.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.10.1	Disclosure of details of Directors in the Annual Report	Adopted	The Names, qualifications and the brief profiles including nature of expertise of all the Directors have been set out on pages 38 and 39 in this Report. Please refer the table given on page 61 for directorship status, Board meeting and other committee meeting attendance by the Directors of the Company.

A.11 Appraisal of Chief Executive Officer (CEO)

Performance of CEO is to be assessed at least annually to see whether the Company has achieved the objectives set by the Board.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
A.11.1	Financial and non-financial targets for the CEO	Adopted	At the commencement of the financial year, reasonable financial and non-financial targets for the CEO are set by the Board in consultation with the CEO in line with the short, medium and long-term objectives of the Company.
A.11.2	Evaluation of the performance of CEO	Adopted	The Board periodically assesses the performance of the Company to ensure its short, medium and long-term objectives are achieved against its targets set and approved by the Board.

B Directors' Remuneration

B.1 Remuneration Procedure

Company should have a well-established, formal and transparent procedure for developing an effective policy on Executive remuneration and remuneration packages for individual Directors where no Director is involved in deciding his/her own remuneration.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
B.1.1	Remuneration Committee	Adopted	A Remuneration Committee has been set up to make recommendations to the Board on the Company's remuneration framework. Details have been given on page 64 in the report of the Remuneration Committee.
B.1.2	Composition of the Remuneration Committee	Adopted	All the members of the Remuneration Committee are Independent Non-Executive Directors.
B.1.3	Disclosures in the Annual Report	Adopted	Details of the members and the Chairman of the Remuneration Committee have been given on page 64 of this Annual Report under report of the Remuneration Committee.
B.1.4	Remuneration of the Non-Executive Directors	Adopted	The Board as a whole decides on the remuneration of the Non-Executive Directors.
B.1.5	Consultation of the Chairman or CEO and access to professional advice	Adopted	Remuneration Committee consults the Chairman about its proposals where necessary. CEO attends the Remuneration Committee meetings by invitation. External professional advice is obtained where necessary in determining the remuneration of the Directors and senior level staff members.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption

B.2 The Level and Make-Up of Remuneration

The Code requires the Board to establish the levels of remuneration for both Executive and Non-Executive Directors which should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of the Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
B.2.1	Remuneration of Executive Directors	Adopted	The remuneration framework of the Executive Directors has been designed to attract, retain and motivate them of the quality required and avoid paying more than what is necessary for the purpose.
B.2.2	Positioning remuneration levels of the Company	Adopted	The Remuneration Committee in deciding the remuneration levels of the Company takes account of such levels in comparable companies while paying attention to its relative performance.
B.2.3	Comparison of Remuneration with other companies in the Group	Not Applicable	This is not applicable as there are no units comparable for this purpose within the Group.
B.2.4	Inclusion of performance related elements in the remuneration	Adopted	Performance-related elements have been included in the design of remuneration packages of the Company at all levels.
B.2.5	Executive share options	Not Applicable	There are no share option plans for Executives.
B.2.6	Designing the remuneration	Adopted	The Remuneration Committee has considered the provisions given in Schedule E to this Code in designing the remuneration schemes of the Company.
B.2.7	Early termination of Directors	Adopted	Such situation has not arisen during the year. However, Remuneration Committee is aware that it should consider the compensation commitments given in the contracts of employment of Executive Directors, if any, in case of early termination, other than in the case of removal for misconduct.
B.2.8	Early termination where compensation commitment not included in the initial contract	Adopted	Such situation has not arisen during the year. However, Remuneration Committee is aware that in case of an early termination, it should tailor their approach with the aim of fair dealing with regard to compensation commitments for those who have performed well, If the initial contract does not explicitly provide for such commitments.
B.2.9	Remuneration for Non-Executive Directors	Adopted	Non-Executive Directors' remuneration has been calculated to reflect time commitment, responsibilities of their role and market practices. No share options available for Non-Executive Directors.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption

B.3 Disclosure of Remuneration

The Company should disclose the remuneration policy and the details of remuneration of the Board as a whole in the Annual Report.

B.3.1	Disclosure of remuneration	Adopted	The Remuneration Committee's Report setting out the policy and scope of the Committee is given on page 64 The remuneration paid to the Board of Directors is disclosed in aggregate in Note 45.1 to the Financial Statements on page 146.

C Relations with Shareholders

C.1 Constructive use of the Annual General Meeting and Conduct of General Meetings

Board should use the Annual General Meeting to communicate with shareholders and encourage their participation.

C.1.1	Use of proxy votes	Adopted	The Company has adopted a methodology to count all proxy votes and to indicate the level of proxies lodged on each resolution if any.
C.1.2	Separate resolutions for separate issues	Adopted	A separate resolution is proposed for the adoption of Financial Statements and the shareholders are given the opportunity to vote separately for each substantially separate issue by having separate resolutions, if any.
C.1.3	Availability of Board Sub-committee Chairmen at the AGM	Adopted	The Chairman of the Board ensures that Chairmen of all Sub-committees namely, Audit Committee, Remuneration Committee and Integrated Risk Management Committee to be present at the AGM to answer questions raised at the AGM.
C.1.4	Adequate notice of the AGM	Adopted	Notice of the AGM is given as per the requirements of the Companies Act No. 07 of 2007.
C.1.5	Procedure of voting at General Meetings	Adopted	Notice and the summary of the procedures governing voting at the meeting including any other business to be transacted at the meeting are circulated to the shareholders along with the Annual Report.

C.2 Communication with Shareholders

Board should implement effective communication with shareholders.

C.2.1	Channel to reach all shareholders of the Company	Adopted	The Annual Report and the AGM form the primary channel of communication. Shareholders are given the Annual Report with adequate time to raise any issues at AGM based on the information published therein. Moreover interim reports, stock exchange announcements, etc. also form part of effective communication as those are available in the respective websites and in the Company website.
C.2.2	Policy and Methodology for communication with Shareholders	Adopted	The Company has adopted an open communication policy with its stakeholders by making them available on time with relevant and accurate information with fair disclosures.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
C.2.3	Disclosure of Implementation of the above Policy and Methodology	Adopted	Printed Annual Reports are sent along with the notice of the AGM. Annual report, interim Financial Statements and CSE announcements are published in respective Institution's website and the Company website.
C.2.4	Contact person for communication	Adopted	The Directors and the Senior Management could be contacted by the shareholders. The contact details are available in the Company's website and also for any questions, requests and comments, Shareholders may at any time contact the Company Secretary.
C.2.5 & C.2.6	Communication by the shareholders with the Company	Adopted	The Company Secretary receives all the correspondence and deliver to the Board or relevant individual Director at the earliest possible time.
C.2.7	The process for responding to shareholders' matters	Adopted	Through the Company's Board Secretary the Board or individual Director/s will respond to shareholders' matters.

C.3 Major and Material Transactions

Directors should disclose all major and material transactions to shareholders.

C.3.1	Major transactions	Not Applicable	Company did not enter into or committed to any 'major transaction' during the financial year.

D Accountability and Audit

D.1 Financial Reporting

The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.

D.1.1	Board's responsibility for statutory and regulatory reporting	Adopted	Interim and annual Financial Statements, other price sensitive public reports, reports to regulators and reports required as per statutory requirements have been presented as per the requirements of the Companies Act No. 07 of 2007, the Finance Business Act No. 42 of 2011. Other Regulatory Authorities such as the Central Bank of Sri Lanka, Colombo Stock Exchange and Department of Inland Revenue.
D.1.2	Declarations in the Directors' Report	Adopted	The Directors have made all their declarations in the 'Annual Report of the Board of Directors' given on pages 87 to 93.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
D.1.3	Statement of Directors' and Auditors responsibility for Financial Statements and statement on Internal Controls	Adopted	The Statement of "Directors' Responsibility for Financial reporting" is given on pages 87 and 88 of the Annual Report. Auditor's reporting responsibility is given in their report on the Financial Statements on page 95. The Directors' Statement on Internal Controls is given on page 94 and Auditor's certification on The Directors' Statement on Internal Controls is also given on page 94.
D.1.4	Management Discussion & analysis in the Annual Report	Adopted	Pages 14 to 37 of this Annual Report contain the Management Discussion and Analysis.
D.1.5	Directors' report on Going Concern	Adopted	This is addressed in 'Annual Report of the Board of Directors' given on pages 87 to 93.
D.1.6	Requirement for calling EGM if the net assets fall below 50% of the shareholders' funds	Not Applicable	Such situation has not arisen during the year. However, should the situation arise, an EGM will be called for and shareholders will be notified.
D.1.7	Disclosure of Related Party Transactions in the Annual Report	Adopted	The Board ensures that the related party transactions are properly captured in to the system of accounts, keep proper records on them and make necessary disclosures in the Financial Statements accordingly.

D.2 Internal Control

The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and Company's assets.

D.2.1	Annual review of risks and the effectiveness of the internal control system	Adopted	The Board is responsible for establishing a sound framework of risk management and internal controls. Further it has to be monitored for its effectiveness on a continuous basis. Integrated Risk Management Committee has been set up by the Board in order to look after the risk aspects of the Company and report any concerns to the Board. IRMC report is given on page 53. The Directors' Statement on internal controls is given on page 94.
D.2.2	Internal audit function	Adopted	The Company's internal audit function is outsourced and carried out by Ernst & Young Advisory Services (Pvt) Ltd. Further to coordinate the function well Company Internal Auditor also has been appointed by the Audit Committee.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
D.2.3	Review of process and effectiveness of internal controls	Adopted	Internal audit carries out regular reviews on the internal controls and reports to the Audit Committee. Audit Committee once satisfied reports to the Board on the effectiveness of the internal control systems and based on that the Board issues “Directors’ Statement on Internal Control” report which is given on page 94. The External Auditor reviews this statement independently and certifies.
D.2.4	Responsibilities of Directors in maintaining a sound internal control system	Adopted	This has been stated in the ‘Directors Statement on Internal Controls’ on page 94.

D.3 Audit Committee

The Board should establish formal and transparent arrangements in selecting and applying accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company’s Auditors.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
D.3.1	Composition of the Audit Committee	Adopted	The Audit Committee comprises four Independent Non-Executive Directors including Chairman. Audit Committee Report is given in page 52 on this Annual Report.
D.3.2	Duties of the Audit Committee	Adopted	The Audit Committee monitors and reviews the scope and results of the audits and its effectiveness, independence and objectivity of the Auditors. The Committee has formulated a policy for the engagement of the External Auditor for non-audit services and it was approved by the Board.
D.3.3	Terms of Reference of the Audit Committee	Adopted	The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls, risk management and functions relating to internal and external audit. The Committee holds the responsibility for overseeing the preparation and presentation of the Company’s Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 7 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and make recommendations to the Board of Directors on matters regarding the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.
D.3.4	Disclosures of the Audit Committee	Adopted	The names of the members of the Audit Committee are given in the Audit Committee Report on page 62. The Audit Committee has undertaken annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process and is satisfied as disclosed in the Audit Committee Report on page 62.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption

D.4 Code of Business Conduct and Ethics

Company must adopt a Code of Business Conduct and Ethics for Directors and Key Management Personnel and must promptly disclose any deviations from that Code.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
D.4.1	Code of Business Conduct and Ethics	Adopted	Senkadagala Finance has incorporated in its HR code as well as in other manuals of operations, areas such as addressing of conflict of interests, conditions in receiving gifts or any other benefits, accountability, confidentiality of information, record keeping, corporate opportunities, fair dealing, protection and proper use of the Company's assets and compliance with applicable laws and regulations including insider trading laws and, encouraging the reporting of any illegal or unethical behaviour.
D.4.2	Affirmation of the Code of Conduct and Ethics	Adopted	The Chairman, hereby confirms that he is not aware of any material violations of the terms and conditions contained in above mentioned Codes of Conduct and Ethics.

D.5 Corporate Governance Disclosures

Company should disclose the extent of adherence to principles and practices of good Corporate Governance.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
D.5.1	Corporate Governance Report	Adopted	This report from pages 40 to 60 satisfies the requirement.

E. Institutional Investors

E.1 Shareholder Voting

Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure that their voting intentions are translated into practice.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
E.1.1	Communication with Institutional Shareholders	Adopted	Mainly the AGM is used for effective communication with the shareholders. The Chairman communicates the views and queries of the shareholders to the Board and Senior Management. The requirement relates to institutional investors.

E.2 Evaluation of Governance Disclosures

Company should encourage institutional investors to give due weightage to all relevant factors drawn to their attention when evaluating the governance arrangements of the Company, particularly those relating to Board structure and composition.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption
E.2	Evaluation of the Corporate Governance arrangements	Adopted	When evaluating the Company's Corporate Governance arrangements, institutional investors are encouraged to give due weight to all relevant factors drawn to their attention particularly in the Board structure and composition.

No.	Corporate Governance Principle	Adoption Status	Level of Adoption

F. Other Investors

F.1 Investing/ Divesting Decision

Individual shareholders should be encouraged to carry out adequate analysis or seek independent advice in investing and divesting decisions.

F.1	Individual investors investing/divesting decisions	Adopted	Company by disclosing all required information that would be useful for individual shareholders, encourage them to carry out adequate analysis or seek independent advice on investing or divesting decisions.

F.2 Shareholder Voting

Individual shareholders should be encouraged to participate and exercise their voting rights in General Meetings.

F.1	Individual shareholder's voting rights	Adopted	The Company sends adequate notices to all shareholders encouraging them to participate at general meetings and this adequate time allows them to be prepared to duly exercise their voting rights.

G. Sustainability Reporting

G.1 Principles of Sustainability Reporting

Company is moving towards sustainability reporting since 2013 and the details of how the Company is adopting the seven principles under sustainability reporting have been given on pages 76 to 84.

Board and Committee Meetings – Attendance

Name	Directorship status	Board	Audit Committee	Integrated Risk Management Committee**	Remuneration Committee
Number of Meetings held		**12**	**04**	**08**	**04**
Mr. R. Dias	Chairman Independent Non-Executive Director	08/08*	–	–	–
Dr. P. Ramanujam	Deputy Chairman Independent Non-Executive Director	12/12	04/04	–	04/04
Mr. L. Balasuriya	Managing Director/Chief Executive Officer/ Executive Director	12/12	03/04	04/08	03/04
Dr. A. Balasuriya	Director-Operations Executive Director	08/12	–	–	–
Dr. M. Balasuriya	Director-Planning Executive Director	10/12	–	–	–
Mrs. L. Fernando	Director-Human Resources Executive Director	10/12	–	–	–
Mr. W. A. T. Fernando	Independent Non-Executive Director	11/12	04/04	–	04/04
Mr. S. Kulatunga	Independent Non-Executive Director	10/12	03/04	–	03/04
Mr. T. Collure	Independent Non-Executive Director	10/10	03/03	03/03	03/03
Mr. S. D. Bandaranayake	Director/Additional Chief Executive Officer Executive Director	12/12	04/04	08/08	04/04

**Attended/Eligible to attend*
***Key Management Personnel have attended the meetings*

Report of the Audit Committee

The Audit Committee has been established by the Board of Directors to assist oversight of financial reporting, internal controls and functions relating to internal and external audit. The Committee holds the responsibility for overseeing the preparation and presentation of the Company's Financial Statements with adequate disclosures in the Financial Statements in accordance with the Companies Act No. 07 of 2007 and applicable Sri Lanka Financial Reporting Standards. The Committee is also responsible for ensuring the adequacy and efficiency of internal controls adopted by the Company in maintaining accounting records and preparing Financial Statements and make recommendations to the Board of Directors on matters regarding the Internal and External Auditors including their independence, performance, terms of engagement and remuneration.

Composition

The Audit Committee comprised four Independent Non-Executive Directors. The Chairman of the Audit Committee, Mr. W. A. T. Fernando is a Fellow Member of the Chartered Institute of Management Accountants of UK. Mr. S. Kulatunga, Dr. Pratap Ramanujam and Mr. T. Collure are other three members of the Audit Committee (Brief profiles of Directors have been set out on pages 38 and 39 in this Report).

The Managing Director/Chief Executive Officer, Executive Director/Additional Chief Executive Officer, Assistant General Manager - Accounts, Senior Financial Officer, Company Internal Auditor, representatives of the firms of Internal Auditors and External Auditors attend Audit Committee meetings by invitation to brief the Committee on specific issues. Other Senior Managers of the Company also attend whenever their presence is requested.

Policy and Scope

The Committee discharges its responsibilities through a series of meetings during the year. At these meetings, the Committee reviews the reports of the Internal Auditors and of the External Auditors of the Company and interim and final Financial Statements of the Company ensuring their compliance with statutory and other requirements. Number of meetings and attendance by the Committee members at each of those meetings are given in the table on page 61 of the Annual Report.

The Committee has reviewed the independence, objectivity and performance of the internal audit function and the adequacy of its resources. The findings of internal audits, their evaluation of Company's internal control systems and level of risks pertaining to those findings, effectiveness of implementation of audit recommendations are being thoroughly discussed at the meetings and accordingly advised the Board on matters of high significance.

The Audit Committee has undertaken the annual evaluation of the independence and objectivity of the External Auditor and the effectiveness of the audit process. And also Audit Committee had a meeting with the External Auditors without the presence of Executive Directors as per the corporate governance requirements.

Mr. W. A. T. Fernando
Chairman
Audit Committee

22nd July 2015

Report of the Integrated Risk Management Committee

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

Composition

The Integrated Risk Management Committee comprised following Directors

Mr. S. D. Bandaranayake - Executive Director/Additional CEO - Chairman of the Committee

Mr. L. Balasuriya - Executive Director, CEO/Managing Director

Mr. T. Collure - Independent Non-Executive Director

Senior Management representatives who attend the meetings are

Mr. P. Ikiriwatte - Deputy CEO

Mr. J. Jayatilake - GM - Operations

Mr. T. De Silva - DGM - IT

Mr. T. K. Aturupana - AGM - Accounts

Mr. A. D. Hettiarachchi - AGM - Credit Control

Mr. N. Rasingolla - AGM - IT

Mr. S. D. R. S. Fernando - Chief Manager - Personnel & Administration

Mr. N. Karunaratne - Chief Manager - Legal/Customer Services

Mr. K. Rajapakshe - Senior Financial Officer

Mr. S. Supramaniam - Senior Manager - Treasury

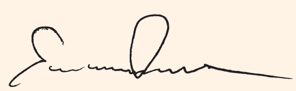
Mr. L. Perera - Manager - Foreign Currency

Mr. T. Ranathunga - Senior Manager - Internal Audit

Policy and Scope

The Committee meets on a regular basis and minutes are maintained to ensure timely and adequate follow up remedial actions are taken to address the areas of high significance. The policies and the scope of activities of the Committee are as follows:

- Assessing all risks, including credit, market, liquidity, operational and strategic risks on a continuous basis using specific risk indicators through Company's reporting systems.
- Ensuring the level of current risks of the Company is within the prudent levels acceptable to the management based on the Company's risk appetite and the regulatory and supervisory requirements.
- Taking appropriate remedial actions to mitigate the effects of specific risks in case such risks are beyond the prudent and acceptable levels on the basis of the Company's policies, procedures and regulatory requirements.
- Review of the portfolio on a business line basis such as product, sector, trends, etc.
- Review of the performance branch wise, district wise and region wise in evaluating the branch expansion criteria
- Reviewing any compliance related matters with local laws and regulations, etc.



Mr. S. D. Bandaranayake
Chairman
Integrated Risk Management Committee
22nd July 2015

Report of the Remuneration Committee

The Remuneration Committee has been set-up to determine the human resources and remuneration policies relating to Directors, the Managing Director/CEO and other Key Management Personnel of the Company.

Composition

Dr. P. Ramanujam - Independent Non-Executive Director - Chairman of the Remuneration Committee

Mr. T. Collure - Independent Non-Executive Director

Mr. S. Kulatunga - Independent Non-Executive Director

Mr. L. Balasuriya - Managing Director/ Chief Executive Officer, attends meetings of the Remuneration Committee by invitation.

Brief profiles of the members of the Committee are set out on pages 38 and 39 of the Annual Report.

Policy and Scope

The Company's remuneration policy aims to attract, motivate and retain talent in a highly competitive environment with the appropriate professional, managerial and operational expertise necessary to achieve the objectives of the Company. The Company remuneration framework for the Managing Director/CEO and the Corporate Management team is designed to create and enhance value for all stakeholders of the Company and to ensure alignment between short and long-term interests of the Company.

The Committee reviews all significant human resource policies and initiatives, salary structures and terms and conditions relating to staff at executive level.
The Committee deliberates upon and recommends to the Board of Directors the remuneration packages, annual increments and bonuses of the Managing Director, members of the Corporate Management team and Senior Staff.

Fees

All Non-Executive Directors receive a fee for attendance at Board meetings and for serving on sub-committees.

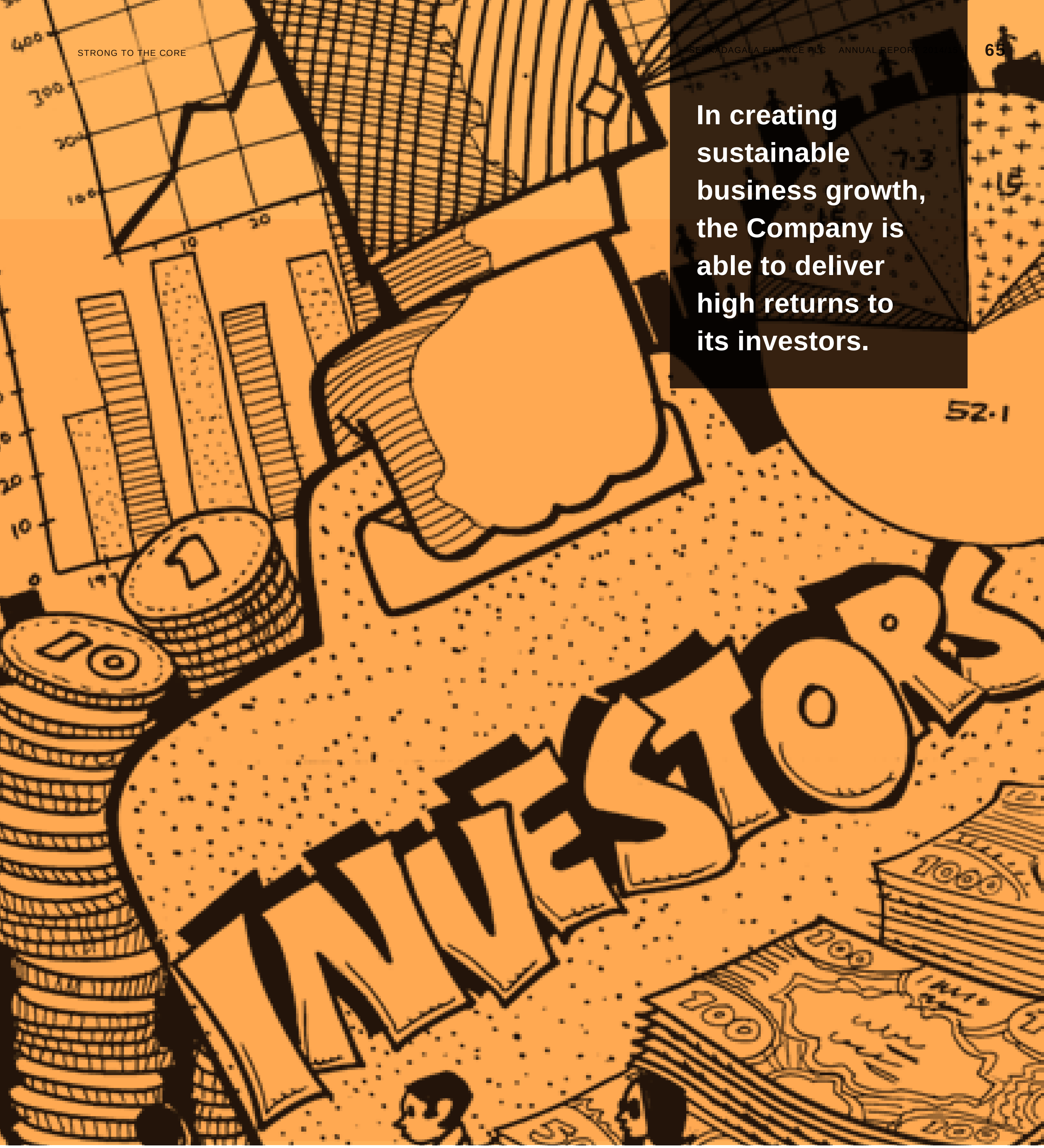
Committee Meetings

Number of meetings and attendance of the members of such meetings are set out on page 61 of this Annual Report.

Access to Professional Advice

The Committee is authorised to seek external professional advice as and when it deems necessary.

Dr. P. Ramanujam
Chairman
Remuneration Committee
22nd July 2015



In creating sustainable business growth, the Company is able to deliver high returns to its investors.

Risk Management

Modern-day dynamic environment continuously gives rise to new risks. Unless proactive risk management techniques are adopted, entities will face numerous hardships. Moreover, if you are a financial institution, meticulous risk management is imperative. Due to the fact that finance companies deal with money and due to the severity of repercussions in the event of a failure, risk management is considered an important factor for a financial institute.

The importance of sound risk management is frequently emphasised by regulators, which obliges to initiate proactive mechanisms to manage risk. Nevertheless from time to time, we see leading industry players collapse due to materialisation of various risks.

We at Senkadagala Finance, have incorporated the risk strategy to our overall business strategy and this has enabled us to optimise the trade-off between risk and reward.

Risk Governance at Senkadagala Finance

The ultimate responsibility for risk management is assumed by the Board of Directors. Risk objectives are set at Board level. The holistic approach to risk management is vital for a robust control mechanism.

The Integrated Risk Management Committee, a subcommittee of the Board assesses the overall risk strategy of the Company in the context of various changes in the environment and ensures that policies are set accordingly. Further, they advise the Board on course of action to be taken for potential risks.

Risk strategy is communicated to the operational level staff by way of risk policies and frameworks, which defines the risk appetite of the entity and prompts a risk culture in the organisation. Controls are regularly streamlined to identify and remedy day-to-day operational risks. The responsibility to manage the risk parameters within tolerable limits is shared among the risk assuming managers and the higher level management, which enables the Company to manage risk in a proactive manner.

Periodically, senior managers and other department heads gather in conjunction with the Integrated Risk Management Committee in order to discuss the effectiveness of the risk management process, evaluate current business activities in the context of risk and identify developments in the environment for potential new risks and mechanisms to curtail these risks. Periodical reports are submitted to the meeting assessing the risk indicators against the predetermined risk parameters. Reasons for variances are discussed while evaluating suggestions for mitigating such risks.

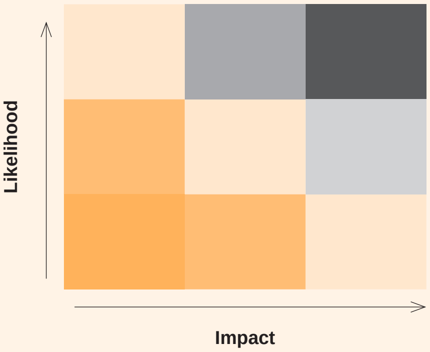
Objectives of Risk Management

Key objectives of the organisation, with regard to risk management are,

- Identify, measure and control potential risks that hinder the profitability of the entity.
- Manage the financial position in order to strike a balance between assets and liabilities to optimise the value creation for the entity.
- Ensure that parameters are adequate to curtail downside of risk while maximising returns.

Identification and Measurement of Risk at Senkadagala Finance

Potential risks are identified and assessed for the likelihood of occurrence and the severity of impact. Both these factors are considered when control actions are decided. Based on the risk appetite of the entity, risk tolerance levels are set.



Control measures are formulated for risks that are within the tolerable levels of risk. Exposures which exceed the tolerable limits are identified. Mitigatory action for such risks will be decided based on the probability of occurrence.

Collective dialogue amongst different department managers at the Integrated Risk Management Committee ensures a comprehensive assessment of potential risks and their impact. This process has enabled the Company to establish a robust risk management mechanism.

Risk Policies and Framework

Risk objectives set at the board level are cascaded down to functional levels by way of policies, frameworks and internal controls.

Procedure manuals outline the details of controls which are used to set up the framework for effective risk management. Risk tolerance limits are communicated to process owners to promote effective control.

The management with its proactive attitude towards risk management has created a risk culture within the organisation. This has enabled us to employ the risk management framework at all levels of the organisation. The risk culture helped to improve the overall attitude of the employees to assuming and managing risk while aligning it to the entity's risk appetite.

Risk Controls and Review

A robust risk management process will optimise the risk return trade-off. Periodical reviews and control mechanisms play an important part in upholding the said process.

The Audit Committee, a subcommittee of the Board plays a key role in this. The primary purpose of this committee is to assist the Board of Directors with the general oversight of financial reporting; they also oversee and advise the Board on affairs with the External and Internal Auditors. However, ensuring adequacy and efficiency of the internal controls adopted by the Company remains an important function of the Audit Committee. Report of the Audit Committee on page 62 of this report contains a detailed description of the composition and the functionality of the Audit Committee.

A periodic Risk Assessment Report is discussed at the Integrated Risk Management Committee. During the said meeting, there is dialogue on actual risk indicators against the risk tolerance levels on various risk areas of the entity and on adequacy and the efficiency of control measures taken on such areas of risk. A report summarising and recommending feasible course of action regarding each risk element is submitted to the Board of Directors. Report of the Integrated Risk Management Committee on page 63 of this report contains a detailed description of the composition and the functionality of the said committee.

The Company has in place a process of continuous internal audit, employing the co-sourced services of Ernst & Young Advisory Services (Pvt) Ltd., reporting directly to the Audit Committee and the Board of Directors. Monthly reports are submitted, communicating deviations from the standard operating procedures, misconducts and lapses in the internal control process while identifying the severity of impact.

Following are the primary risk elements that are actively controlled by the risk management mechanism of Senkadagala Finance PLC.

Credit Risk

Credit risk is the financial losses due to failure of counterparty to discharge the contractual obligations or in simple terms it is loss arising due to defaults. Since majority of assets for a financial establishment is loans and advances, impact due to materialisation of this risk can have detrimental effect on the profitability as well as on the asset quality of the entity.

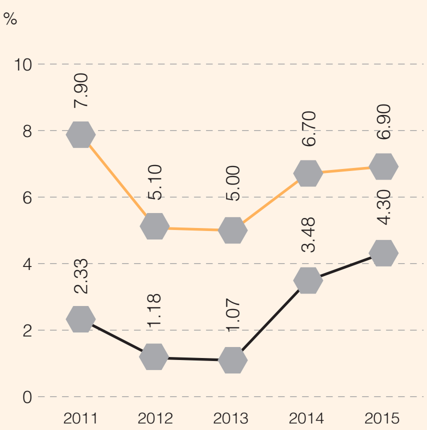
Credit risk primarily arises due to deteriorated creditworthiness of borrowers. However, adverse fluctuations in the market could also materialise such losses. Nevertheless, credit risk is inseparable from the finance business. Therefore, this risk should be meticulously managed to optimise the returns while restricting the losses within tolerable parameters.

How We Manage Credit Risk

Credit Risk Management Objective	Course of Action
Attain a healthy portfolio	- A robust credit evaluation process is in place which comprehensively assesses the customers, evaluating them in accordance with the potential default risk - Loan officer, branch manager and/or a higher level officer approves the facility in accordance with the approval hierarchy - Employees are regularly trained in credit evaluation techniques - Risk tolerance levels are set for identified key risk indicators and strict adherence to these levels - Exposure limits are set for economic sectors based on the historical loss experience - Exposure limits are set for asset categories based on past loss given default experience - Exposure to individuals and corporates is restricted to tolerable limits - Ensure that the extended finance is in conformity with the Company's Environmental & Social Management System
Maintain a low Non-Performing Asset ratio Maintain a low infection ratio	- Create a sense of accountability with the loan officer by which he/she will be an active participant in the recovery process - Identify potential defaulters pro-actively by maintaining close links with customers and by analysing payment patterns - Recovery department oversees the process of recovery ensuring that exposure is within tolerable limits - Set performance objectives to persuade employees to maintain Company's risk objectives within the accepted parameters - Closely monitor and control the infection ratio in order to reduce NPAs

Credit Risk Management Objective	Course of Action
Minimise the loss given default	- Comprehensive review of securities undertaken before extending the loan facilities - Centralised valuation of motor vehicles to prevent judgemental deviations - Strict controls over the loan-to-value ratio specially in identified high risk asset categories - Continuous auction sale of repossessed assets through an online system which enables us to sell for the highest bidder
Control the movement in arrears buckets	- Identify individually significant customers and constantly review them against risk parameters - Recovery responsibility is held with the loan officer

Senkadagala Finance has managed its Non-performing assets ratios at a rate lower than the industry average continuously. In March 2015 our gross NPA ratio was 4.3%, compared against the industry average of 6.9%.



Gross NPA Ratio

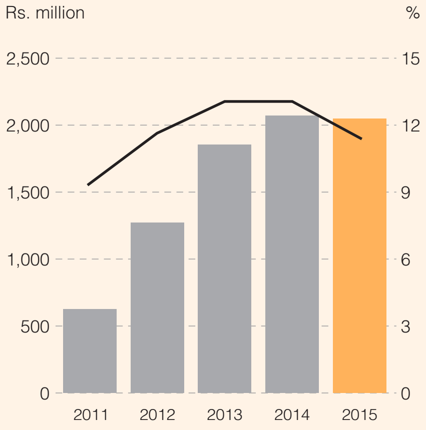
Industry

Senkadagala Finance PLC

Liquidity Risk

Liquidity risk is when an institution is unable to honour its financial obligations as they fall due without incurring unexpected losses. Crystallisation of liquidity or solvency risk could insolvent a financial institution and therefore meticulous liquidity management is vital for a financial establishment.

Absence of adequate funding could hamper the growth potential for an institution. While presence of excess liquidity will result in opportunity cost this is a loss for the entity. Hence, it is necessary to maintain the right amount of liquid assets to maximise profitability.



Analysis of Liquid Assets

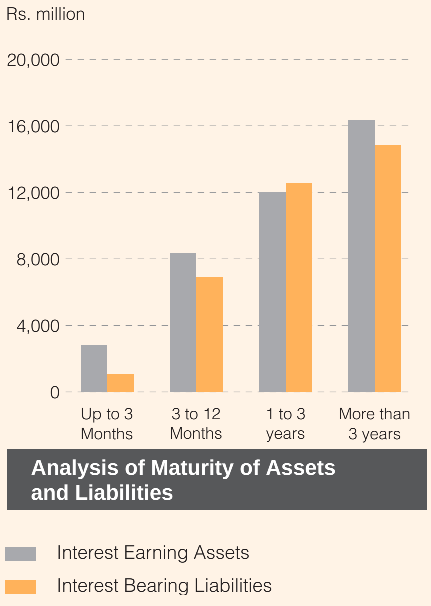
Liquid Assets (Rs. million)

Liquid Assets Against Total Assets (%)

Central Bank of Sri Lanka through its Finance Companies (Liquid Assets) Direction No. 04 of 2013 governs the level of liquid assets a finance company should maintain. To comply with these levels and to maintain an optimal level of liquid assets while maximising the profitability of the entity Senkadagala Finance pursues the following objectives:

Liquidity Risk Management Objective	Course of Action
Maintain adequate levels of liquid assets to promote portfolio growth	- Disbursement targets are set in line with the expected profitability level for a reporting period - Close monitoring and control of collection ratios - Budget for the cash flows - Identify potential cash shortages and plan for funding mechanisms - Strategise techniques to get an optimum return from temporary excess liquidity situations
Timely generation of funds for loan repayments	- Analyse the available loans and other borrowings of the entity and plan methods of refinancing in advance - Maintain the loan recovery rates at tolerable levels to facilitate smooth cash flows
Optimise the short to long-term funding ratio	- Managing the maturity mismatch, set tolerable levels of mismatch for various maturity buckets. - Continuously review and report regarding the tolerance levels - Readjust the tolerance levels in turbulent economic conditions and vice versa
Cumulative maturity gap management	- Set risk tolerance levels for cumulative maturity gap ratios - Continuously review and control against the tolerance level

Senkadagala Finance has continuously adhered to Central Bank regulation on liquidity management. Further, the Company has been able to capitalise on emerging market opportunities due to maintaining healthy liquidity levels. Due to meticulous liquidity management, Senkadagala Finance has been able to achieve a surplus in the short-term cumulative maturity mismatch.



Analysis of Maturity of Assets and Liabilities

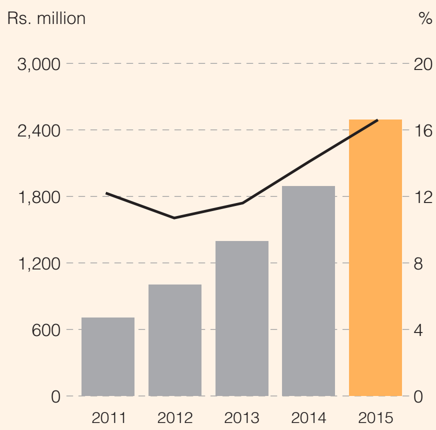
Operational Risk

Losses arising due to inadequate or failed internal processes, people and systems due to internal and external events are operational risks. It is difficult to assess the level of operational risk an entity is exposed to as it covers a broad spectrum of activities and functions within an organisation. However, a robust internal control system as well as adequate levels of capital needs to be in place to mitigate losses due to operational risk.

Following are certain examples of operational risk types and mitigatory controls practiced by Senkadagala Finance.

Operational Risk Management Types	Steps Taken to Manage Operational Risk
Internal fraud	- A strong risk culture is created within the organisation which strengthens the risk policies and the risk framework of the entity - A robust internal control system is in place with stringent controls over sensitive functional areas - Control mechanisms are incorporated into the information system of the entity to enable good governance - A panel of skilled line managers are accountable for the risk parameters in the relevant operational section - Higher level authority limits are enforced based on the exposure - Ongoing internal audit is in place with the out-sourcing of Ernst & Young Advisory Services (Pvt) Ltd.
External fraud	- Regularly update and upgrade information system security to deter fraud - Continuously review and upgrade the customer screening process
Employment practices and work place safety	- Comprehensive employee screening policies - Provide continuous training and development to staff through internal as well as external resources - Continuous development to systems, processes and procedures as and when necessary to accommodate new challenges - Effective communication of changes in policies and controls via memos by way of emails to staff
Client, products and business practices	- Senior management sets overall management objectives. They meet at regular intervals reviewing progress achieved and taking remedial measures for any deviation from the desired objective - Line managers are given the opportunity to do market surveys and come up with products and new viable promotions to suit different localities and market developments
Damage to physical assets	- All buildings and assets are comprehensively insured - All cash within the premises and in transit are insured - Staff is trained regularly on the fire escape plans and work place safety measures
Business disruption and system failures	- We have in place a Disaster Recovery Site which enables us to continue operations with minimal down time - The Company has in place a Business Continuity Plan - During the year the Company constructed a sophisticated Data Centre to create a sound environment for computer servers which is expected to minimise downtime
Execution, delivery and process management	- Company has a comprehensive operations manual which is updated according to the environmental and business process changes - Continuously educate the staff on changes to market conditions and business processes via email

In addition to these, the Company is maintaining adequate capital funds to provide buffer in volatile circumstances. By the end of March 2015, the Company had a core capital base of Rs. 2,534 million and total capital of Rs. 3,218 million. The Core Capital ratio of the Company as at 31st March 2015 was 16.53%. This is an improvement from 14.00% in 2014.



Capital Base and the Capital Adequacy Ratio

Market Risk Factors

Market risk is the possibility of losses due to unfavourable movements in market factors such as interest rates, tradable equity prices, exchange rates and commodity prices. Probable loss exposures vary with the volatility of the underlying risk factors.

Interest Rate Risk

Business of a finance company being financial intermediation, it is vulnerable to interest rate risk. Fluctuation of interest rates is an external factor, hence it is beyond the control of the entity's management. In order to minimise the effects of adverse variances, meticulous management of assets and liabilities is essential by which net interest return could be optimised.

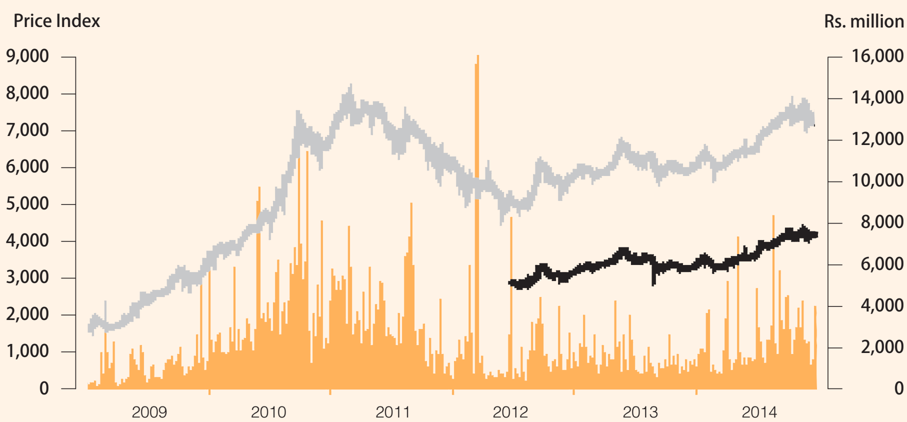
Interest Rate Risk Management Objective	Course of Action
Maintain the net interest spread	- Continuous environmental scanning to identify changes in the market interest rates, and detect trends and patterns in market fluctuations which helps in deciding future strategies - Setting risk tolerance level for interest spread and continuously reviewing it in light of prevailing market trends - Carrying out yield curve analysis - Periodical review of the pricing of loans, leases and other products, based on the market trends and competitor rates - Identifying optimum sources of funding in light of the current market trends, and setting risk parameters and budgetary targets to achieve them - Reprice assets and liabilities to make use of favourable trends in the market
Strike a balance between floating and fixed rated borrowings	- Floating rated loans enable the entity reprice its liabilities in accordance with market trends, while fixed rated loans help to be resilient in a rising interest rate environment, hence optimal levels of fixed to floating rated funding is set to improve net interest margins - Earning assets of Senkadagala Finance PLC is primarily fixed rated, hence maintaining adequate levels of fixed rated funding is important, an optimal parameter is set for fixed rated funding - Optimal level of fixed to floating rated borrowings helps to maximise profitability. The set parameters are regularly reviewed
Maintain an optimal gearing ratio	- Identifying and maintaining the optimum mix of equity and borrowing to reduce the Weighted Average Cost of Capital (WACC) of the Company

Equity Risk

Equity risk is another form of market risk where the entity is exposed to losses due to volatility of exchange traded equity and debt instruments. Sensitivity of an entity to this risk is dependent on its engagement in the securities markets.

The Statement of Financial Position of Senkadagala Finance has minimal exposure to such risks, as we have only Rs. 91.5 million which is 0.5% of our total assets as equity investments trading in the Colombo Stock Exchange. Mark-to-market calculations are conducted monthly to evaluate the impact due to changes in market equity prices. Due to the minimal exposure, the Company has outsourced the management of its investment fund to a specialised fund manager as a portfolio investment.

During the year the Company recorded Rs. 4 million gains on trading from these assets and capital gain of Rs. 15.8 million on mark-to-market of assets held at Reporting date.



ASPI, S&P SL 20 Index and Daily Turnover at the CSE

S&P SL20 Index (Price Index)
ASPI (Price Index)
Daily Turnover (Rs. million)

Foreign Exchange Risk

Foreign exchange risk is the losses that could arise due to an adverse movement in the currency exchange rates.

Exchange Rate Movement - Rupees per US$

Until recently, exposure to this risk was minimal at Senkadagala Finance. However, since commencing its foreign currency exchange business in the financial year 2012/13, Senkadagala Finance had to actively manage this risk as well. Since the Company does not hold any currency positions through this operation exposure was minimal.

With the management entering into a loan agreement with the International Finance Corporation (IFC) for a US Dollar borrowing, the exposure to foreign exchange risk increased. With this the Company was exposed to both translation and transaction of foreign currency risk.

In order to minimise this risk, the management decided to procure locally available hedging mechanisms, by which we were able to attain an almost perfect hedge while minimising the cost of hedging at a low level. Regular review is carried out to optimise this.

Regulatory Risk

Regulatory risk is the loss that could arise due to failure of the Company to comply with applicable rules, regulations and codes of conduct. The loss may be financial, loss of opportunity or damages to the reputation of the entity.

Due to its vulnerable nature, finance business is a highly regulated industry. The department of supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka supervises the finance companies. We are governed by the new Finance Business Act of No. 42 of 2011. During the financial year in accordance with the finance sector consolidation program 2014 of the Central Bank of Sri Lanka, Senkadagala Finance acquired 100% holding of Newest Capital Ltd.

As a listed company, Senkadgala Finance is required to follow the Continuous Listing Requirements of the Colombo Stock Exchange and regulations of the Securities and Exchange Commission as well. In addition, the Company is obliged to comply with accounting standards issued by The Institute of Chartered Accountants of Sri Lanka, rules and regulations enforced by Local and National Government Authorities and various other regulations, standards and directives which govern the industry.

The management has taken the following steps to mitigate regulatory risk and ensure sound governance;

- The management has incorporated limits and restrictions enforced by the regulations into its system and controls .
- Responsibility is assigned to the functional managers and department heads to maintain relevant ratios within the stipulated limits.
- A compliance function is in place, a compliance officer who directly reports to the Board closely monitors and periodically reports of the status of conformity of the entity with all the requirements of the applicable regulatory bodies.
- A quarterly compliance audit function is in place with the expertise of Ernst & Young Advisory Services (Pvt) Ltd., which ensures that the Company is in compliance with respective regulations and directives.

Strategic Risk

Strategic risk is losses arising due to strategic decisions, which may occur due to external or internal events. Examples of Internal events are misguided decisions causing financial losses, improper implementation of business decisions, etc. The external events such as unfavourable changes in underlying economic conditions, or unexpected moves of competitors could also lead to financial losses. The Company has in place a Vision and a Mission in order to outline the general strategic direction and the strategic objectives are thoroughly reviewed against these. Critical analysis is done before strategic decisions are made and implemented and robust strategic planning and budgetary processes are carried out before activation. Periodical review and continuous control action is undertaken in order to ensure the success of the strategic decision.

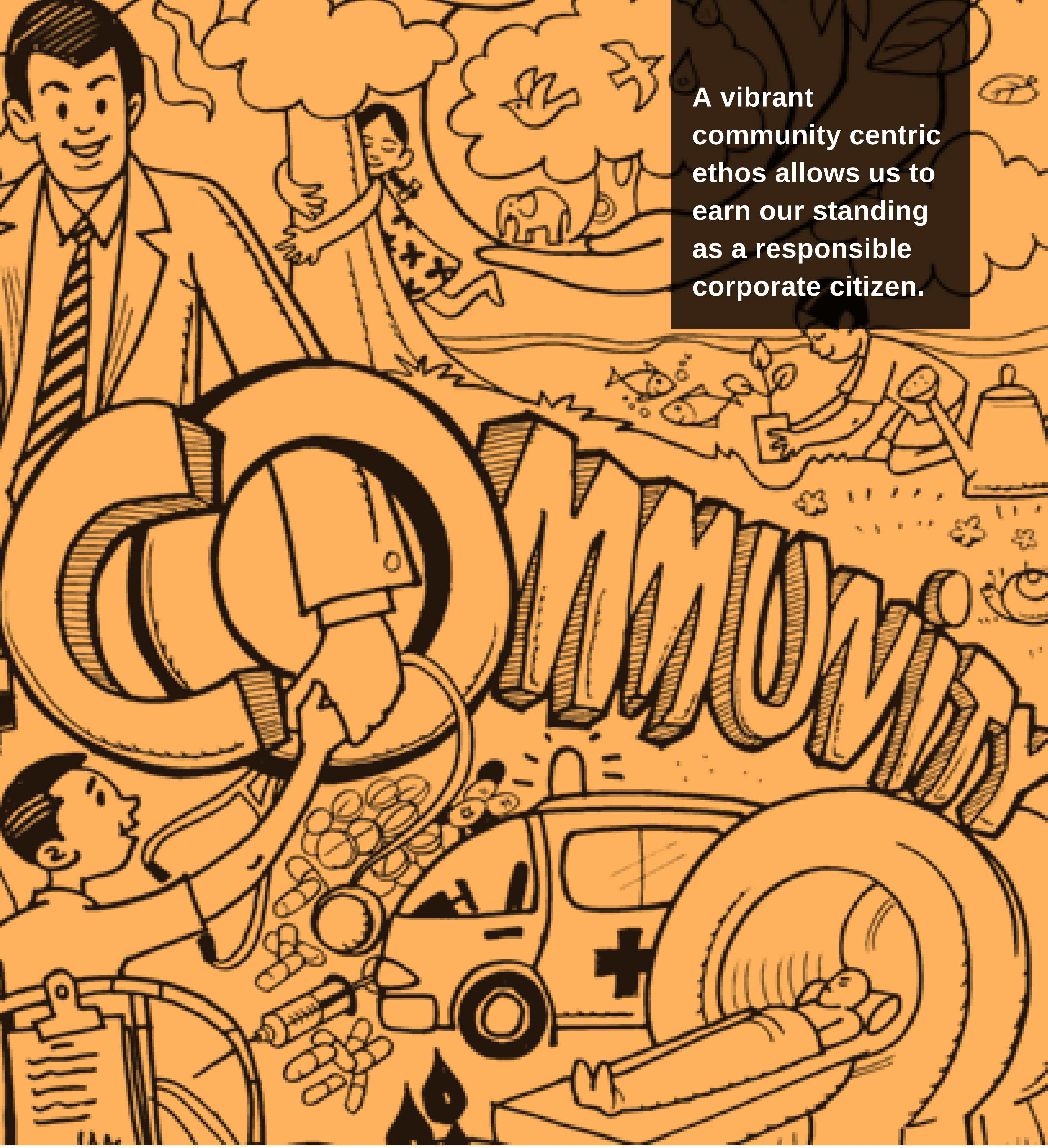
An overall business strategy including a four year financial forecast is in place to govern the future direction of the Company.

The entity has in place a continuous environmental scanning system, which maintains a watchful eye over changes in the macro economic conditions, potential trends and competitor behaviour.

Reputation Risk

Reputation risk is the loss of earning, profitability, capital or brand image due to negative publicity. Losses due to tarnished reputation may arise due to lapses in internal controls, failure to deliver up to customer expectations, system failures, non-compliance with regulatory requirements, unethical business practices, labour unrest, etc.

By effective management of all the other risks the Company has been able to mitigate this risk as well.



A vibrant community centric ethos allows us to earn our standing as a responsible corporate citizen.

Sustainability Report

This is our first Sustainability Report prepared according to the guidelines of the Global Reporting Initiative and we have followed G3.1 version of the guidelines. We have made every attempt to report as fully and transparently as possible on every matter of relevance. We believe that this reporting format will help us to be more inclusive and comprehensive in years to come.

This Report will be confined to our operations within Sri Lanka and our reporting period is from 1st April 2014 to 31st March 2015.

We would be glad to clarify any queries in this Report and its contents. For this purpose you may contact:

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Colombo 3
Sri Lanka
Telephone: +94 11 2 301301
Fax: +94 11 2 301937
Email: senka@senfin.com

Stakeholder Engagement

The scope of our stakeholder engagement is wide ranging and includes dialogue with investors, customers, employees, regulators, society and environment at large. The table below describes how we engaged with each of our stakeholders during the year under review:

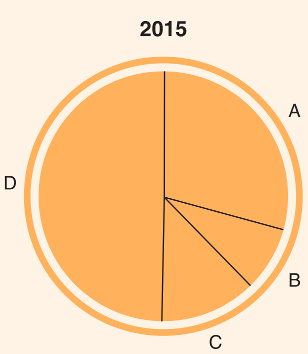
Stakeholder	Frequency of Engagement	Method of Engagement
Shareholders	Annually	AGM
Investors	Regularly	Business communication (Emails, letters, presentations)
Customers	Regularly	Public Notices, Advertisements, Letters, Telephone calls, SMS alerts
Employees	Regularly	Staff circulars, Emails, Annual Performance Review
Regulators	Regularly	Submission of various financial/compliance reports, participating at meetings/ knowledge sharing events, supply of information/data for the purpose of Policy implementation
Society and Environment	Regularly	CSR Activities, financial donations

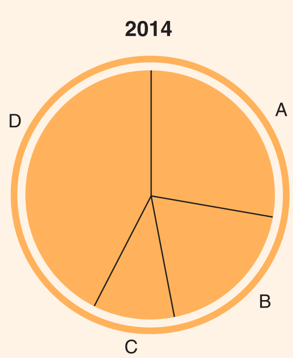
Economic Performance

Statement of Value Added and Distributed

	2015 Rs. '000	%	2014 Rs. '000	%	% Change
Value Added					
Gross income	3,715,385		3,623,286		3
Less					
Cost of borrowings	(1,750,532)		(1,868,499)		(6)
Payments towards support services	(549,748)		(497,840)		10
Provisions for loan losses and other provisions	(167,955)		(137,275)		22
	1,247,151		1,119,672		11
Distribution of Value Additions					
To employees					
as salaries and wages	266,382	21.36	223,415	19.95	19
as other benefits	95,915	7.69	86,766	7.75	11
To providers of capital as dividends	107,625	8.63	214,901	19.19	(50)
To Government					
as income tax	107,819	8.65	85,229	7.61	27
as VAT on financial services	49,586	3.98	34,637	3.09	43
Retained within the business					
as depreciation for replenishment of assets	187,760	15.05	160,461	14.34	17
as reserves for business expansion	432,064	34.64	314,264	28.07	37
	1,247,151		1,119,672		11

Distribution of Value Additions





	2015 %	2014 %	
A –	29	28	To Employees
B –	9	19	To Providers of Capital
C –	12	11	To Government
D –	50	42	Retained Within the Business

Supporting Economic Development

In conformance with the Financial Sector Consolidation Plan of CBSL, we acquired 100% holding of Newest Capital Ltd., a specialised leasing company. The consideration for the transaction amounted to Rs. 300 million.

For over 45 years, we have uplifted the quality of life of our customers from different segments of the society, through the provision of financial solutions. We strive to ensure that our customers are content at all times with our services since we believe that a loyal customer base is a predominant factor of our stability and the sustainable growth.

Environmental Performance

Although our operations do not pose a significant threat to the environment, we are mindful of our responsibility towards the nature and environment. Hence, we ensure that our customers do not engage in businesses that adversely affect the environment. We have taken stringent measures to mitigate any indirect impact caused by the businesses we facilitate. Our environmental indicators include performance related to environmental compliance which is an integral part of our business.

Reusing and Recycling

We have in place an Online Document Retrieval System, which has significantly reduced the need for photocopies in the Company. In addition, the system has enhanced the productivity of the Company, through significant reduction in time taken to approve services such as loan facilities.

The management actively promotes reusing of materials such as paper, envelopes etc. The necessity to reuse materials has been ingrained in the staff members by the Administrative Department. This has contributed not only to cut down costs but also to promote environmental friendly processes among the staff members.

Reducing Energy Consumption

As an initiative to reduce energy consumption we installed LED panel lights in the new service centres. Although this has slightly increased our procurement and installations costs, the energy consumption has been reduced, contributing to long-term financial savings.

Also, each and every staff member is conscious about the importance of saving energy and individually takes upon the responsibility when handling electrical appliances in the office premises.

Promoting Environmental Friendly Practices

We have in place an Environment and Social Management System (ESMS) which was formulated as a prerequisite of the loan agreement with the International Finance Corporation (IFC). This intends to integrate environmental and social risk management into the business process of the Company.

The ESMS conforms to the applicable national environmental legislative requirements and relevant international best practices. The system facilitates the screening of lending facilities against the exclusion list and assists clients to identify, mitigate and manage environmental and social risks. A mechanism is in place to monitor, supervise and assist the effective implementation of the ESMS in the Company.

In addition, we continually ensure the effective implementation of environmental and social management practices in all our activities and services with a special focus on the following:

- Ensuring that relevant local, national and international best practices on environmental and social protection are integrated and implemented by the customer prior to or soon after financing.
- Ensuring all activities undertaken are consistent with the environmental and social standards and applicable requirements and are monitored accordingly.
- Integrating environmental and social risk management into internal risk management analysis.
- Influencing interested parties, especially clients and other domestic business partners, to be more environmentally and socially responsible.
- Ensuring transparency in the ESMS and its procedures.

In implementing the policy, we included an addendum to our loan agreement in April 2014. This communicates our policy on environment and social risk management to the customers and also the necessity to comply.

Donations to Environmental Protection Activities

Early this year, Senkadagala Finance partnered with '*Ruk Rekaganno*', an environmental Non-Government organisation founded in 1975 to create awareness among the general public and the Government about the importance of trees and forests. Accordingly, the Company agreed to make monthly contributions for the upkeep and maintenance of the Institute of Fundamental Studies – 'Popham Arboretum' in Dambulla, a unit consisting approximately 35 acres of indigenous Dry Zone trees forming a tranquil refuge, a forest garden for animals that are displaced due to development of surrounding lands, managed by *Ruk Rekaganno.*

Providing of Drinking water to the drought affected areas in Polonnaruwa District

Donation of medical equipment at Kandy General Hospital

Senkadagala Finance partnering with 'Ruk Rekaganno' environmental Non-Government organisation for the upkeep and maintenance of 'Popham Arboretum' in Dambulla.

Social Performance

As a responsible corporate citizen, we constantly engage in initiatives that enhance the value of our stakeholders including employees, customers and the society.

Employees

Employees are our most valuable asset. Their dedication, commitment and professionalism have made a significant contribution to our success. We in turn invest in our people through continuous training, development and also by recognising and rewarding merit through transparent and equitable processes. In addition, we strive to create a healthy work life balance, whilst nurturing a climate of self-confidence and teamwork.

Recognising and respecting the rights of employees which are governed by the national legislation as well as applicable international conventions is an important aspect of our employment policy. We do not engage or promote child labour, forced labour, harassment or discrimination of any sort in our Company.

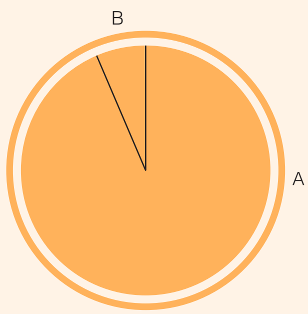
Our recruitment policy is aimed at recruiting the most suitable candidate for the job, based on relevant skills and competencies. With our rapidly expanding island-wide branch network, we give due consideration to applicants who are domiciled in the localities of branches. We believe their deep understanding of local requirements would be a valuable input in offering an enhanced and effective service to the masses in the respective locality.

In addition, a passionate and committed workforce is the key to enhancing the brand image of our Company. Hence we have allocated a considerable amount of our income for training and development of our staff members as well as for compensation and benefits.

Some of the important statistics pertaining to our workforce is depicted below:

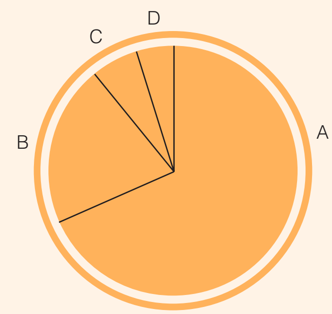
Analysis of Employees

Staff Gender Analysis



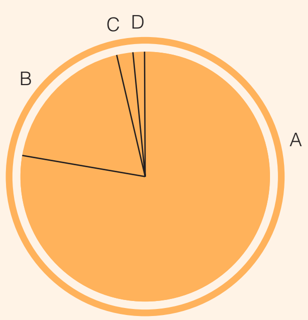
A - 94% Male
B - 6% Female

Staff Age Analysis



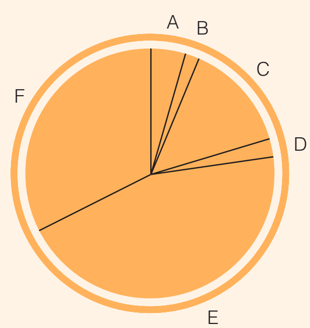
A - 68% 20-30 Years
B - 21% 31-40 Years
C - 6% 41-50 Years
D - 5% >50 Years

Analysis of Years in Service



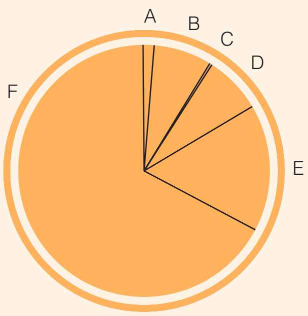
A - 78% <5
B - 19% 5-10
C - 2% 10-20
D - 1% >20

Staff Hierarchy Analysis



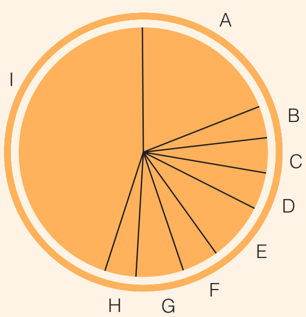
A - 4% Senior Managers
B - 2% Managers
C - 14% Branch Managers
D - 2% Assistant Managers
E - 45% Executives
F - 33% Trainee Executives & Others

Staff Qualifications Analysis



A - 1% Full Professional
B - 8% Part Professional
C - 0% Post Graduate
D - 7% Graduate
E - 16% Diploma
F - 68% GCE Advanced Level

Geographical Analysis



A - 19% Central Province
B - 4% Eastern Province
C - 4% North Central Province
D - 5% Northern Province
E - 8% North Western Province
F - 5% Sabaragamuwa Province
G - 6% Southern Province
H - 4% Uva Province
I - 45% Western Province

Benefits Provided to Full-Time Employees

Employees' Provident Fund (EPF)

All employees are entitled to the Employees Provident Fund. Both the Company and employees contribute to the Fund amounting to 12% and 8% respectively of the employees' basic salary. This is the largest Social Security Scheme in Sri Lanka.

Employees' Trust Fund (ETF)

The Company contributes 3% of the basic salary of an employee to the ETF.

Gratuity

As per the provisions of the Payment of Gratuity Act No. 12 of 1983, all staff members are entitled to a ½ month's salary for each completed year of service at the time of leaving the Company, provided that the member has worked for over five years continuously at the time of resignation.

Medical Benefits

Hospitalisation expenses could be claimed subject to a maximum amount specified in the Hospital and Surgical Expenses Insurance Policy.

Personal Accident Cover

All our staff members are covered by the Personal Accident Insurance. The cover limits depend on the grade of employees.

Staff Loan

Staff members who have completed 5 years in service are eligible for a loan equivalent to gratuity, subject to a repayment period of sixty months.

Salary Advance

All confirmed employees are eligible to apply for salary advances equal to one month salary, subject to a maximum repayment period of six months.

Festival Advance

All confirmed employees are eligible for a festival advance equal to one month salary, subject to a maximum repayment period of ten months. Festival advances are granted for Buddhist and Hindu employees in April and for Christian employees in December.

Company Vehicle

Motor cars and bikes are provided to employees depending on their Grade.

Mobile SIM

A mobile connection is provided with an allowance to all employees.

Empowering Our Staff

We are committed in developing our employees, enabling them to reach their professional goals aligned with the business goals and strategies of the Company. This is a mutually beneficial investment which has a direct bearing on quality of customer service extended by our staff members. Hence we promote a culture of learning and development as a part of our Employee Development Plan.

The training needs of subordinates are identified and recommended by the respective departmental heads to the HR Department. Equal opportunities are given to all employees when assigning training programmes during the year. However, priority is given to confirmed employees, whilst those on probation may be given training based on their performance.

The desired outcome of a training programme is to bridge the gap between the current performance and the required performance of an employee. Hence, all training programmes are geared to assist the personal development of employees as well as the organisational growth, contributing to its long-term sustainability.

Training Conducted During the Year

Training Programmes for 2014/15

Date	Programme	Participation	Number of Employees Participated
05.04.2014*	Forged Notes Identification and Prevention Central Bank of Sri Lanka, Southern Province	Executives and Secretaries	8
08.05.2014*	Workshop on Financial Assets Measurement and Impairment Ernst & Young Solutions LLP	Manager – Accounts and Manager – Internal Audit	2
09.05.2014*	Seminar on Amendments to Tax Laws Ceylon Chamber of Commerce	Assistant Manager – Accounts and Senior Executive – Accounts	2
21.05.2014*	Seminar on Hire Purchase, Leasing Agreement and Legal Issues – MsQuire Corporate Training	Chief Manager – Legal and Customer Services, Senior Manager – Recoveries and Manager – Legal	3
24.05.2014*	KYC Rules/Applicable FIU Rules/Identification of Foreign Currency Notes Centre for Banking Studies	Branch Managers and Secretaries	40
26.07.2014	Staff Training (Foreign Currency, Fixed Deposits and Accounts)	Executives and Secretaries	37
26.09.2014*	Seminar on the Laws Relating to Mergers and Acquisitions of Finance Companies The Finance Houses Association of Sri Lanka	Senior Manager – Recoveries and Board Secretary	2
03.10.2014*	Marketing Effectively Sales and Marketing Training Forum	Executives	35
10.10.2014*	The 9th Corporate Law Conference	Chief Manager – Legal and Customer Services and Manager – Legal	2
10.10.2014*	New Developments of IFRS Ernst & Young	Manager – Accounts	1
17.10.2014*	Marketing Effectively Sales and Marketing Training Forum	Senior Executives and Executives	34
23.10.2014 – 25.10.2014*	35th National Conference of Chartered Accountants (RETHINK to REVIVE) The Institute of Chartered Accountants of Sri Lanka	Senior Manager – Internal Audit and Senior Finance Officer	2
04.11.2014, 12.11.2014 and 18.11.2014*	Implications of Sri Lanka Accounting Standards for Banks and Finance Companies The Institute of Chartered Accountants of Sri Lanka	Senior Manager – Internal Audit, Senior Finance Officer and Managers – Accounts	4
22.11.2014	Managers Training (CRIB & Credit Evaluation, Legal Cases, Vehicle Insurance, Reporting Details to CRIB and its Errors and Valuation of Vehicles)	Branch Managers and Officers in Charge	20

Date	Programme	Participation	Number of Employees Participated
09.12.2014	Seminar on Hire Purchase, Lease Agreements and Legal Issues – Dr. Prathiba Mahanamahewa	Assistant Manager - Legal Customer Services & Executive	2
13.12.2014*	Frontline Skills Training Programme – Arden Institute	Secretaries	25
24.01.2015*	Frontline Skills Training Programme – Arden Institute	Secretaries	25
14.02.2015*	Frontline Skills Training Programme – Arden Institute	Secretaries	23
20.02.2015*	Marketing Effectively – Sales and Marketing Training Forum	Senior Executives and Executives	28
09.03.2015*	Seminar on Foreign Currency Regulation – Central Bank of Sri Lanka, Regional Office, Matara	Executive and Secretaries	3
10-11.03.2015*	Lending Against Pawn Broking – Centre for Banking Studies	Executives	4
13.03.2015*	Workshop on Financial Intelligence – Central Bank of Sri Lanka, Regional Office, Matale	Executives and Secretaries	8
17.03.2015*	Seminar of Risk Management in Financial Reporting – The Institute of Chartered Accountants of Sri Lanka	Senior Manager - Internal Audit	1
17.03.2015*	Security Features of Currency Notes and Identification of Forged Notes – Centre for Banking Studies	Executive	1

** Outdoor Training Programmes, Seminars and Workshops*

Performance Appraisal and Career Development

We have in place a comprehensive performance appraisal system to identify and improve individual performance, training and development needs and also to reward and recognise performance of employees.

Performance appraisal covers five different aspects of an employee, namely, the knowledge of work, initiative and application, personality, dependability and quantity of work.

A formal review of the performance against the performance objectives of an employee is carried out annually by the respective head of department or manager.

Senkadagala Finance Cricket team which entered the semifinals of the Governor's Trophy Cricket Tournament in 2014 organised by the CRIB

Community

As a responsible corporate citizen, we continue our commitment to engage in initiatives that impact the society positively. We do this by supporting economic and social development with special focus on education, welfare and health care of children.

Kusum Sevana Project

As in previous years, we continued to extend our support towards *'Kusum Sevena'* which is a day care and preschool, managed by the Good Shepherd Convent, Colombo 13.

This project was undertaken by us to support and care for children, who are the most vulnerable and helpless segment in the society. *Kusum Sevena* houses impoverished children in the area due to poverty or absence of stable family support.

We have done many changes to the centre over the past four years. The home now has a better child-friendly environment and the school is well-equipped with necessary stationary and other equipment. Amongst other contributions, we donated stationery worth Rs. 29,000/- in December 2014 to the institution to be utilised for their educational activities during the ensuing year.

Internship Programme

As a part of our CSR initiatives, an internship programme is in place where young graduates and professionals in the fields of Business Management, Law, Marketing, Accounting and other relevant fields are offered internship opportunities in the Company.

Our aim is to impart practical knowledge and experience to prospective job seekers and enhance their employability. In addition, interested candidates could fill up vacancies within the organisation depending on the availability of vacancies. The interns receive training in all aspects of the business: i.e. Finance, Treasury, Branch Operations, Information Technology, Human Resources, Deposits, Savings and Compliance. The training curriculum enables the participants to interact freely with the staff as well as with external stakeholders such as customers, banks etc.

The duration of the internship programme is six months and all interns are provided with a monthly allowance during such period.

Apart from the above specific projects, we also take part in other projects having a bearing on the community at large. In August 2014, we participated in a programme organised by a group of former Government servants who served in the Polonnaruwa District and provided drinking water to areas such as Pimburaththawa, Aralaganwila, Damminna affected by the drought in the Polonnaruwa District.

Additionally, in March 2015, Senkadagala Finance extended its philanthropic initiative towards the Kandy General Hospital. Medical equipment and other requisites were donated to the Oncology Department and the Paediatric Surgical Unit of the Kandy General Hospital amounting to a value of Rs. 252,110/-.

Enhancing Customer Service

We continuously embrace the latest technology to enhance our customer service standards. For example, giving online access to our customers to initiate transactions on their savings and fixed deposits via the Company website has been one such initiative which has empowered our customers.

Organisation's Practices in Place to Assess and Maintain Customer Satisfaction

Our processes are focused on delighting customers at all times. All requests are attended to with passion and care with the intention of providing the required service with the least possible turn around time. Staff involved in operations offers a personalised service to any customer who seeks their assistance at all times. The Company gives great attention to maintain and further improve the customer service standards and to meet this end invests considerably on educating staff and introducing user-friendly technology into the ongoing processes.

Awards and Accolades

In November 2014 the Company was recognised by The Institute of Chartered Accountants of Sri Lanka as a Strategic Level Training Partner.

Financial Reports

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Annual Report of the Board of Directors of Senkadagala Finance PLC

The Board of Directors of Senkadagala Finance PLC has pleasure in presenting this Annual Report together with the Audited Financial Statements of the Company and the Audited Consolidated Financial Statements for the year ended 31st March 2015 to the shareholders, which was approved by the Board of Directors on 22nd June 2015.

The details set out here provide information required by the Companies Act No. 07 of 2007, Finance Business Act No. 42 of 2011 and the Listing Rules of the Colombo Stock Exchange and recommendations of best accounting practices.

Domicile and Legal Form of the Company

Senkadagala Finance PLC is a public limited liability Company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29th December 1968 bearing Registration No. PB 238 PQ and registered under the Finance Companies Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007. The Company is listed in the *Diri Savi* Board of the Colombo Stock Exchange with effect from 22nd March 2011.

The Registered Office of the Company is situated at 2nd Floor, 267, Galle Road, Colombo 03.

Vision and Mission

The Company's vision and mission are stated on the inner front cover of this Annual Report.

Principal Activities and Nature of Operations

The principal lines of business of the Company include providing financial accommodation in the form of finance leases, hire purchase and commercial loans. Additional lines of business include pawn brokering, foreign exchange transactions, bill discounting, investment in money market instruments and the acceptance of term deposits, certificates of deposit and savings deposits.

The principal line of business of the Subsidiary, Senkadagala Insurance Brokers (Pvt) Ltd. is insurance brokering activities.

On 25th August 2014 Senkadagala Finance acquired 100% ownership of Newest Capital Ltd., a Specialised Leasing company registered under the Finance Business Act No. 42 of 2011 for a total purchase consideration of Rs. 300 million. The carrying value of net assets of Newest Capital Ltd. at the acquisition date was Rs. 218,974,732.

Except as mentioned above there have been no significant changes in the principal activities of the Company and of the Group during the financial year under review.

Management and Financial Review of Business

A detailed description and analysis of the operations of the Company for the year under review is contained in the Chairman's Message (on pages 6 to 8), the Managing Director/CEO's Review (on pages 10 to 12) and the Management Discussion and Analysis (on pages 14 to 37). These reports together with the Audited Financial Statements provide an overall assessment of the Company's performance during the financial year.

Branch Expansion and Future Developments

Senkadagala Finance PLC has embarked on a branch expansion programme. Currently, Senkadagala Finance PLC has 39 branches and 41 service centres. During the financial year, 17 service centres were opened.

Directors' Responsibility for Financial Reporting

The Financial Statements of the Company and the Group duly approved by two Directors are given on pages 96 to 172.

The Directors are responsible for the preparation of Financial Statements, the maintaining of proper accounting records and disclosures regarding accounting policies and principles of the Company and the Group.

The Directors are of the view that the Financial Statements presented give a true and fair view of the affairs of the Company as at 31st March 2015 and the profit of the year then ended and have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by the Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance

Companies Act No. 78 of 1988 which is replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of the Colombo Stock Exchange.

Auditors' Report

The Auditors' of the Company Messrs. KPMG performed the audit on the Separate and the Consolidated Financial Statements for the year ended 31st March 2015. The Auditors' Report issued thereon is given on page 95 of this Annual Report.

Accounting Policies

The accounting policies adopted in preparing and presenting of these financial staments are given on pages 103 to 116 of this annual report. The Company and the Group prepared the financial statements for all periods up to and including the year ended 31st March 2015 in accordance with the Sri Lanka Accounting Standards (LKASs and SLFRSs) as issued by the Institute of Chartered Accountants of Sri Lanka, which have materially converged with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Directors' Interests

As required by the Section 192 (1) and (2) of the Companies Act all Directors have made declarations of the interests with the Company. The share ownership of Directors is disclosed on page 182 of this Annual Report.

Remuneration and other benefits of Directors

Directors' remuneration in respect of the Company and the Group for the financial year under review is Rs. 24,110,000/- (2014 – Rs. 15,375,000/-).

Donations

A sum of Rs. 481,856/- (2014 – Rs. 475,025/-) was paid out by way of donations during the financial year under review.

Income

The income generated by the Company during the financial year comprises the following:

	Company		Group	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Interest income	3,584,165,290	3,528,336,289	3,584,910,846	3,529,357,482
Fee and commission income	35,172,125	27,562,744	108,314,672	84,132,853
Total other operating income	96,047,528	67,386,896	45,707,528	35,586,898
Total	3,715,384,943	3,623,285,929	3,738,933,046	3,649,077,233

Further analysis of the above is given in Notes 4, 6 and 8 to 10 of the Financial Statements on pages 117 and 118 of this Annual Report.

Profit and Appropriations

Details of profit and appropriation of profit of the Company is given below:

	2015 Rs.	2014 Rs.
Profit before income tax	647,443,599	622,417,282
Income tax expenses	(107,804,557)	(87,475,251)
Profit for the year	539,639,042	534,942,031
Other comprehensive income net of income tax	50,792	(5,777,150)
Balance brought forward net of adjustments arising from conversion to SLFRS/LKAS	988,965,872	720,570,976
Profit available for appropriation	1,528,655,706	1,249,735,857
Appropriated as follows:		
Transfers to statutory reserve fund	35,000,000	30,000,000
Capitalisation of reserves	260,910,200	–
Transfers to/from investment fund account	(170,628,603)	15,868,909
Dividends paid	107,625,466	214,901,076
Unappropriated profit carried forward	1,295,748,643	988,965,872

Dividends

The Directors recommended a final dividend of Rs. 0.80 per share for the financial year ended 31st March 2015. In accordance with the Direction No. 01 of 2013, the Company obtained approval of the Director of the NBFIS of the Central Bank of Sri Lanka.

The following dividends were declared and paid during the financial year:

	2015			2014		
Dividend Payment	Amount Rs.	DPS Rs.	Paid Date	Amount Rs.	DPS Rs.	Paid Date
1st interim dividend paid	–	–	–	21,347,200	0.40	15.10.2013
2nd interim dividend paid	55,443,422	0.85	20.02.2015	34,635,832	0.59	31.01.2014
3rd interim dividend paid	32,613,778	0.50	15.05.2015	52,182,044	0.80	09.06.2014
Final dividend proposed/paid	52,182,044	0.80	Subject to AGM approval	52,182,044	0.80	26.09.2014

The total dividend pay-out ratio amounted to 25.99% in 2015 compared to 29.97% of 2014.

Taxation

The Company accounts for deferred taxation under the liability method on all timing differences. Details are disclosed in Note 16 on page 120 and Note 37 on pages 140 and 141 of this Annual Report.

Reserves

The aggregate reserves of the Company as at 31st March 2015 amounted to Rs. 2,534 million, the aggregate reserves as at 31st March 2014 were Rs. 2,102 million. Movement in reserves during the year is given in Statement of Changes in Equity on page 100 of this Report.

The composition of the aggregate reserves is set out below:

	2015 Rs.	2014 Rs.
Stated capital	1,008,062,200	747,152,000
Statutory reserve fund	230,036,033	195,036,033
Investment fund account	–	170,628,603
Retained earnings	1,295,748,643	988,965,872
Total capital and reserves	2,533,846,876	2,101,782,508

Capital Expenditure

The total expenditure on acquisition of property, plant and equipment and intangible assets amounted to Rs. 473.1 million (2013/14 – Rs. 407.5 million). Details of property, plant and equipment are available on pages 131 to 135 of this Annual Report. Details relating to the depreciation charge for the year are also available on the same pages.

Market Value of Freehold Assets

The values of the freehold properties of the Company have been obtained from the reports issued by qualified valuers Messrs. Arthur Perera & Company dated 31st March 2015. The valuation has been carried out based on market comparable methods and on investment methods based on the value in best use. These values have not been incorporated in the Financial Statements. Details of freehold property owned by the Company are given in Note 28.1 and note 29.6 of the Financial Statements on page 130 and 134 of this Annual Report.

Issue of Shares and Debentures

Stated Capital

During the year, Senkadagala Finance PLC issued 6,522,755 ordinary shares at Rs. 40.00 each for a total consideration of Rs. 260,910,200/- to the registered shareholders by way of a capitalisation of retained earnings at a ratio of 1:9, increasing the stated capital of the Company to Rs. 1 billion. Pursuant to the capitalisation of reserves 6,522,755 new ordinary voting shares were listed in the Colombo Stock Exchange on 12th May 2014.

Debentures

Details of the debentures in issue as at 31st March 2015 are given in detail in Note 36 and Note 41 of the financial statements on page 138 to 140 and 144 respectively. Further information on the listed debentures are given on page 184 of this Annual Report.

Shareholdings

The stated capital as at 31st March 2015 was Rs. 1,008 million, consisting of 65,227,555 shares in issue. Details of the stated capital are given in Note 42 of the financial statements on page 144 of this Annual Report.

Share Information

Information relating to earnings per share, dividends per share, net assets per share, market price per share and the distribution of shareholding is indicated on page 183 under shareholder information.

The twenty largest shareholders as at 31st March 2015 together with an analysis of the shareholding are also indicated on page 181 of this Annual Report.

Equitable Treatment to Shareholders

The Company has taken all possible steps to ensure equitable treatment to all its shareholders.

Directors

The Board of Directors of Senkadagala Finance PLC consists of Directors with financial and commercial experience. The qualifications and experience of the Directors are stated on pages 38 and 39 of this Annual Report.

The following were Directors of the Company during the year:

- Mr. W. M. R. S. Dias *(Appointed Chairman w.e.f. 18th August 2014)*
- Dr. P. Ramanujam
- Mr. L. Balasuriya
- Dr. A. Balasuriya
- Mrs. L. Fernando
- Dr. M. Balasuriya
- Mr. W. A. T. Fernando
- Mr. S. S. Kulatunga
- Mr. S. D. Bandaranayake
- Mr. D. T. P. Collure

The following were Directors of the Subsidiary during the year:

- Mr. L. Balasuriya
- Dr. A. Balasuriya
- Mrs. L. Fernando
- Dr. M. Balasuriya
- Mr. W. A. T. Fernando

Board and Committee Meetings

A number of Board meetings, Audit Committee meetings, Remuneration Committee meetings and Integrated Risk Management Committee meetings were held during the year at the Registered Office of the Company. Members of each of these committees have attended these meetings on a regular basis. Details of the members and the attendance is given on page 61 of this Annual Report.

Recommended for Re-election

In accordance with the Finance Companies (Corporate Governance) Direction of No. 03 of 2008, none of the Directors of the Company is coming up for re-election.

Directors and Shareholdings

The Directors of the Company at the date of the Report are shown below together with their respective shareholdings:

	2015		2014	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Dr. A. Balasuriya	3,747,127	5.74	3,372,415	5.74
Dr. A. Balasuriya & Mr. D. Balasuriya	3,858	0.01	–	0
Dr. A. Balasuriya & Mr. S. Balasuriya	3,857	0.01	–	0
Dr. M. Balasuriya	3,754,842	5.76	3,372,415	5.74
Mrs. L. Fernando	3,141,113	4.82	2,827,002	4.82
Mrs. L. Fernando & Ms. S. A. Fernando	2,572	0.00	–	0.00
Mrs. L. Fernando & Mr. A. R. Fernando	2,571	0.00	–	0.00
Mrs. L. Fernando & Mr. A. L. Fernando	2,571	0.00	–	0.00
Mr. L. Balasuriya & Ms. A. S. Balasuriya	1,877,420	2.88	1,686,207	2.87
Mr. L. Balasuriya & Mr. S. K. Balasuriya	1,877,421	2.88	1,686,207	2.87
Mr. L. Balasuriya - The Trustee of the Capitalisation Issue	15	0.00	4	0
Mr. W. A. T. Fernando	–	–	–	–
Dr. P. Ramanujam	–	–	–	–
Mr. S. S. Kulatunga	–	–	–	–
Mr. S. D. Bandaranayake	–	–	–	–
Mr. D. T. P. Collure	–	–	–	–
Mr. W. M. R. S. Dias	–	–	–	–

Directors' Interests in Debentures

There were no debentures registered in the names of any of the Directors at the beginning and at the end of the year.

Environment

The Directors are of the belief that the Company does not engage in any form of activity that is detrimental to the environment. Compliance with all environmental regulations has been adhered to during the year.

Statutory Payments

The Directors are of the view that all statutory payments in relation to Government agencies and employees have been made up to date.

Events After the Reporting Date

The Board of Directors has declared and paid an interim dividend of Rs. 0.50 per share for the nine-month period ended 31st December 2014, on 15th May 2015. Further a final dividend of Rs. 0.80 per share for the year ended 31st March 2015, is recommended by the Board of Directors subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 2014/15. In accordance with the LKAS 10 on Events After the Reporting Period, the proposed dividends are not recognised as a liability in the Financial Statements as at year-end.

Except as mentioned above there were no material events occurring after the reporting period that require adjustment to or disclose in the Financial Statements other than those disclosed above.

Appointment of Auditors

The Financial Statements of the year under review, have been audited by Messrs KPMG, Chartered Accountants, who offer themselves for reappointment. A resolution will be proposed at the Annual General Meeting to reappoint them as Auditors and authorising the Directors to determine their remuneration.

Auditors' Remuneration, Other Fees and Payables

The Auditors, Messrs. KPMG was paid audit fees of Rs. 895,000/- (2013/14 – Rs. 810,000/-) for the Company and Rs. 50,000/- (2013/14 – Rs. 50,000/-) for the subsidiary company for the period under review. In addition they were paid Rs. 1,355,322/- (2013/14 – 0), for permitted non-audit related services. This information is disclosed as required by Section 168 (1) of the Companies Act No. 07 of 2007.

Amounts pertaining to the audit fee of Rs. 895,000/- of the Company and Rs. 50,000/- of the subsidiary were payable as at the year-end.

As far as the Directors are aware, the Auditors do not have any other relationship or interest in contract with the Company.

Risk Management

Specific steps taken by the Company in managing risks are detailed on pages 66 to 74 of this Annual Report.

Corporate Governance

The Board places great emphasis on maintaining effective corporate governance practices. Policies and systems are structured accordingly and reviewed from time to time to enhance transparency and accountability. The Report on Corporate Governance is given on pages 40 to 60 of this Annual Report.

Internal Control

The Directors of the Company are responsible for setting out the policy regarding internal control. The set of internal control procedures laid down seeks to manage against material errors or omissions, losses, fraudulent practices and to safeguard assets and secure as far as possible the accuracy and reliability of the records.

Employment Policies

The Company is an equal opportunity employer. In its goals and objectives, it seeks to achieve excellence and market orientation in its service. Continuous training and social participation amongst employees are encouraged. A holistic approach prevails in the Company's strategic outlook where a participatory management style ensures that employees are involved in the decision making process. Incentive schemes which are related to employee performance is one of the ways in which the Company ensures that rewards are directly related to performance. A Remuneration Committee ensures that a balance is struck between performance and related employee rewards structures.

The Company has also set up an in-house training facility in order to ensure that all employees meet certain standard requirements before job placement and also to enhance the existing skills of its staff. The Company had 556 employees as at 31st March 2015 (2014 – 492).

Going Concern

The Directors are satisfied that the Company has at its disposal adequate resources to continue in business in the foreseeable future; and hence the going concern concept is adopted in the preparation of the Financial Statements.

Compliance with Laws and Regulations

The Directors are of the belief that the Company has not engaged in any activities contravening the law and has complied with all applicable regulations.

By order of the Board of
Senkadagala Finance PLC

Sgd.
Managers and Secretaries (Private) Limited
Secretaries

Colombo
22nd July 2015

Directors' Statement on Internal Control Over Financial Reporting

Responsibility

In line with section 10(2)(b) of the Finance Companies Corporate Governance Direction No. 03 of 2008 as amended by the Direction No. 06 of 2013, the Board of Directors presents this report on Internal Control over Financial Reporting.

The Board of Directors ('Board') is responsible for the adequacy and effectiveness of the internal control mechanism in place at Senkadagala Finance PLC. ('Company').

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company and this process includes the system of Internal Control over Financial Reporting. The process is regularly reviewed by the Board. The Board is of the view that the system of Internal Control over Financial Reporting in place, is adequate to provide reasonable assurance regarding the reliability of Financial Reporting and that the preparation of Financial Statements for external purposes is in accordance with relevant accounting principles and regulatory requirements.

The management assists the Board in the implementation of Board's policies and procedures pertaining to Internal Control over Financial Reporting. The management is continuously in the process of enhancing the documentation of the systems of Internal Control over Financial Reporting. In assessing the Internal Control System over Financial Reporting, identified officers of the Company collated all procedures and controls that are connected with significant accounts and disclosures of the Financial Statements of the Company. These in turn are being observed and checked by the Internal Audit Department of the Company for suitability of design and effectiveness on an on-going basis.

Consequent to full convergence of Sri Lanka Accounting Standards with International Accounting Standards that became effective from the financial year beginning 1st April 2012, the Company has strengthened the processes and procedures initially adopted to comply with the said accounting standards, based on the feedback received from External Auditors, Internal Audit Department, Regulators and the Board Audit Committee. Progressive improvements on processes to comply with new Sri Lanka Accounting Standards requirements of recognition measurement, classification and disclosure are being made.

Confirmation

Based on the above processes, the Board confirms that the Financial Reporting System of the Company has been designed to provide reasonable assurance regarding the reliability of Financial Reporting and the preparation of Financial Statements for external purposes and has been done in accordance with Sri Lanka Accounting Standards and regulatory requirements of the Central Bank of Sri Lanka.

External Auditors' Certification

The External Auditors have submitted a certification on the process adopted by the Directors on the system of internal controls over Financial Reporting. The matters addressed by the External Auditors will be considered and appropriate steps would be taken to rectify them in the future.

By Order of the Board,

Mr. Sanath D. Bandaranayake
Director/Additional CEO

Mr. Ravi Dias
Chairman

Mr. Ajith Fernando
Director/Chairman of the Board Audit Committee

Colombo
22nd July 2015

Independent Auditors' Report

KPMG
Kandy Branch
(Chartered Accountants)
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To the Shareholders of Senkadagala Finance PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Senkadagala Finance PLC ("the Company") and the consolidated Financial Statements of the Company and its subsidiary ("the Group"), which comprise the statements of financial position as at 31st March 2015, the statements of income, statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 96 to 172 of the financial statements.

Board's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depends on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

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

a) The basis of opinion and scope and limitation of the audit are as stated above.

b) In our opinion

- We have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.
- The financial statements of the Company giving a true and fair view of its financial position as at 31st March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.
- The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

Chartered Accountants
Colombo

22nd June 2015

Income Statement

For the year ended 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Interest income	4	3,584,165,290	3,528,336,289	3,584,910,846	3,529,357,482
Interest expense	5	(1,750,531,743)	(1,868,498,663)	(1,746,294,517)	(1,864,955,704)
Net interest income		1,833,633,547	1,659,837,626	1,838,616,329	1,664,401,778
Fee and commission income	6	35,172,125	27,562,744	108,314,672	84,132,853
Fee and commission expense	7	(24,371,279)	(22,459,885)	(24,371,279)	(22,459,884)
Net fee and commission income		10,800,846	5,102,859	83,943,393	61,672,969
Net gain from trading	8	4,146,462	2,200,750	4,146,462	2,200,750
Net gain from financial instruments designated at fair value through profit or loss	9	15,761,153	6,579,963	15,761,153	6,579,963
Other operating income	10	76,139,913	58,606,183	25,799,913	26,806,185
Total operating income		1,940,481,921	1,732,327,381	1,968,267,250	1,761,661,645
Impairment charge on individual impairment	11	(67,433)	(3,981,203)	(67,433)	(3,981,203)
Impairment charge on collective impairment	12	(73,567,087)	(111,801,021)	(73,567,087)	(111,801,021)
Other loan losses charge	13	(94,320,114)	(21,492,599)	(94,320,114)	(21,492,599)
Net operating income		1,772,527,287	1,595,052,558	1,800,312,616	1,624,386,822
Personnel expenses	14	(362,361,297)	(302,156,842)	(364,871,212)	(304,280,843)
Depreciation of property, plant and equipment		(169,685,868)	(143,308,034)	(170,776,393)	(144,356,741)
Amortisation of intangible assets		(12,604,089)	(9,793,311)	(28,809,143)	(9,793,311)
Impairment loss of property, plant and equipment		(5,470,240)	(7,359,365)	(5,470,240)	(7,359,365)
Other expenses	15	(525,376,403)	(475,380,556)	(565,002,919)	(478,044,123)
Profit before VAT on financial services and income tax		697,029,390	657,054,450	665,382,709	680,552,439
Value Added Tax on financial services		(49,585,791)	(34,637,168)	(49,585,791)	(34,637,168)
Profit before income tax		647,443,599	622,417,282	615,796,918	645,915,271
Income tax expenses	16	(107,804,557)	(87,475,251)	(133,432,491)	(106,600,604)
Profit for the year		539,639,042	534,942,031	482,364,427	539,314,667
Earnings per share	17	8.27	8.63	7.40	8.70

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Profit for the year		539,639,042	534,942,031	482,364,427	539,314,667
Other Comprehensive Income					
Items that will never be reclassified to profit or loss					
Actuarial gain/(loss) on defined benefit plans	40.2	65,082	(8,023,818)	65,082	(8,023,818)
Income tax on other comprehensive income		(14,290)	2,246,668	(14,290)	2,246,668
Other comprehensive income for the year net of tax		50,792	(5,777,150)	50,792	(5,777,150)
Total comprehensive income for the year net of tax		539,689,834	529,164,881	482,415,219	533,537,517

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Financial Position

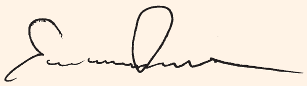
As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Assets					
Cash and cash equivalents	19	404,636,587	404,047,840	427,833,458	420,155,384
Deposits with licensed commercial banks	20	748,158,081	–	748,158,081	–
Repurchase agreements		581,421,556	1,114,280,206	581,421,556	1,114,280,206
Financial assets held at fair value through profit or loss	21	91,529,199	74,912,285	91,529,199	74,912,285
Finance leases	22	8,151,414,340	6,001,775,609	8,151,414,340	6,001,775,609
Hire purchases	23	4,925,414,552	6,167,957,766	4,925,414,552	6,167,957,766
Other loans and receivables	24	506,098,773	505,808,366	506,098,773	505,808,366
Financial assets available-for-sale	25	12,171,887	11,999,283	12,171,887	11,999,283
Financial assets held-to-maturity	26	1,062,632,291	554,773,253	1,062,632,291	554,773,253
Investments in subsidiaries	27	320,000,000	20,000,000	–	–
Investment property	28	79,327,971	79,631,009	264,327,971	79,631,009
Property, plant and equipment	29	961,508,782	738,368,098	965,032,417	742,932,334
Intangible assets	30	82,027,681	39,732,996	146,847,895	39,732,996
Amounts due from related company	31	1,452,369	–	–	–
Current tax recoverable	38	1,384,413	–	–	–
Other assets	32	143,839,814	156,389,778	144,117,918	156,524,775
Total assets		18,073,018,296	15,869,676,489	18,027,000,338	15,870,483,266
Liabilities					
Due to banks	33	2,928,337,801	1,406,252,190	2,940,860,735	1,419,144,263
Deposits from customers	34	6,541,895,759	5,624,399,485	6,519,521,274	5,587,138,393
Other borrowings	35	1,859,354,847	2,092,465,288	1,859,354,847	2,092,465,288
Debt securities issued	36	2,319,430,013	2,897,074,338	2,319,430,013	2,897,074,338
Deferred tax liability	37	197,115,561	155,731,632	197,139,903	155,767,757
Current tax liabilities	38	–	39,915,676	13,655,300	59,561,835
Other liabilities	39	372,039,311	239,667,292	374,248,214	240,018,641
Employee benefits	40	60,691,494	52,115,958	60,768,994	52,115,958
Subordinated liabilities	41	1,260,306,634	1,260,272,122	1,260,306,634	1,260,272,122
Total liabilities		15,539,171,420	13,767,893,981	15,545,285,914	13,763,558,595

		Company		Group	
As at 31st March	Note	**2015** **Rs.**	2014 Rs.	**2015** **Rs.**	2014 Rs.
Equity					
Stated capital	42	**1,008,062,200**	747,152,000	**1,008,062,200**	747,152,000
Statutory reserve fund	43	**230,036,033**	195,036,033	**230,036,033**	195,036,033
Investment fund account	44	**–**	170,628,603	**–**	170,628,603
Retained earnings		**1,295,748,643**	988,965,872	**1,243,616,191**	994,108,035
Total equity		**2,533,846,876**	2,101,782,508	**2,481,714,424**	2,106,924,671
Total liabilities and equity		**18,073,018,296**	15,869,676,489	**18,027,000,338**	15,870,483,266

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

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

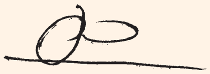


Mr. S. D. Bandaranayake
Additional Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board.

Mr. W. M. R. S. Dias
Chairman



Mr. L. Balasuriya
Managing Director/Chief Executive Officer

Colombo, Sri Lanka

22nd June 2015

Statement of Changes in Equity

	Stated Capital Rs.	Statutory Reserve Fund Rs.	Investment Fund Account Rs.	Retained Earnings Rs.	Total Rs.
Company					
Balance as at 1st April 2013	533,680,000	165,036,033	154,759,694	720,570,976	1,574,046,703
Total comprehensive income:					
Profit for the year	–	–	–	534,942,031	534,942,031
Other comprehensive income, net of tax	–	–	–	(5,777,150)	(5,777,150)
Issue of shares	213,472,000	–	–	–	213,472,000
Transfers to reserves	–	30,000,000	15,868,909	(45,868,909)	–
Dividends paid	–	–	–	(214,901,076)	(214,901,076)
Balance as at 31st March 2014	747,152,000	195,036,033	170,628,603	988,965,872	2,101,782,508
Balance as at 1st April 2014	747,152,000	195,036,033	170,628,603	988,965,872	2,101,782,508
Total comprehensive income:					
Profit for the year	–	–	–	539,639,042	539,639,042
Other comprehensive income, net of tax	–	–	–	50,792	50,792
Bonus issue of shares	260,910,200	–	–	(260,910,200)	–
Transfers to/(from) reserves	–	35,000,000	(170,628,603)	135,628,603	–
Dividends paid	–	–	–	(107,625,466)	(107,625,466)
Balance as at 31st March 2015	1,008,062,200	230,036,033	–	1,295,748,643	2,533,846,876
Group					
Balance as at 1st April 2013	533,680,000	165,036,033	154,759,694	721,340,503	1,574,816,230
Total comprehensive income:					
Profit for the year	–	–	–	539,314,667	539,314,667
Other comprehensive income, net of tax	–	–	–	(5,777,150)	(5,777,150)
Issue of shares	213,472,000	–	–	–	213,472,000
Transfers to reserves	–	30,000,000	15,868,909	(45,868,909)	–
Dividends paid	–	–	–	(214,901,076)	(214,901,076)
Balance as at 31st March 2014	747,152,000	195,036,033	170,628,603	994,108,035	2,106,924,671
Balance as at 1st April 2014	747,152,000	195,036,033	170,628,603	994,108,035	2,106,924,671
Total comprehensive income:					
Profit for the year	–	–	–	482,364,427	482,364,427
Other comprehensive income, net of tax	–	–	–	50,792	50,792
Bonus issue of shares	260,910,200	–	–	(260,910,200)	–
Transfers to/(from) reserves	–	35,000,000	(170,628,603)	135,628,603	–
Dividends paid	–	–	–	(107,625,466)	(107,625,466)
Balance as at 31st March 2015	1,008,062,200	230,036,033	–	1,243,616,191	2,481,714,424

Figures in brackets indicate deductions.

Notes to the Financial Statements form an integral part of these Financial Statements.

Statement of Cash Flows

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash Flows from Operating Activities				
Interest and commission receipts	3,584,665,629	3,393,655,915	3,658,553,732	3,451,247,217
Interest payments	(1,833,991,872)	(1,825,474,151)	(1,829,754,646)	(1,821,931,192)
Recoveries of bad debts	38,180,282	38,542,988	38,180,282	38,542,988
Other operating income	10,270,655	8,319,390	9,970,655	8,019,392
Operating expenditure	(728,432,934)	(594,402,106)	(733,442,408)	(597,065,672)
Cash payments to employees	(351,360,321)	(291,104,599)	(353,792,736)	(293,228,599)
Operating cash flow before changes in operating assets and liabilities (Note A)	719,331,439	729,537,437	789,714,879	785,584,134
Changes in Operating Assets and Liabilities				
Net funds advanced to customers	(949,749,593)	(1,081,213,509)	(949,749,593)	(1,081,213,509)
Deposits from customers	917,496,274	2,211,935,395	932,382,881	2,184,697,224
Deposits with licensed commercial banks	(748,158,081)	1,061,779,016	(748,158,081)	1,061,779,016
Investments in Government and other Securities	24,999,612	(1,203,435,524)	24,999,612	(1,203,435,524)
Other assets	11,097,595	(26,454,691)	12,406,857	(26,589,691)
Other liabilities	186,002,837	6,797,597	188,897,397	11,731,091
	(558,311,356)	969,408,284	(539,220,927)	946,968,607
Net cash inflow from operating activities before taxation	161,020,083	1,698,945,721	250,493,952	1,732,552,741
Taxes paid	(110,350,861)	(105,786,833)	(142,616,527)	(110,516,274)
Gratuity paid	(2,360,358)	(1,182,742)	(2,360,358)	(1,182,742)
Net cash generated from operating activities	48,308,864	1,591,976,146	105,517,067	1,620,853,725
Cash Flows from Investing Activities				
Acquisition of subsidiary	(300,000,000)	–	(299,686,937)	–
Net investment in trading securities	3,188,981	1,380,653	3,188,981	1,380,653
Net investment in investment securities	–	9,086,315	–	9,086,315
Purchase of financial assets available-for-sale	(172,604)	(166,150)	(172,604)	(166,150)
Dividends received on investments	52,374,192	33,595,081	2,334,192	2,095,081
Purchase of property, plant and equipment	(418,231,256)	(398,502,230)	(418,254,056)	(399,867,501)
Purchase of intangible assets	(54,898,774)	(9,011,798)	(54,898,774)	(9,011,798)
Proceeds from sale of property, plant and equipment	33,834,288	30,409,162	33,834,288	30,409,161
Net cash used in investing activities	(683,905,173)	(333,208,967)	(733,654,910)	(366,074,239)

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Cash Flows from Financing Activities				
Shares issued	–	213,472,000	–	213,472,000
Subordinated liabilities issued	–	1,250,000,000	–	1,250,000,000
Securitised loans obtained	3,382,550,000	1,860,000,000	3,382,550,000	1,860,000,000
Repayment of loans	(2,049,965,325)	(4,612,100,421)	(2,049,965,325)	(4,612,100,423)
Debentures issued	–	1,160,000,000	–	1,160,000,000
Redemption of debentures	(554,000,000)	(875,000,000)	(554,000,000)	(875,000,000)
Dividends paid	(158,640,430)	(161,253,503)	(158,640,430)	(161,253,503)
Net cash generated from/(used in) financing activities	619,944,245	(1,164,881,924)	619,944,245	(1,164,881,926)
Net increase/(decrease) in cash and cash equivalents	(15,652,064)	93,885,255	(8,193,598)	89,897,560
Cash and cash equivalents at the beginning of the year	328,341,651	234,456,396	331,557,122	241,659,562
Cash and cash equivalents at the end of the year	312,689,587	328,341,651	323,363,524	331,557,122
Reconciliation of cash and cash equivalents				
Cash and cash equivalents	404,636,587	404,047,840	427,833,458	420,155,384
Bank overdraft	(91,947,000)	(75,706,189)	(104,469,934)	(88,598,262)
	312,689,587	328,341,651	323,363,524	331,557,122

Note A

Reconciliation of Operating Profit

	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Profit before income tax	647,443,599	622,417,282	615,796,918	645,915,271
Depreciation	182,289,957	153,101,345	199,585,536	154,150,053
Dividend receipts on investments	(52,374,192)	(33,595,081)	(2,334,192)	(2,095,081)
Profit on disposal of motor vehicles	(13,596,788)	(11,264,964)	(13,596,788)	(11,264,964)
Provision for defined benefit plan	11,000,976	11,052,243	11,078,476	11,052,243
Impairment of financial assets	73,634,520	115,782,224	73,634,520	115,782,224
Impairment of investment of associate company	–	(13,957,555)	–	(13,957,555)
Loan losses and write-off	3,400,935	12,068,645	3,400,935	12,068,645
Gain on mark to market valuation of shares	(15,761,153)	(6,579,963)	(15,761,153)	(6,579,963)
Capital (gain)/loss on sale of shares	(4,044,740)	(2,085,318)	(4,044,740)	(2,085,318)
Gain from sale of group investments	–	(5,542,180)	–	(5,542,180)
Interest accrued on loans and advances	(34,671,786)	(162,243,118)	(34,671,786)	(162,243,118)
Accrued interest on borrowings	(95,780,231)	21,050,858	(95,780,231)	21,050,858
Accrued interest on debentures	12,320,102	4,065,066	12,320,102	4,065,066
Impairment loss of property, plant and equipment	5,470,240	7,359,365	5,470,240	7,359,365
Investment property and WHT written off	–	–	34,617,042	–
	719,331,439	729,537,437	789,714,879	785,584,134

Figures in brackets indicate deductions.

The Notes to the Financial Statements form an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate Information

1.1 Domicile and Legal Form

Senkadagala Finance PLC is a public limited liability company domiciled in Sri Lanka, incorporated under the Companies Act No. 51 of 1938 on 29th December 1968 and registered under the Finance Companies Act No. 78 of 1988 which was replaced by the Finance Business Act No. 42 of 2011. The Company was re-registered under the Companies Act No. 07 of 2007. The registered office of the Company is situated at No. 267, Galle Road, Colombo 03.

As a registered finance company, it is supervised by the Department of Supervision of Non-Banking Financial Institutions of the Central Bank of Sri Lanka.

1.2 Number of Employees

The number of employees of the Company at the end of the year was 601 (2014 – 492).

1.3 Consolidated Financial Statements

The Consolidated Financial Statements of Senkadagala Finance PLC for the period ended 31st March 2015 comprise those of the Company (Parent Company) and its subsidiaries (together referred to as the 'Group').

1.4 Principal Activities and Nature of Operations

Company

The principal lines of business of the Company can be broadly classified under two categories – Fund based and fee based. The fund based services include leasing, hire purchase finance, trade loans and pledge loans. The fee based services include vehicle valuation etc.

Subsidiaries

The subsidiary companies and their principal lines of business are as follows:

- Senkadagala Insurance Brokers (Pvt) Ltd.

During the year, the principal activity of the Senkadagala Insurance Brokers (Pvt) Ltd. was providing insurance brokering activities. Company holds 100% share capital of Senkadagala Insurance Brokers (Pvt) Ltd.

- Newest Capital Ltd.

The Company acquired 100% share capital of Newest Capital Ltd. during the year under the consolidation programme implemented by The Central Bank of Sri Lanka. The principal activities of the company was Finance Leasing business. However, the company had not carried out any finance leasing business during the year under review.

1.5 Parent Enterprise and Ultimate Parent Enterprise

The Company is a subsidiary of E. W. Balasuriya and Company (Pvt) Ltd., which is incorporated and domiciled in Sri Lanka.

2. Basis of Preparation

2.1 Statement of Compliance

The Financial Statements of the Company and the Group are prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) as issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007, Finance Companies Act No. 78 of 1988 which is replaced by the new Finance Business Act No. 42 of 2011 and the amendments to these acts and provide appropriate disclosures as required by the Central Bank of Sri Lanka and Listing Rules of the Colombo Stock Exchange.

The formats used in the preparation of the Financial Statements and the disclosures made therein also comply with the specified format prescribed by the Central Bank of Sri Lanka for the preparation, presentation and publication of Annual Audited Financial Statements of Non-Banking Financial Institutions.

2.2 Responsibility for Financial Statements

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company in accordance with the provisions of the Companies Act No. 07 of 2007 and Sri Lanka Accounting Standards.

The Financial Statements of Senkadagala Finance PLC for the Year ended 31st March 2015 were authorised for issue in accordance with a resolution of the Board of Directors on 22nd June 2015.

These Financial Statements include the following components:

- An Income Statement providing the information on the financial performance of the Company and the Group for the year under review.
- A Statement of Other Comprehensive Income Statement providing the other comprehensive income of the Company and the Group for the year under review.
- A Statement of Financial Position providing the information on the financial position of the Company and the Group as at the year end.
- A Statement of Changes in Equity providing the information on all changes in shareholders' equity of the Company and the Group during the year under review.
- A Statement of Cash Flows providing the information on the cash and cash equivalents generating ability of the Company and the Group and the ways of utilisation of those cash flows.
- Notes to the Financial Statements comprising accounting policies used and other notes.

2.3 Bases of Measurement

The Financial Statements of Senkadagala Finance PLC ('the Company') and subsidiaries consolidated ('Group') are prepared in Sri Lankan Rupees on a historical cost basis except for available-for-sale investments, derivative financial instruments, other financial assets and liabilities held-for-trading and financial assets and liabilities designated at fair value through profit or loss, all of which have been measured at fair value. No adjustments have been made for inflationary factors.

2.4 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees which is the functional currency.

2.5 Preparation of Financial Statements

The Company and the Group present its Statement of Financial Position broadly in order of liquidity. An analysis regarding recovery or settlement based on maturity is presented in Note 49. No adjustments have been made for inflationary factors affecting the Financial Statements.

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable 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 liability simultaneously. Income and expenses are not offset in the Income Statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard–LKAS 1 on 'Presentation of Financial Statements'.

2.7 Significant Accounting Judgments, Estimates and Assumptions

In the process of applying the Group's accounting policies, management has exercised judgment and estimates in determining the amounts recognised in the Financial Statements. The most significant uses of judgments and estimates are as follows:

2.7.1 Going Concern

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

2.7.2 Fair Value of Financial Instruments

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the CFO.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third-party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SLFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)
- If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

Note 28.2 – Investment Property
- Note 29.7 – Property, Plant & Equipment
- Note 51 C & D – Financial Instruments

2.7.3 Financial Assets and Liabilities Classification

The Group classifies financial assets and liabilities into different accounting categories in certain circumstances. In classifying financial assets as held-to-maturity, the Group has determined that it has both the positive intention and the ability to hold the assets until their maturity date.

2.7.4 Impairment Losses on Loans and Advances

The Group reviews its individually significant loans and advances at each Statement of Financial Position date to assess whether an impairment loss should be recorded in the Income Statement. In particular, management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Loans and advances that have been assessed individually and found not to be impaired and all individually insignificant loans and advances are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident. The collective assessment takes account of data from the loan portfolio (such as loan types, levels of arrears, type of the borrowers, industries, etc.) and judgments on the effect of concentrations of risks and economic data (including levels of unemployment, price indices, Inflation etc.). The impairment of financial assets is disclosed in more detail in Note 3.6.

2.7.5 Impairment of Available-for-Sale Investments

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

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

2.7.6 Defined Benefit Obligation

The cost of the defined benefit plan is determined using an actuarial valuation. The actuarial valuation involves making assumptions about discounting rates, future salary increases and mortality rates. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty.

2.7.7 Events After the Reporting Date

Events after the Reporting date are those events, favourable and unfavourable, that occur between the Reporting date and the date when the Financial Statements are authorised for issue.

In this regard, all material and important events that occurred after the Reporting date have been considered and appropriate disclosures are made in Note 47 where necessary.

2.8 Changes in Accounting Policies

2.8.1 New Accounting Standards Applied Effective from 1st January 2014

Except for the changes below, the Group has consistently applied the accounting policies set out in Note 3 to all periods presented in these consolidated Financial Statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1st January 2014.

a. SLFRS 10 Consolidated Financial Statements

b. SLFRS 12 Disclosure of Interests in Other Entities

c. SLFRS 13 Fair Value Measurement

d. Presentation of Items of Other Comprehensive Income (Amendments to LKAS 1)

(a) Subsidiaries

As a result of SLFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. SLFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of SLFRS 10, the Group reassessed the control conclusion for its investees at 1st April 2014. No changes were made as a result of this assessment.

(b) Disclosure of Interests in Other Entities

As a result of SLFRS 12, the Group has expanded its disclosures about its interests in subsidiaries (see Note 27).

(c) Fair Value Measurement

SLFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other SLFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
It replaces and expands the disclosure requirements about fair value measurements in other SLFRSs, including SLFRS 7. As a result, the Group has included additional disclosures in this regard.

In accordance with the transitional provisions of SLFRS 13, the Group has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities.

(d) Presentation of Items of Other Comprehensive Income (OCI)

As a result of the amendments to LKAS 1, the Group has modified the presentation of items of OCI in its Statement of Profit or Loss and OCI, to present separately items that would be reclassified to profit or loss from those that would never be. Comparative information has been re-presented accordingly.

3. Significant Accounting Policies

3.1 Basis of Consolidation

The Financial Statements of the Company and Group comprise the Financial Statements of the Company and its subsidiaries for the year ended 31st March 2015. The Financial Statements of the Company's subsidiaries for the purpose of consolidation are prepared for the same reporting year as that of Senkadagala Finance PLC, using consistent accounting policies.

All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.

3.1.1 Non-controlling Interest

Non-controlling interest is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

3.1.2 Loss of Control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3.1.3 Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in associates are accounted using the equity method. Accordingly investment in associates are carried at cost plus post acquisition changes in the Group's share of net assets of the associate and reported as a separate line item in the Statement of financial position. Associates are those entities in which the Group has significant influence, but not control over the financial and operating policies.

3.2 Foreign Currency Translation

The Consolidated Financial Statements are presented in Sri Lankan Rupees.

Transactions in foreign currencies are initially recorded at the spot rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated at the spot rate of exchange at the Reporting date. All differences arising on non-trading activities are taken to 'Other Operating Income' in the Income Statement.

3.3 Financial Instruments – Initial Recognition and Subsequent Measurement

(i) Date of Recognition

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

(ii) Initial Measurement of Financial Instruments

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

(iii) Classification and Subsequent Measurement of Financial Assets

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

- At fair value through profit or loss account
  - Held for trading; or
  - Designated at fair value through profit or loss.
- Loans and receivables
- Available-for-sale; or
- Held-to-maturity

Subsequent measurement depends on the financial asset category.

(a) Financial Assets Held for Trading

Financial assets held for trading are recorded in the Statement of Financial Position at fair value. Changes in fair value are recognised in 'Net trading income'. Interest and dividend income or expense is recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions and customer loans that have been acquired principally for the purpose of selling or repurchasing in the near term.

(b) Financial Assets Designated at Fair Value Through Profit or Loss

Financial assets classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument by instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.
- The assets are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.
- Financial assets at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets designated at fair value through profit or loss. Interest earned or incurred is accrued in 'Interest income' or 'Interest expense', respectively, using the effective interest rate (EIR), while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

(c) Loans and Receivables

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

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

When the Group is the lessor in a lease agreement that transfers substantially all risks and rewards incidental to ownership of the asset to the lessee, the arrangement is classified as a finance lease. Amount receivable under finance leases net of initial rentals received, unearned lease income and provision for impairment is classified as lease receivable and presented under loans and receivables in the Statement of Financial Position.

Subsequent to the initial measurement, loans and receivables are measured at amortised cost using the EIR, less provision for impairment, except when the Group recognises loans and receivable at fair value through profit or loss. Amortised cost is calculated by taking into account any discounts or premium on acquisition and fees and costs that are integral part of the EIR. The amortisation is included in interest income in the Statement of Comprehensive Income. The losses arising from impairment are recognised in the Statement of Comprehensive Income in impairment charges for loans and other losses.

(d) Available-for-Sale Financial Investments

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

Insignificant investments in security that do not have a quoted market price in an active market and whose fair value can be reliably measured are stated at cost.

(e) Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the Income Statement as 'other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the Income Statement.

(f) Held-to-Maturity Financial Investments

Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the EIR, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortisation is included in 'Interest and similar income' in the Income Statement. The losses arising from impairment of such investments are recognised in the Income Statement line 'credit loss expense'. If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity for two years following such reclassification.

iv. Classification and Subsequent Measurement of Financial Liabilities

At initial recognition financial liabilities are classified into one of the following categories;

- At fair value through profit or loss
  - Held for trading; or
  - Designated at fair value through profit or loss.
- At amortised cost

Subsequent measurement depends on the financial liability category.

(a) Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities acquired principally for the purpose of selling or repurchasing in the near term or held as a part of a portfolio that is managed for short-term profit or position taking are classified as financial liabilities at fair value through profit or loss.

Gains or losses on liabilities held at fair value through profit or loss are recognised in the Statement of Comprehensive Income.

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

(b) Financial Liabilities at Amortised Cost

Financial instruments issued by the Group that are not designated at fair value through profit or loss, are classified as liabilities under 'due to banks', 'other borrowings' or 'subordinated liabilities as appropriate, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

After initial recognition, debt issued and other borrowings are subsequently measured at amortised cost using the EIR. Amortised cost is calculated by taking into account any discount or premium on the issue and costs that are an integral part of the EIR.

(v) Reclassification of Financial Assets

Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

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 profit or loss 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 recycled to the Income Statement.

The Group may reclassify a non-derivative trading asset out of the 'held for trading' category and into the 'Loans and receivables' category if it meets the definition of loans and receivables and the Group has the intention and ability to hold the financial asset for the foreseeable future or until maturity. If a financial asset is reclassified, and if the Group subsequently increases its estimates of future cash receipts as a result of increased recoverability of those cash receipts, the effect of that increase is recognised as an adjustment to the EIR from the date of the change in estimate.

Reclassification is at the election of management, and is determined on an instrument by instrument basis. The Group does not reclassify any financial instrument into fair value through profit or loss category after initial recognition.

3.4 Derecognition of Financial Assets and Financial Liabilities

(i) Financial Assets

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

- The Group has transferred substantially all the risks and rewards of the asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(ii) Financial Liabilities

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

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

3.5 Repurchase Agreements

Securities purchased under agreements to resell at a specified future date are not recognised in the Statement of Financial Position. The consideration paid, including accrued interest, is recorded in the Statement of Financial Position, within ‘Cash collateral on securities borrowed and repurchase agreements’, reflecting the transaction’s economic substance as a loan by the Group. The difference between the purchase and resale prices is recorded in ‘Net interest income’ and is accrued over the life of the agreement using the EIR.

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

(i) Loans and Advances Carried at Amortised Cost

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and for groups of loans, which is done collectively. Impairment losses are recorded as charges to the Income Statement. The carrying amount of impaired loans on the Reporting date is reduced through the use of impairment allowance accounts. Losses expected from future events are not recognised.

Individually Assessed Lease, Hire Purchase, Loans and Advances

For all lease, hire purchase, loans and advances that are considered individually significant, the Group assesses on a case-by-case basis at each Reporting date whether there is any objective evidence that a loan is impaired. The criteria used to determine that there is such objective evidence include:

- known cash flow difficulties experienced by the borrower;
- past due contractual payments of either principal or interest;
- breach of loan covenants or conditions;
- the probability that the borrower will enter bankruptcy or other financial realisation; and
- a significant downgrading in credit rating by an external credit rating agency.

For those lease, hire purchases, loans and advances where objective evidence of impairment exists, impairment losses are determined considering the following factors:

- Group’s aggregate exposure to the customer;
- the viability of the customer’s business model and their capacity to trade successfully out of financial difficulties and generate sufficient cash flow to service debt obligations;
- the amount and timing of expected receipts and recoveries;
- the complexity of determining the aggregate amount and ranking of all creditor claims and the extent to which legal and insurance uncertainties are evident;
- the realisable value of security and likelihood of successful repossession; and
- the likely deduction of any costs involved in recovery of amounts outstanding.

Impairment losses are calculated by discounting the expected future cash flows of a loan at its original effective interest rate and comparing the resultant present value with the loan’s current carrying amount. The impairment allowances on individually significant accounts are reviewed more regularly when circumstances require. This normally encompasses re-assessment of the enforceability of any collateral held and the timing and amount of actual and anticipated receipts. Individually assessed impairment allowances are only released when there is reasonable and objective evidence of a reduction in the established loss estimate.

Collectively Assessed Lease, Hire Purchase, Loans and Advances

Impairment is assessed on a collective basis in two circumstances:

- known cash flow difficulties experienced by the borrower; to cover losses which have been incurred but have not yet been identified on lease, hire purchase, loans and advances subject to individual assessment; and
- for homogeneous groups of lease, hire purchase, loans and advances that are not considered individually significant.

Incurred But Not Yet Identified Impairment

Individually assessed lease, hire purchase, loans and advances for which no evidence of loss has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective loss. This reflects impairment losses that the Group has incurred as a result of events occurring before the Reporting date, which the Group is not able to identify on an individual loan basis, and that can be reliably estimated. These losses will only be individually identified in the future. As soon as information becomes available which identifies losses on individual loans within the Group, those loans are removed from the Group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- Historical loss experience in portfolios of similar credit risk; and
- Management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the Reporting date is likely to be greater or less than that suggested by historical experience.

Homogeneous Groups of Lease, Hire Purchase, Loans and Advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the Group.

Write-off of Loans and Advances

Loans (and the related impairment allowance accounts) are normally written off, either partially or in full, when there is no realistic prospect of recovery. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security.

Reversals of Impairment

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

(ii) 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 is impaired.

In the case of debt instruments classified as available-for-sale, the Group assesses individually whether there is objective evidence of impairment based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Income Statement. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss.

3.7 Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Interest and Similar Income and Expense

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

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest and similar income' for financial assets and 'Interest and similar expense' for financial liabilities.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(a) Lease

In accordance with Sri Lanka Accounting Standard LKAS 17 on 'Leases', recognition of finance income on leasing is accounted based on a pattern reflecting a constant periodic rate of return on capital outstanding. The excess of aggregate rentals receivable over the cost of leased assets constitutes the total unearned interest income at the commencement of the contract. The Group recognises the interest income from unearned income on the lease on an accrual basis over the term of the lease in proportion to the remaining balance of the lease.

(b) Hire Purchase

Recognition of interest income from hire purchase facilities is similar to that of leases, which recognises interest income based on a pattern reflecting a constant rate of return on capital outstanding.

(c) Commercial Loans and Other Loans and Advances

Recognition of interest income from loans and advances is similar to that of leases, which recognises interest income based on a pattern reflecting a constant rate of return on the capital outstanding.

(d) Gold Loans (Pawning)

Interest on gold loans (pawning) is recognised on an accrual basis over a maximum period of 12 months.

(ii) Fee and Commission Income

The Group earns fee and commission income from a diverse range of services it provides to its customers.

(iii) Fee Income Earned from Services that are Provided Over a Certain Period of Time

Fees earned for the provision of services are not an integral part of main source. These income are the collection from customers for a reimbursement of expenses. These fees include commission income and finance charge, legal fees, valuation and document charges.

(iv) Dividend Income

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

(v) Net Trading Income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held for trading'. This includes any ineffectiveness recorded in hedging transactions.

3.8 Cash and Cash Equivalents

Cash and cash equivalents as referred to in the Statement of Cash Flow comprises cash on hand, non-restricted current accounts and amounts due from Group's on demand or with an original maturity of three months or less.

3.9 Business Combinations and Goodwill

Business combinations are accounted for using the purchase method of accounting. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities but excluding future restructuring) of the acquired business at fair value. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the fair values of the identifiable net assets acquired, the discount on acquisition is recognised directly in the Income Statement in the year of acquisition.

Goodwill acquired in a business combination being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired, is initially measured at cost.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually, or more frequently, if events or changes in 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 Company's cash-generating units (CGUs) or group of CGUs, which are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes, and is not larger than an operating segment in accordance with Sri Lanka Accounting Standard– SLFRS 8 – 'Operating Segments'.

Where goodwill forms part of a CGU (or group of CGUs) 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 CGU retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and goodwill is recognised in the Income Statement.

3.10 Property, Plant and Equipment

Property, plant and equipment is stated at cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property, plant and equipment to their residual values over their estimated useful lives. Land is not depreciated.

The depreciation rates and estimated useful lives of the different types of assets are as follows:

Buildings	5% per annum (20 years)
Office equipment	10% per annum (10 years)
Computers and other equipment	25% per annum (4 years)
Furniture and fittings	10% per annum (10 years)
Motor vehicles	16.67% per annum (6 years)
Generators	12.5% per annum (8 years)
Interior construction	20% per annum (5 years)

Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in 'Other operating income' in the Income Statement in the year the asset is derecognised.

3.11 Intangible Assets

The Group's other intangible assets include the value of computer software. An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Group.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their 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.

Amortisation is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

The Class of Intangible Assets	Useful Life	Amortisation Method
Computer Software	8.34 Years	Straight-line method

3.12 Investment Property

Property held to earn rental income and property held for capital appreciation have been classified as investment property. Investment property are initially recognised at cost. Subsequent to the initial recognition, the investment property is accounted using cost model.

Depreciation is calculated using the straight-line method to write down the cost of property to their residual values over their estimated useful lives. Land is not depreciated. Buildings are estimated to have a useful life of 20 years and the depreciation rate adopted is 5% per annum.

3.13 Impairment of Non-Financial Assets

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

For assets excluding goodwill, an assessment is made at each Reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the Income Statement.

Impairment losses relating to goodwill are not reversed in future periods.

3.14 Employee Benefits

(i) Defined Benefit Plan

The cost of providing benefits under the defined benefit plan is determined separately using the Projected Unit Credit method. This method involves estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value.

The past service cost is recognised as an expense on a straight line basis over the period until the benefits become vested. If the benefits are already vested following the introduction of, or changes to, defined benefit plan, past service cost is recognised immediately.

The latest actuarial valuation was carried out as at 31st March 2015, by Piyal S. Gunatilleke F.S.A. (USA), a Fellow of the Society of Actuaries (USA), Member of the American Academy of Actuaries and Consulting Actuaries.

The principal financial assumptions used in the valuation are:

Interest/discount rate	10% p.a.
Basic salary increase for all grades	10% p.a.
Retirement age	55 years

The actuarial gains or losses are recognised in the Statement of Comprehensive Income in the period in which they arise.

Funding Arrangement

The gratuity liabilities are not externally funded.

Gratuity payments are made by the Group according to the Payment of Gratuity Act No. 12 of 1983. Accordingly, the Group is liable to pay gratuity to employees who have completed a minimum of five-year service in the Group at the rate of 50% of the last drawn salary for each completed year of service.

The subsidiaries of the Company provide for gratuity under the Payment of Gratuity Act No. 12 of 1983. Provision for gratuity has been made for employees who have completed one year of service with the Company. These liabilities are not externally funded.

(ii) Defined Contribution Plan

The Group also operates a defined contribution plan. The contribution payable to a defined contribution plan is in proportion to the services rendered to the Group by the employees and is recorded as an expense under 'personnel expenses'. Unpaid contributions are recorded as a liability.

The Group contributes to the following Schemes:

Employees' Provident Fund

The Group and employees contribute 12% and 8% respectively of the employees' monthly gross salary (excluding overtime) to the Employees' Provident Fund managed by the Central Bank of Sri Lanka.

Employees' Trust Fund

The Company contributes 3% of the employees' monthly gross salary excluding overtime to the Employees' Trust Fund maintained by the Employees' Trust Fund Board of the Central Bank of Sri Lanka.

3.15 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, and 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. The expense relating to any provision is presented in the Income Statement net of any reimbursement.

3.16 Taxes

(i) Current Taxation

Current tax assets and liabilities consist of amounts expected to be recovered from or paid to the Commissioner General of Inland Revenue in respect of the current as well as prior years. The tax rates and tax laws used to compute the amount are those that are enacted or subsequently enacted by the Reporting date. Accordingly, provision for taxation is made on the basis of the profit for the year as adjusted for taxation purpose in accordance with the provision of the Inland Revenue Act No. 10 of 2006 and the amendment thereto, at the rates specified in the Financial Statements.

(ii) Deferred Taxation

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

Deferred tax assets are recognised for all deductible differences. Carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply in the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or subsequently enacted at the Reporting date.

(iii) Value Added Tax on Financial Services

Company's total value addition is subject to a 11% Value Added Tax as per Section 25A of the Value Added Tax No. 14 of 2002 and amendments thereto.

3.17 Segment Reporting

A segment is a distinguishable component of the Company that is engaged in providing services (Business Segment).

In accordance with Sri Lanka Financial Reporting Standard SLFRS 8 – 'Operating Segments', segmental information is presented in respect of the Group. The segments comprise financing and investing segments.

Segment results, assets and liabilities include those items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprises mainly head office expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

3.18 New Accounting Standards Issued but not yet Effective

A number of new Standards and amendments to Standards which have been issued but not yet effective as at the Reporting date have not been applied in preparing these consolidated Financial Statements. Accordingly, the following Accounting Standards have not been applied in preparing these Financial Statements and the Group plans to apply these Standards on the respective effective dates.

SLFRS 9 - 'Financial Instruments'

SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 – 'Financial Instruments: Recognition and Measurement'. SLFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from LKAS 39.

Effective date of SLFRS 9 has been deferred till 1st January 2018.

SLFRS 14 - 'Regulatory Deferral Accounts'

The scope of this Standard is limited to first-time adopters of SLFRS that already recognise regulatory deferral account balances in their Financial Statements. Consequently, the Financial Statements of rate regulated entities that already apply SLFRS, or that do not otherwise recognise such balances, will not be affected by this Standard. SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2016.

SLFRS 15 – 'Revenue from Contracts with Customers'

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts'.

SLFRS 15 is effective for annual reporting periods beginning on or after 1st January 2017.

For the year ended 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

4. Interest Income

Cash and short-term funds		11,910,727	65,592,210	12,656,283	66,613,403
Foreign currency deposits		38,396,660	–	38,396,660	–
Repurchase agreements	4.1	67,793,001	49,721,749	67,793,001	49,721,749
Finance leases		1,424,612,045	1,398,979,560	1,424,612,045	1,398,979,560
Hire purchases		1,472,811,593	1,486,218,967	1,472,811,593	1,486,218,967
Personal loans		30,075,998	27,448,230	30,075,998	27,448,230
Commercial loans		14,778,208	12,963,192	14,778,208	12,963,192
Pawning advances		19,255,735	19,137,515	19,255,735	19,137,515
Fixed deposit loans		5,959,891	8,321,379	5,959,891	8,321,379
Financial assets-held-to-maturity	4.1	66,584,414	49,766,391	66,584,414	49,766,391
Interest on delayed insurance premium		36,014,602	29,367,807	36,014,602	29,367,807
Interest on overdue rentals		395,972,416	380,819,289	395,972,416	380,819,289
		3,584,165,290	3,528,336,289	3,584,910,846	3,529,357,482

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

Section 137 of the Inland Revenue Act No. 10 of 2006 provides that a company which derives interest income from the secondary market transactions in Government Securities would be entitled to a notional tax credit (being one-ninth of net interest income), provided such interest income forms part of the statutory income of the Company for that year of assessment.

Accordingly, the net interest earned by the Company from the secondary market transactions in Government Securities has been grossed up in the Financial Statements, with the resulting notional tax credit amounting to Rs. 13,437,741/- (2014 – Rs. 9,948,814/-)

For the year ended 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

5. Interest Expense

Due to banks	170,125,549	419,889,101	170,125,549	419,889,101
Deposits from customers	683,540,063	557,564,618	679,302,837	554,021,659
Securitisations	250,458,937	302,325,594	250,458,937	302,325,594
Commercial paper	58,846,599	28,792,509	58,846,599	28,792,509
Debt securities issued	400,026,084	503,421,842	400,026,084	503,421,842
Subordinated liabilities	187,534,511	56,504,999	187,534,511	56,504,999
	1,750,531,743	1,868,498,663	1,746,294,517	1,864,955,704

	Company		Group	
For the year ended 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

6. Fee and Commission Income

Finance charges	25,907,875	20,636,846	25,907,875	20,636,846
Commission income	623,503	635,669	73,766,050	57,205,778
Legal fees	7,374,961	6,724,113	7,374,961	6,724,113
Inspection fees	1,265,786	(433,884)	1,265,786	(433,884)
	35,172,125	27,562,744	108,314,672	84,132,853

Commission income consists of commission received on brokering for insurance on vehicles financed in the ordinary course of business of the Company. The said line of income was transferred to the fully-owned Subsidiary Senkadagala Insurance Brokers (Pvt) Ltd. from 2012/13. This segment did not involve any asset, liability or any operation and it is only a line of income.

	Company		Group	
For the year ended 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

7. Fee and Commission Expense

Commission paid	14,300,071	13,093,025	14,300,071	13,093,025
Other	10,071,208	9,366,860	10,071,208	9,366,859
	24,371,279	22,459,885	24,371,279	22,459,884

8. Net Gain from Trading

Equities	4,044,740	2,085,318	4,044,740	2,085,318
Foreign exchange	101,722	115,432	101,722	115,432
	4,146,462	2,200,750	4,146,462	2,200,750

9. Net Gain from Financial Instruments Designated at Fair Value Through Profit or Loss

Financial assets designated at fair value through profit or loss	15,761,153	6,579,963	15,761,153	6,579,963
	15,761,153	6,579,963	15,761,153	6,579,963

10. Other Operating Income

Dividend income	52,374,192	33,595,081	2,334,192	2,095,081
Gains from sale of fixed assets	13,596,788	11,264,964	13,596,788	11,264,964
Gains from sale of group investments	–	5,542,180	–	5,542,180
Rent income	1,986,607	1,959,821	1,686,607	1,659,821
Other income	8,182,326	6,244,137	8,182,326	6,244,139
	76,139,913	58,606,183	25,799,913	26,806,185

For the year ended 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

11. Impairment Charge/(Reversal) on Individual Impairment

Finance-leases	22.1	33,440	(1,486,906)	33,440	(1,486,906)
Hire purchases	23.1	396,330	1,260,494	396,330	1,260,494
Commercial loans	24.1.1	(362,337)	4,207,615	(362,337)	4,207,615
Other-advances	24.4.1	–	–	–	–
		67,433	3,981,203	67,433	3,981,203

12. Impairment Charge/(Reversal) on Collective Impairment

Finance leases	22.2	24,429,694	87,613,640	24,429,694	87,613,640
Hire purchases	23.2	17,368,378	23,776,140	17,368,378	23,776,140
Commercial loans	24.1.2	1,420,458	(1,015,321)	1,420,458	(1,015,321)
Pawning advances	24.3.1	(3,422,210)	2,604,646	(3,422,210)	2,604,646
Other advances	24.4.2	33,770,767	(1,178,084)	33,770,767	(1,178,084)
		73,567,087	111,801,021	73,567,087	111,801,021

13. Other Loan Losses Charge/(Reversal)

Net loss on sale of repossessed assets		129,099,461	61,924,497	129,099,461	61,924,497
Loss on auction of pawned articles		3,400,935	12,068,645	3,400,935	12,068,645
Recovery of loans previously written-off		(38,180,282)	(38,542,988)	(38,180,282)	(38,542,988)
Impairment reversal on investment in associate		–	(13,957,555)	–	(13,957,555)
		94,320,114	21,492,599	94,320,114	21,492,599

14. Personnel Expenses

Salaries and wages		247,581,673	208,460,085	249,573,773	210,307,586
Directors' emoluments		18,800,000	14,955,000	18,800,000	14,955,000
Employee Provident Fund		29,687,964	25,859,161	29,916,216	26,069,161
Employee Trust Fund		7,421,991	6,464,790	7,479,054	6,517,290
Contribution for defined benefit plan		11,000,976	11,052,243	11,078,476	11,052,243
Staff bonus		29,428,954	28,225,429	29,583,954	28,225,429
Other personnel costs		18,439,739	7,140,134	18,439,739	7,154,134
		362,361,297	302,156,842	364,871,212	304,280,843

		Company		Group	
For the year ended 31st March	Notes	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

15. Other Operating Expenses

External Auditors' remuneration - Audit fee and audit related services		2,250,322	1,810,400	2,601,655	1,990,554
Internal Auditors' remuneration		5,808,000	5,400,000	5,808,000	5,400,000
Legal expenses		11,994,574	10,159,445	11,994,574	10,159,445
Contribution to deposit insurance scheme of CBSL		8,996,881	2,527,805	8,996,881	2,527,805
Other administrative expenses		69,477,206	56,939,531	70,958,018	57,291,457
Establishment expenses		375,976,165	308,418,679	377,010,877	309,415,786
Selling expenses		50,873,255	90,133,696	87,632,914	91,259,076
		525,376,403	475,380,556	565,002,919	478,044,123

16. Income Tax Expenses

Current Tax Expense					
Current income tax charge	16.1	66,434,918	115,557,739	86,514,635	131,148,408
Under provision in respect of previous years		–	13,032,139	–	13,032,139
Withholding tax on inter-company dividends		–	–	5,560,000	3,500,000
		66,434,918	128,589,878	92,074,635	147,680,547
Deferred Tax Expense					
Origination and reversal of temporary differences		41,369,639	(41,114,627)	41,357,856	(41,079,943)
		107,804,557	87,475,251	133,432,491	106,600,604

16.1 Reconciliation of the Total Tax Charge

Net profit before tax		647,443,599	622,417,282	615,796,918	645,915,271
Adjustments:					
Consolidation adjustments		–	–	97,154,353	–
Exempt/allowable income		(369,920,844)	(98,296,310)	(369,920,844)	(63,296,310)
Disallowable expenses		356,637,369	334,521,866	363,241,500	335,570,572
Allowable expenses		(391,129,137)	(445,936,628)	(391,527,670)	(449,802,361)
Loss on leasing business		112,870,365	–	112,870,365	–
Tax credit on consolidation of business		(118,633,783)	–	(118,633,783)	–
Taxable income		237,267,569	412,706,210	308,980,839	468,387,172
Income tax rate		28%	28%	28%	28%
Tax expense for the period		66,434,918	115,557,739	86,514,635	131,148,408
Effective Tax Rate		10%	19%	14%	20%

17. Earnings Per Share

Basic earnings per share has been calculated by dividing the net profit for the period attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

	Company		Group	
For the year ended 31st March	2015	2014	2015	2014
Profit attributable to ordinary shareholders of the Company (Rs.)	539,639,042	534,942,031	482,364,427	539,314,667
Weighted average number of ordinary shares	65,227,555	61,966,177	65,227,555	61,966,177
Basic earnings per ordinary share (Rs.)	8.27	8.63	7.40	8.70

18. Dividends Per Share

Dividends per share is calculated by dividing the proposed and/or paid dividend to ordinary shareholders of the Company, by the number of ordinary shares in issue.

	Company	
For the year ended 31st March	2015 Rs.	2014 Rs.
18.1 Dividend Paid during the Period		
1st interim dividend paid (2014/15 – Rs. 0.85, 2013/14 – Rs. 0.40)	55,443,422	21,347,200
2nd interim dividend paid (2014/15 – Rs. 0.50, 2013/14 – Rs. 0.59)	–	34,635,832
Final dividend paid (2013/14 – Rs. 0.80, 2012/13 – Rs. 1.20)	52,182,044	–
Total dividends paid	107,625,466	55,983,032
18.2 Dividend Proposed for the Period		
2nd interim dividend (2014/15 – Rs. 0.50 , 2013/14 – Rs. 0.59)	32,613,778	–
3rd interim dividend (2014/15 – Nill, 2013/14 – Rs. 0.80)	–	52,182,044
Final dividend paid (2014/15 – Rs. 0.80 2013/14 – Rs. 0.80)	52,182,044	–
Total dividends proposed	84,795,822	52,182,044
Dividend per share	2.95	1.79

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

19. Cash and Cash Equivalents

Cash in hand held in local currency	103,693,310	68,936,990	103,718,310	68,961,990
Cash in hand held in foreign currency	20,017	1,075	20,017	1,075
Balances with licensed commercial banks	300,923,260	335,109,775	324,095,131	351,192,319
	404,636,587	404,047,840	427,833,458	420,155,384

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

20. Deposits with Licensed Commercial Banks

Commercial Bank of Ceylon PLC – Foreign currency deposit		748,158,081	–	748,158,081	–
		748,158,081	–	748,158,081	–

20.1 Value of deposits pledged as security for facilities obtained from banks amounted to Rs. 748 million as at 31st March 2015.

21. Financial Assets Held at Fair Value Through Profit or Loss

Quoted equity	21.1	89,279,199	73,202,285	89,279,199	73,202,285
Quoted unit trust	21.2	2,250,000	1,710,000	2,250,000	1,710,000
		91,529,199	74,912,285	91,529,199	74,912,285

As at 31st March	Company 2015 No. of Shares	Company 2015 Cost Rs.	Company 2015 Market Value Rs.	Company 2014 No. of Shares	Company 2014 Cost Rs.	Company 2014 Market Value Rs.	Group 2015 No. of Shares	Group 2015 Cost Rs.	Group 2015 Market Value Rs.	Group 2014 No. of Shares	Group 2014 Cost Rs.	Group 2014 Market Value Rs.

21.1 Quoted Equity

Bank, Finance and Insurance												
Central Finance Company PLC	22,387	243,207	5,598,989	22,387	243,207	4,052,047	22,387	243,207	5,598,989	22,387	243,207	4,052,047
National Development Bank PLC	668	500	165,664	668	500	119,305	668	500	165,664	668	500	119,305
Commercial Bank of Ceylon PLC	2,764	258,096	457,166	2,764	258,096	339,972	2,764	258,096	457,166	2,764	258,096	339,972
Beverage, Food and Tobacco												
Ceylon Tobacco PLC	3,100	142,017	3,098,450	3,100	142,017	3,273,600	3,100	142,017	3,098,450	3,100	142,017	3,273,600
Hotels and Travels												
Aitken Spence PLC	495	3,355	49,253	495	3,355	48,461	495	3,355	49,253	495	3,355	48,461
Manufacturing												
Royal Ceramics Lanka PLC	20	273	2,220	20	273	1,585	20	273	2,220	20	273	1,585
Diversified Holdings												
John Keells Holdings PLC	3,085	101,825	615,149	3,085	101,825	700,295	3,085	101,825	615,149	3,085	101,825	700,295
Hayleys PLC	113	7,175	33,900	113	7,175	32,205	113	7,175	33,900	113	7,175	32,205
Trading												
Lanka Indian Oil Corporation PLC	5,500	148,500	221,650	5,500	148,500	211,750	5,500	148,500	221,650	5,500	148,500	211,750
Portfolio Investment (Note 21.1.1)		56,565,991	79,036,758		55,705,508	64,423,065		56,565,991	79,036,758		55,705,508	64,423,065
		57,470,939	89,279,199		56,610,456	73,202,285		57,470,939	89,279,199		56,610,456	73,202,285

As at 31st March	Company						Group					
	2015			2014			2015			2014		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
21.1.1 Portfolio Investment												
Bank, Finance and Insurance												
Ceylinco Insurance PLC (Non-voting)	10,000	1,560,322	6,250,000	10,000	1,560,322	4,230,000	10,000	1,560,322	6,250,000	10,000	1,560,322	4,230,000
Commercial Bank of Ceylon PLC	69	4,722	–	–	–	–	69	4,722	–	–	–	–
Hatton National Bank PLC (Non-voting)	–	–	–	–	–	–	–	–	–	–	–	–
Lanka Ventures PLC	21,800	903,811	959,200	–	–	–	21,800	903,811	959,200	–	–	–
Seylan Bank PLC (Non-voting)	30,000	1,820,160	1,902,000	27,351	1,144,859	1,011,987	30,000	1,820,160	1,902,000	27,351	1,144,859	1,011,987
Beverage, Food and Tobacco												
Ceylon Cold Stores PLC	15,000	1,563,695	4,473,000	17,500	1,824,310	2,462,250	17,500	1,563,695	4,473,000	17,500	1,824,310	2,462,250
Distilleries Company of Sri Lanka PLC	50,000	7,739,521	12,025,000	65,000	10,061,377	13,195,000	50,000	7,739,521	12,025,000	65,000	10,061,377	13,195,000
Lanka Milk Foods (CWE) PLC	72,888	7,308,216	10,204,320	65,888	6,376,747	7,056,605	72,888	7,308,216	10,204,320	65,888	6,376,747	7,056,605
Renuka Shaw Wallace PLC	–	–	–	200	3,084	2,480	–	–	–	200	3,084	2,480
Renuka Agri Foods PLC	–	–	–	50,000	214,880	155,000	–	–	–	50,000	214,880	155,000
Chemicals and Pharmaceuticals												
CIC Holdings PLC (Non-voting)	90,000	3,823,735	5,184,000	50,000	2,226,039	1,865,000	90,000	3,823,735	5,184,000	50,000	2,226,039	1,865,000
Haycarb PLC	18,300	3,010,621	3,348,900	13,300	2,049,981	2,407,300	18,300	3,010,621	3,348,900	13,300	2,049,981	2,407,300
Diversified Holdings												
Plantation												
Kegalle Plantation PLC	–	–	–	2,500	235,104	262,500	–	–	–	2,500	235,104	262,500
Kotagala Plantation PLC	10,000	556,151	247,000	10,000	556,151	350,000	10,000	556,151	247,000	10,000	556,151	350,000
Footwear and Textile												
Hayleys Mgt Knitting Mills PLC	–	–	–	34,400	747,603	350,880	–	–	–	34,400	747,603	350,880

As at 31st March	Company						Group					
	2015			2014			2015			2014		
	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.	No. of Shares	Cost Rs.	Market Value Rs.
Healthcare												
Ceylon Hospitals PLC (Non-voting)	38,838	1,205,012	2,916,734	38,838	1,205,012	2,990,526	38,838	1,205,012	2,916,734	38,838	1,205,012	2,990,526
Hotels and Travels												
Taj Lanka Hotels PLC	114,432	3,478,514	2,998,118	114,432	3,478,514	3,318,528	114,432	3,478,514	2,998,118	114,432	3,478,514	3,318,528
John Keells Hotels PLC	251,000	3,197,111	3,589,300	251,000	3,197,111	3,137,500	251,000	3,197,111	3,589,300	251,000	3,197,111	3,137,500
Investment Trusts												
Renuka Holdings PLC (Non-voting)	108,904	2,167,784	2,624,586	50,000	1,284,224	1,085,000	108,904	2,167,784	2,624,586	50,000	1,284,224	1,085,000
Land and Property												
C T Land Development PLC	5,000	111,570	175,000	5,000	111,570	145,500	5,000	111,570	175,000	5,000	111,570	145,500
Manufacturing												
ACL Cables PLC	15,000	1,076,928	1,140,000				15,000	1,076,928	1,140,000			
Dipped Products PLC	50,000	6,177,582	6,900,000	50,000	6,177,582	4,355,000	50,000	6,177,582	6,900,000	50,000	6,177,582	4,355,000
Pelwatte Sugar Industries PLC	31,000	1,064,794	3,100	31,000	1,064,794	3,100	31,000	1,064,794	3,100	31,000	1,064,794	3,100
Tokyo Cement Company (Lanka) PLC (Non-voting)	–	–	–	85,000	2,138,016	2,465,000	–	–	–	85,000	2,138,016	2,465,000
Power and Energy												
Hemas Power PLC	220,000	4,151,484	4,158,000	172,832	3,292,951	3,076,410	220,000	4,151,484	4,158,000	172,832	3,292,951	3,076,410
Lanka IOC PLC	195,000	3,877,591	7,858,500	185,000	3,442,775	7,122,500	195,000	3,877,591	7,858,500	185,000	3,442,775	7,122,500
Telecommunications												
Dialog Axiata PLC	200,000	1,766,668	2,080,000	375,000	3,312,502	3,375,000	200,000	1,766,668	2,080,000	375,000	3,312,502	3,375,000
		56,565,991	79,036,758		55,705,508	64,423,065		56,565,991	79,036,758		55,705,508	64,423,065

21.2 Quoted Unit Trust

NAMAL Acuity Value Fund	25,000	1,250,000	2,250,000	25,000	1,250,000	1,710,000	25,000	1,250,000	2,250,000	25,000	1,250,000	1,710,000
		1,250,000	2,250,000		1,250,000	1,710,000		1,250,000	2,250,000		1,250,000	1,710,000

		Company		Group	
As at 31st March	Note	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

22. Finance Leases

Gross investment in leases receivable within one year		4,059,887,723	3,167,959,272	4,059,887,723	3,167,959,272
Gross investment in leases receivable between one and five years		6,144,103,211	4,440,220,464	6,144,103,211	4,440,220,464
Gross investment in leases receivable in respect of non-performing leases		117,358,637	67,441,286	117,358,637	67,441,286
Repossessed lease receivable		326,712,571	327,931,672	326,712,571	327,931,672
Leases receivable in arrears		332,976,845	298,930,390	332,976,845	298,930,390
		10,981,038,987	8,302,483,084	10,981,038,987	8,302,483,084
Unearned lease income		(2,583,280,256)	(2,088,333,909)	(2,583,280,256)	(2,088,333,909)
Initial lease rental		(9,945,904)	(11,340,662)	(9,945,904)	(11,340,662)
Pre-paid lease rental		(37,194,009)	(26,291,560)	(37,194,009)	(26,291,560)
Net investment in finance leases		8,350,618,818	6,176,516,953	8,350,618,818	6,176,516,953
Impairment losses					
Provision for individual impairment	22.1	(4,622,667)	(4,589,227)	(4,622,667)	(4,589,227)
Provision for collective impairment	22.2	(194,581,811)	(170,152,117)	(194,581,811)	(170,152,117)
Net investment in finance leases after impairment		8,151,414,340	6,001,775,609	8,151,414,340	6,001,775,609

22.1 Movement in Allowance for Individual Impairment

Opening balance		4,589,227	6,076,133	4,589,227	6,076,133
Charge/(Reversal) for the year	11	33,440	(1,486,906)	33,440	(1,486,906)
Closing balance		4,622,667	4,589,227	4,622,667	4,589,227
Gross amount of loans individually determined to be impaired		25,996,380	29,037,738	25,996,380	29,037,738

22.2 Movement in Allowance for Collective Impairment

Opening balance		170,152,117	89,108,206	170,152,117	89,108,206
Charge for the year	12	24,429,694	87,613,640	24,429,694	87,613,640
Net write-offs for the year		–	(6,569,729)	–	(6,569,729)
Closing balance		194,581,811	170,152,117	194,581,811	170,152,117
Total of individual and collective impairment		199,204,478	174,741,344	199,204,478	174,741,344

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

23. Hire Purchases

Gross investment in hire purchases receivable within one year		2,537,723,171	3,128,178,310	2,537,723,171	3,128,178,310
Gross investment in hire purchases receivable between one and five years		3,649,881,766	5,218,491,084	3,649,881,766	5,218,491,084
Gross investment in hire purchases receivable in respect of non-performing hire purchases		89,121,378	42,566,246	89,121,378	42,566,246
Repossessed hire purchases receivable		143,992,113	150,799,514	143,992,113	150,799,514
Hire purchases receivable in arrears		248,583,017	238,341,227	248,583,017	238,341,227
		6,669,301,445	8,778,376,381	6,669,301,445	8,778,376,381
Unearned hire purchases income		(1,624,345,930)	(2,506,237,498)	(1,624,345,930)	(2,506,237,498)
Pre-paid hire purchases rental		(33,307,260)	(35,712,122)	(33,307,260)	(35,712,122)
Net investment in hire purchases		5,011,648,255	6,236,426,761	5,011,648,255	6,236,426,761
Impairment losses					
Provision for individual impairment	23.1	(2,430,893)	(2,034,563)	(2,430,893)	(2,034,563)
Provision for collective impairment	23.2	(83,802,810)	(66,434,432)	(83,802,810)	(66,434,432)
Net investment in hire purchases after impairment		4,925,414,552	6,167,957,766	4,925,414,552	6,167,957,766

23.1 Movement in Allowance for Individual Impairment

Opening balance		2,034,563	774,069	2,034,563	774,069
Charge for the year	11	396,330	1,260,494	396,330	1,260,494
Closing balance		2,430,893	2,034,563	2,430,893	2,034,563
Gross amount of loans individually determined to be impaired		14,692,651	13,921,861	14,692,651	13,921,861

23.2 Movement in Allowance for Collective Impairment

Opening balance		66,434,432	44,623,367	66,434,432	44,623,367
Charge for the year	12	17,368,378	23,776,140	17,368,378	23,776,140
Net write-offs for the year		–	(1,965,075)	–	(1,965,075)
Closing balance		83,802,810	66,434,432	83,802,810	66,434,432
Total of individual and collective impairment		86,233,703	68,468,995	86,233,703	68,468,995

		Company		Group	
As at 31st March	Notes	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

24. Other Loans and Receivables

	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Commercial loans	24.1	65,757,852	46,196,979	65,757,852	46,196,979
Personal loans	24.2	88,098,401	88,000,842	88,098,401	88,000,842
Pawning advances	24.3	101,408,214	102,884,961	101,408,214	102,884,961
Other advances	24.4	250,834,306	268,725,584	250,834,306	268,725,584
		506,098,773	505,808,366	506,098,773	505,808,366

24.1 Commercial Loans

	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Gross investment in commercial loans receivable within one year		43,368,234	32,627,533	43,368,234	32,627,533
Gross investment in commercial loans receivable between one and five years		39,366,272	35,203,060	39,366,272	35,203,060
Gross investment in commercial loans receivable in respect of non-performing loans		9,400,558	–	9,400,558	–
Commercial loans receivable in arrears		2,852,569	3,135,730	2,852,569	3,135,730
		94,987,633	70,966,323	94,987,633	70,966,323
Unearned commercial loans income		(23,381,833)	(19,760,495)	(23,381,833)	(19,760,495)
Pre-paid commercial loan rentals		(471,110)	(690,132)	(471,110)	(690,132)
Net investment in commercial loans		71,134,690	50,515,696	71,134,690	50,515,696
Impairment losses					
Provision for individual impairment	24.1.1	(3,845,278)	(4,207,615)	(3,845,278)	(4,207,615)
Provision for collective impairment	24.1.2	(1,531,560)	(111,102)	(1,531,560)	(111,102)
Net investment in commercial loans after impairment		65,757,852	46,196,979	65,757,852	46,196,979

24.1.1 Movement in Allowance for Individual Impairment

	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Opening balance		4,207,615	–	4,207,615	–
Charge/(Reversal) for the year	11	(362,337)	4,207,615	(362,337)	4,207,615
Closing balance		3,845,278	4,207,615	3,845,278	4,207,615
Gross amount of loans individually determined to be impaired		4,676,259	4,207,615	4,676,259	4,207,615

24.1.2 Movement in Allowance for Collective Impairment

	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
Opening balance		111,102	1,126,423	111,102	1,126,423
Charge/(Reversal) for the year	12	1,420,458	(1,015,321)	1,420,458	(1,015,321)
Total collective impairment		1,531,560	111,102	1,531,560	111,102

As at 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

24.2 Personal Loans

Gross investment in personal loans receivable within one year		53,054,840	52,619,163	53,054,840	52,619,163
Gross investment in personal loans receivable between one and five years		103,452,999	101,798,519	103,452,999	101,798,519
Personal loans receivable in arrears		202,955	193,393	202,955	193,393
		156,710,794	154,611,075	156,710,794	154,611,075
Unearned personal loans income		(61,852,236)	(60,914,371)	(61,852,236)	(60,914,371)
Prepaid personal loans rentals		(6,760,157)	(5,695,862)	(6,760,157)	(5,695,862)
Net investment in personal loans		88,098,401	88,000,842	88,098,401	88,000,842

24.3 Pawning Advances

Gross investment in pawning advances		95,543,811	97,783,586	95,543,811	97,783,586
Interest receivable from pawning advances		5,960,389	8,619,571	5,960,389	8,619,571
Total investment in pawning advances		101,504,200	106,403,157	101,504,200	106,403,157
Impairment losses					
Provision for collective impairment	24.3.1	(95,986)	(3,518,196)	(95,986)	(3,518,196)
Net investment in pawning advances after impairment		101,408,214	102,884,961	101,408,214	102,884,961

24.3.1 Movement in Allowance for Collective Impairment

Opening balance		3,518,196	913,550	3,518,196	913,550
Charge/(Reversal) for the year	12	(3,422,210)	2,604,646	(3,422,210)	2,604,646
Total collective impairment		95,986	3,518,196	95,986	3,518,196

24.4 Other Advances

Loans against fixed deposits		34,085,037	36,639,505	34,085,037	36,639,505
Discounting of cheques		490,000	490,000	490,000	490,000
Insurance		255,379,658	238,299,028	255,379,658	238,299,028
Staff debtors		14,424,498	12,742,601	14,424,498	12,742,601
Sundry debtors		3,478,620	3,807,190	3,478,620	3,807,190
		307,857,813	291,978,324	307,857,813	291,978,324
Impairment losses					
Provision for individual impairment	24.4.1	(1,906,394)	(1,906,394)	(1,906,394)	(1,906,394)
Provision for collective impairment	24.4.2	(55,117,113)	(21,346,346)	(55,117,113)	(21,346,346)
Net investment in other advances after impairment		250,834,306	268,725,584	250,834,306	268,725,584

		Company		Group	
As at 31st March	Notes	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
24.4.1 Movement in Allowance for Individual Impairment					
Opening balance		1,906,394	1,906,394	1,906,394	1,906,394
Charge/(Reversal) for the year	11	–	–	–	–
Closing balance		1,906,394	1,906,394	1,906,394	1,906,394
Gross amount of loans individually determined to be impaired		3,968,620	4,297,190	3,968,620	4,297,190
24.4.2 Movement in Allowance for Collective Impairment					
Opening balance		21,346,346	22,524,430	21,346,346	22,524,430
Charge/(Reversal) for the year	12	33,770,767	(1,178,084)	33,770,767	(1,178,084)
Closing balance		55,117,113	21,346,346	55,117,113	21,346,346
Total of individual and collective impairment		57,023,507	23,252,740	57,023,507	23,252,740

25. Financial Assets Available-for-Sale

Credit Information Bureau of Sri Lanka	90,586	90,586	90,586	90,586
Finance House Consortium (Pvt) Ltd.	200,000	200,000	200,000	200,000
National Equity Fund	1,467,881	1,295,277	1,467,881	1,295,277
Senkadagala Hotels Ltd.	10,413,420	10,413,420	10,413,420	10,413,420
	12,171,887	11,999,283	12,171,887	11,999,283

26. Financial Assets Held-to-Maturity

Treasury Bills	885,581,616	379,859,389	885,581,616	379,859,389
Treasury Bonds	177,050,675	174,913,864	177,050,675	174,913,864
	1,062,632,291	554,773,253	1,062,632,291	554,773,253

27. Investment in Subsidiaries

Unquoted				
Senkadagala Insurance Brokers (Pvt) Ltd.				
(2,000,000 Ordinary shares)				
Holding (%)	100	100	–	–
Place of business	No. 437B, 1st Floor, Katugastota Road, Kandy			
Cost	20,000,000	20,000,000	–	–
Newest Capital Ltd.				
(150,000,000 Ordinary shares)				
Holding (%)	100	–	–	–
Place of business	No 36, Kirula Road, Colombo 05			
Cost	300,000,000	–	–	–
	320,000,000	20,000,000	–	–

	Company		Group	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.

28. Investment Property

Cost or valuation				
Balance at the beginning of the year	87,782,655	87,782,655	87,782,655	87,782,655
On acquisition of subsidiary	–	–	219,607,475	–
Written off during the year	–	–	(34,607,475)	–
Balance at the end of the year	87,782,655	87,782,655	272,782,655	87,782,655
Depreciation				
Balance at the beginning of the year	8,151,646	7,848,608	8,151,646	7,848,608
Charge for the period	303,038	303,038	303,038	303,038
Balance at the end of the year	8,454,684	8,151,646	8,454,684	8,151,646
Carrying amount at the end of the period	79,327,971	79,631,009	264,327,971	79,631,009

28.1 Information of Freehold Investment Property of the Group

	Extent of Land	Cost 2015 Rs.	Current Valuation Rs.	Cost 2014 Rs.
Land and Building				
98, Deans Road, Colombo 10	6.000 P	3,500,000	58,000,000	3,500,000
12, Kotugodella Veediya, Kandy Lot 1	9.875 P	7,542,068	74,496,000	7,542,068
12, Kotugodella Veediya, Kandy Lot 2	18.000 P	70,679,827	83,900,000	70,679,827
98, Yatinuwara Veediya, Kandy	7.000 P	6,060,760	46,126,500	6,060,760
30, Kynsey Road, Colombo 7	20.10 P	185,000,000	198,500,000	–
		272,782,655	461,022,500	87,782,655

28.2 Measurement of Fair Value

(i) Fair Value Hierarchy

The fair value of properties set out above was determined by external, independent property valuers Arthur Perera & Company dated 31st March 2015, who has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio annually.

These values have not been incorporated in the Financial Statements.

The fair value measurement for the above of Rs. 461,022,500/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particularly motivated buyers of sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land, Price per square foot for building, Depreciation rate	Estimated fair value would increase/(decrease) if, Price per perch increases/(decreases) Price per square foot increases/(decreases) Depreciation rate for building (decreases)/increases
Investment Method: This method involves capitalisation of the expected rental income at an appropriate rate of years purchase currently characterised by the real estate market.	Gross Monthly Rental, Years Purchase (Present value of 1 unit per period/void period)	Estimated fair value would increase/(decrease) if, Gross Annual Rental increases (decreases) Years purchase increases (decreases) Void period (decreases)/increases

29. Property, Plant and Equipment

29.1 Company

	As at 01.04.2014 Rs.	Additions/ Transfers Rs.	Impairment Rs.	Disposals Rs.	As at 31.03.2015 Rs.
Cost					
Land	42,233,644	–	–	–	**42,233,644**
Buildings	17,965,529	4,577,000	(5,470,240)		**17,072,289**
Furniture, fittings and fixtures	295,087,064	119,248,300	–	–	**414,335,364**
Office equipment	205,702,120	75,772,186	–	–	**281,474,306**
Air conditioners	45,782,695	13,109,581	–	(2,070,824)	**56,821,452**
Computers and accessories	191,116,780	21,665,820	–	–	**212,782,600**
Facsimile machines	1,458,650	407,930	–	–	**1,866,580**
Generators	41,662,933	2,360,000	–	–	**44,022,933**
Motor vehicles	445,450,680	173,534,727	–	(49,104,099)	**569,881,308**
Photostat machines	9,282,626	1,721,000	–	(288,000)	**10,715,626**
Printers	26,771,629	5,834,712	–	–	**32,606,341**
	1,322,514,350	418,231,256	–	(51,462,923)	**1,683,812,443**

Accumulated Depreciation and Impairment Losses

	As at 01.04.2014 Rs.	Charge for the Period Rs.	Impairment Rs.	Charge on Disposals Rs.	As at 31.03.2015 Rs.
Buildings	12,478,475	1,095,137	–	–	**13,573,612**
Furniture, fittings and fixtures	164,000,025	21,182,416	–	–	**185,182,441**
Office equipment	59,654,801	23,008,661	–	–	**82,663,462**
Air conditioners	30,837,006	7,442,772	–	(2,046,324)	**36,233,454**
Computers and accessories	127,904,917	26,226,050	–	–	**154,130,967**
Facsimile machines	773,125	131,547	–	–	**904,672**
Generators	29,049,670	3,515,783	–	–	**32,565,453**
Motor vehicles	132,508,455	82,094,859	–	(28,891,098)	**185,712,216**
Photostat machines	7,121,360	1,102,748	–	(288,000)	**7,936,108**
Printers	19,818,418	3,582,858	–	–	**23,401,276**
	584,146,252	169,382,831	–	(31,225,422)	**722,303,661**
Net book value	738,368,098				**961,508,782**

29.2 Group

	As at 01.04.2014 Rs.	On acquisition of Subsidiary Rs.	Additions/ Transfers Rs.	Impairment Rs.	Disposals Rs.	As at 31.03.2015 Rs.
Cost						
Land	42,233,644	–	–	–	–	**42,233,644**
Buildings	17,965,529	–	4,577,000	(5,470,240)	–	**17,072,289**
Furniture, fittings and fixtures	295,629,039	–	119,248,300	–	–	**414,877,339**
Office equipment	205,836,820	–	75,794,986	–	–	**281,631,806**
Air conditioners	45,782,695	–	13,109,581	–	(2,070,824)	**56,821,452**
Computers and accessories	191,624,680	62,000	21,665,820	–	–	**213,352,500**
Facsimile machines	1,513,530	–	407,930	–	–	**1,921,460**
Generators	41,662,933	–	2,360,000	–	–	**44,022,933**
Motor vehicles	450,290,681	–	173,534,727	–	(49,104,100)	**574,721,308**
Photostat machines	9,413,666	–	1,721,000	–	(288,000)	**10,846,666**
Printers	26,865,629	–	5,834,712	–	–	**32,700,341**
	1,328,818,846	62,000	418,254,056	(5,470,240)	(51,462,924)	**1,690,201,738**

Accumulated Depreciation and Impairment Losses

	As at 01.04.2014 Rs.	On acquisition of Subsidiary Rs.	Charge for the Period Rs.	Impairment Rs.	Charge on Disposals Rs.	As at 31.03.2015 Rs.
Buildings	12,478,475	–	1,095,137	–	–	**13,573,612**
Furniture, fittings and fixtures	164,074,290	–	21,270,052	–	–	**185,344,342**
Office equipment	59,666,031	–	23,024,037	–	–	**82,690,068**
Air conditioners	30,837,006	–	7,442,772	–	(2,046,324)	**36,233,454**
Computers and accessories	128,041,912	34,875	26,364,647	–	–	**154,441,434**
Facsimile machines	778,154	–	137,031	–	–	**915,185**
Generators	29,049,670	–	3,515,783	–	–	**32,565,453**
Motor vehicles	133,987,644	–	82,901,691	–	(28,891,098)	**187,998,237**
Photostat machines	7,133,372	–	1,115,852	–	(288,000)	**7,961,224**
Printers	19,839,958	–	3,606,354	–	–	**23,446,312**
	585,886,512	34,875	170,473,356	–	(31,225,422)	**725,169,321**
Net book value	742,932,334					**965,032,417**

29.3 Property, Plant and Equipment Retired from Active Use

Following fully-depreciated property, plant and equipment of the Company were retired from active use as at the Statement of Financial Position date.

	2015 Rs.	2014 Rs.
Furniture, fittings and fixtures	–	1,643,057
Office equipment	–	2,690,503
Air conditioners	1,923,824	942,573
Computers and accessories	–	20,179,401
Facsimile machines	–	126,500
Photostat machines	288,000	302,050
Motor vehicles	4,583,333	–
Printers	–	665,826

29.4 Fully-Depreciated Property, Plant and Equipment

The cost of fully-depreciated property, plant and equipment of the Company which are still in use as at the Statement of Financial Position date is as follows:

	2015 Rs.	2014 Rs.
Buildings	3,000,000	3,000,000
Furniture, fittings and fixtures	94,656,887	87,585,722
Office equipment	12,174,344	7,764,019
Air conditioners	21,553,143	23,052,967
Computers and accessories	103,692,322	95,652,543
Facsimile machines	366,050	302,050
Generators	16,581,598	14,321,098
Motor vehicles	3,904,167	5,183,333
Photostat machine	5,330,676	5,478,676
Printers	15,788,193	15,305,233

29.5 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as security for liabilities.

29.6 Information of Freehold Land and Buildings of the Group

	Extent	Cost 2015 Rs.	Carrying Value 2015 Rs.	Current Valuation Rs.	Cost 2014 Rs.
Lands					
7/4, Mawilmada Road, Kandy	0 A. 1 R. 12.27 P	7,779,960	7,779,960	25,297,500	7,779,960
Highway Park, Amunugama, Pothuhera	0 A. 2 R. 23 P	6,240,000	6,240,000	12,000,000	6,240,000
92, Deans Road, Colombo 10	0 A. 0 R. 8.00 P	24,600,000	24,600,000	72,772,000	24,600,000
Highway Park, Amunugama, Pothuhera	0 A. 1 R. 0 P	3,613,684	3,613,684	5,000,000	–
		42,233,644	42,233,644	115,069,500	38,619,960
Buildings					
7/4, Mawilmada Road, Kandy	1,327 sq. ft	5,230,914	2,409,927	2,925,000	5,230,914
Highway Park, Amunugama, Pothuhera	885 sq. ft	8,222,998	1,088,750	1,088,750	8,222,998
Highway Park, Amunugama, Pothuhera	–	4,577,000	–	–	–
433, Negombo Road, Hendala Junction, Wattala	–	4,511,617	–	–	4,511,617
		22,542,529	3,498,677	4,013,750	17,965,529
Total		64,776,173	45,732,321	119,083,250	56,585,489

29.7 Measurement of Fair Value

(i) Fair Value Hierarchy

The fair value of properties set out above was determined by external, independent property valuers Arthur Perera & Company dated 31st March 2015, who has appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's Property, plant and equipment portfolio annually.

These values have not been incorporated in the Financial Statements.

The fair value measurement for the above of Rs. 119,083,250/- has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

(ii) Valuation Technique and Significant Unobservable Inputs

The following table shows the valuation technique used in measuring the fair value of the freehold properties mentioned above, as well as the significant unobservable inputs used.

Valuation Technique	Significant Unobservable Inputs	Inter-relationship between Significant Unobservable Inputs and Fair Value Measurement
Market Comparable Method: This method considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets, making appropriate adjustments for differences in size, nature, location, condition of specific property. In this process outlier transactions, indicative of particularly motivated buyers or sellers are too compensated for since the price may not adequately reflect the fair market value.	Price per perch for land, Price per square foot for building, Depreciation rate	Estimated fair value would increase (decrease) if; Price per perch increases (decreases) Price per square foot increases (decreases) Depreciation rate for building (decreases)/ increases

30. Intangible Assets
30.1 Company

As at 31st March	Software 2015 Rs.	Software 2014 Rs.
Cost		
Balance at the beginning of the year	**154,467,615**	145,455,817
Additions during the period	**54,898,774**	9,011,798
Balance at the end of the year	**209,366,389**	154,467,615
Accumulated amortisation		
Balance at the beginning of the year	**114,734,619**	104,941,308
Amortised during the period	**12,604,089**	9,793,311
Balance at the end of the year	**127,338,708**	114,734,619
Carrying amount	**82,027,681**	39,732,996

30.2 Group

	License	Software	Total
Cost			
Balance at 01st April 2014	–	154,467,615	154,467,615
On acquisition of subsidiary	81,025,268	–	81,025,268
Additions/transfers	–	54,898,774	54,898,774
Balance as at 31st March 2015	81,025,268	209,366,389	290,391,657
Accumulated amortisation			
Balance at 1st April 2014	–	114,734,619	114,734,619
Amortisation/impairment for the year	16,205,054	12,604,089	28,809,143
Balance as at 31st March 2015	16,205,054	127,338,708	143,543,762
Carrying amount at 31st March 2015	64,820,214	82,027,681	146,847,895
Carrying amount at 31st March 2014	–	39,732,996	39,732,996

31. Amounts due from Related Company

	Company		Group	
As at 31st March	**2015 Rs.**	2014 Rs.	**2015 Rs.**	2014 Rs.
Newest Capital Ltd.	**1,452,369**	–	**–**	–
	1,452,369	–	**–**	–

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

32. Other Assets

Search fee and seizing charges receivable	5,183,940	5,016,305	5,183,940	5,016,305
Stock of gold specimen	259,200	259,200	259,200	259,200
Western Union MMBL	184,674	191,089	184,674	191,089
Pre-paid building rent	73,460,243	73,230,573	73,460,243	73,230,573
Pre-paid WHT on loans and debentures	1,431,264	18,720,425	1,431,264	18,720,425
Advance payments	52,743,139	51,057,397	52,743,139	51,057,397
Funds held at Orion Fund Management	3,741,518	1,489,707	3,741,518	1,489,707
Deposits	4,367,283	3,567,283	4,367,283	3,567,283
Cash cover	659,666	1,452,906	659,666	1,452,906
Other	1,808,887	1,404,893	2,086,991	1,539,890
	143,839,814	156,389,778	144,117,918	156,524,775

33. Due to Banks

Bank overdrafts	91,947,000	75,706,189	104,469,934	88,598,262
Asset securitised loans	2,836,390,801	1,330,546,001	2,836,390,801	1,330,546,001
	2,928,337,801	1,406,252,190	2,940,860,735	1,419,144,263

Securities Pledged

Lease and hire purchase aggregate portfolio amounting to Rs. 1,865,636,392/- has been pledged as security for the above loans.

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

34. Deposits from Customers

Savings deposits		292,804,504	181,944,217	292,804,504	181,944,217
Certificates of deposits	34.1	11,744,758	2,792,494	11,744,758	2,792,494
Fixed deposits	34.2	6,237,346,497	5,439,662,774	6,214,972,012	5,402,401,682
		6,541,895,759	5,624,399,485	6,519,521,274	5,587,138,393

34.1 Certificates of Deposits

Face value	12,000,000	3,000,000	12,000,000	3,000,000
Interest in suspense	(255,242)	(207,506)	(255,242)	(207,506)
	11,744,758	2,792,494	11,744,758	2,792,494

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

34.2 Fixed Deposits

Fixed deposits		6,057,514,176	5,281,783,954	6,036,397,184	5,246,603,128
Amortised interest payable		179,832,321	157,878,820	178,574,828	155,798,554
		6,237,346,497	5,439,662,774	6,214,972,012	5,402,401,682

35. Other Borrowings

Commercial paper	35.1	627,319,859	365,812,427	627,319,859	365,812,427
Asset securitised loans	35.2	1,232,034,988	1,726,652,861	1,232,034,988	1,726,652,861
		1,859,354,847	2,092,465,288	1,859,354,847	2,092,465,288

35.1 Commercial Paper

Commercial paper capital outstanding		595,143,867	341,074,092	595,143,867	341,074,092
Amortised interest payable		32,175,992	24,738,335	32,175,992	24,738,335
		627,319,859	365,812,427	627,319,859	365,812,427

35.2 Asset Securitised Loans

Assets securitisation loans capital outstanding		380,354,301	1,528,043,797	380,354,301	1,528,043,797
Borrowings from International Finance Corporation (IFC)		748,160,000	–	748,160,000	–
Amortised interest payable		103,520,687	198,609,064	103,520,687	198,609,064
		1,232,034,988	1,726,652,861	1,232,034,988	1,726,652,861

Securities Pledged

Lease and hire purchase aggregate portfolio amounting to Rs. 1,222,094,022/- has been pledged as security for the above loans.

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

36. Debt Securities Issued

As at the beginning of the year	2,754,000,000	2,469,000,000	2,754,000,000	2,469,000,000
Redemptions	(554,000,000)	(875,000,000)	(554,000,000)	(875,000,000)
New debt instruments issued	–	1,160,000,000	–	1,160,000,000
Balance before amortised interest payable	2,200,000,000	2,754,000,000	2,200,000,000	2,754,000,000
Amortised interest payable	119,430,013	143,074,338	119,430,013	143,074,338
As at the end of the year	2,319,430,013	2,897,074,338	2,319,430,013	2,897,074,338

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
36.1 Unlisted Secured Debentures							
2012/13 – Fixed rated 19% p.a.	Semi Annually	2012/13	2014/15	–	120,000,000	–	120,000,000
2013/14 – Fixed rated 19% p.a.	Semi Annually	2012/13	2015/16	100,000,000	300,000,000	100,000,000	300,000,000
Amortised interest payable				3,169,542	13,213,662	3,169,542	13,213,662
				103,169,542	433,213,662	103,169,542	433,213,662

Securities Pledged

Lease and hire purchase aggregate portfolio amounting to Rs. 203,633,099/- has been pledged as security for the above debentures.

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
36.2 Rated Debentures							
2011/12 – Fixed rated 11.5% p.a.	Quarterly	2011/12	2014/15	–	34,000,000	–	34,000,000
Amortised interest payable				–	324,941	–	324,941
				–	34,324,941	–	34,324,941
36.3 Unlisted Unsecured Redeemable Debentures							
2009/10 – Fixed rated 14.5% p.a.	Annually	2009/10	2014/15	–	20,000,000	–	20,000,000
2010/11 – Fixed rated 14.5% p.a.	Annually	2010/11	2015/16	–	120,000,000	–	120,000,000
2010/11 – Fixed rated 14% p.a.	Annually	2010/11	2015/16	40,000,000	100,000,000	40,000,000	100,000,000
2010/11 – Fixed rated 12% p.a.	Annually	2010/11	2015/16	60,000,000	60,000,000	60,000,000	60,000,000
2011/12 – Fixed rated 12% p.a.	Annually	2011/12	2016/17	100,000,000	100,000,000	100,000,000	100,000,000
2011/12 – Fixed rated 13% p.a.	Annually	2011/12	2016/17	159,000,000	159,000,000	159,000,000	159,000,000
2011/12 – Fixed rated 13.15% p.a.	Annually	2011/12	2016/17	20,000,000	20,000,000	20,000,000	20,000,000
2011/12 – Fixed rated 14.2% p.a.	Annually	2011/12	2016/17	80,000,000	80,000,000	80,000,000	80,000,000
2012/13 – Fixed rated 17.25% p.a.	Annually	2012/13	2017/18	80,000,000	80,000,000	80,000,000	80,000,000
2012/13 – Fixed rated 16.5% p.a.	Annually	2012/13	2017/18	80,000,000	80,000,000	80,000,000	80,000,000
2012/13 – Fixed rated 17.5% p.a.	Annually	2012/13	2017/18	200,000,000	200,000,000	200,000,000	200,000,000
2012/13 – Fixed rated 16.75% p.a.	Annually	2012/13	2017/18	121,000,000	121,000,000	121,000,000	121,000,000
2013/14 – Fixed rated 15.25% p.a.	Annually	2013/14	2018/19	160,000,000	160,000,000	160,000,000	160,000,000
Amortised interest payable				96,637,726	104,018,244	96,637,726	104,018,244
				1,196,637,726	1,404,018,244	1,196,637,726	1,404,018,244

As at 31st March	Interest Payable	Year of Issue	Year of Maturity	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
36.4 Listed Unsecured Redeemable Senior Debentures							
2013/14 – Fixed rated 17% p a	Quarterly	2013/14	2016/17	**414,246,500**	414,246,500	**414,246,500**	414,246,500
2013/14 – Fixed rated 17.25% p a	Quarterly	2013/14	2017/18	**585,253,500**	585,253,500	**585,253,500**	585,253,500
2013/14 – Floating rated	Semi Annually	2013/14	2017/18	**500,000**	500,000	**500,000**	500,000
Amortised interest payable				**19,622,745**	25,517,492	**19,622,745**	25,517,492
				1,019,622,745	1,025,517,492	**1,019,622,745**	1,025,517,492

As at 31st March	Notes	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.
37. Deferred Tax Liability					
Balance at the beginning of the year		**155,731,632**	199,092,927	**155,767,757**	199,094,368
Amount originating/(Reversed) during the year- Income Statement		**41,369,639**	(41,114,627)	**41,357,856**	(41,079,943)
Amount originating/(Reversed) during the year- Other Comprehensive Income		**14,290**	(2,246,668)	**14,290**	(2,246,668)
Balance at the end of the year		**197,115,561**	155,731,632	**197,139,903**	155,767,757
37.1 Reconciliation of Net Deferred Tax Liability					
Deferred Tax – Liability					
Accelerated depreciation for tax purposes – Property, plant and equipment		**73,211,364**	44,053,818	**73,275,311**	44,089,943
Accelerated depreciation for tax purposes – Rentals receivable		**223,284,058**	126,270,282	**223,284,058**	126,270,282
		296,495,422	170,324,100	**296,559,369**	170,360,225
Deferred Tax – Assets					
Retirement benefit obligation		**16,993,618**	14,592,468	**17,033,223**	14,592,468
Tax credits		**82,386,243**	–	**82,386,243**	
		99,379,861	14,592,468	**99,419,466**	14,592,468
Net deferred tax liability		**197,115,561**	155,731,632	**197,139,903**	155,767,757

Company

	Statement of Financial Position		Income Statement		Statement of Comprehensive Income	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Deferred Tax Liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	73,211,364	44,053,818	29,157,546	12,449,402	–	–
Accelerated depreciation for tax purposes – Rentals receivable	223,284,058	126,270,282	97,013,776	(50,800,568)	–	–
	296,495,422	170,324,100	126,171,322	(38,351,166)	–	–
Deferred Tax Assets on:						
Retirement benefit obligation	16,993,618	14,592,468	(2,415,440)	(2,763,461)	(14,290)	(2,246,668)
Tax credits	82,386,243		(82,386,243)			
	99,379,861	14,592,468	(84,801,683)	(2,763,461)	(14,290)	(2,246,668)
Deferred tax effect on comprehensive income			41,369,639	(41,114,627)	(14,290)	(2,246,668)
Net deferred tax liability	197,115,561	155,731,632				

Group

	Statement of Financial Position		Income Statement		Statement of Comprehensive Income	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Deferred Tax Liabilities on:						
Accelerated depreciation for tax purposes – Property, plant and equipment	73,275,311	44,089,943	29,185,368	12,484,086	–	–
Accelerated depreciation for tax purposes – Rentals receivable	223,284,058	126,270,282	97,013,776	(50,800,568)	–	–
	296,559,369	170,360,225	126,199,144	(38,316,482)	–	–
Deferred Tax Assets on:						
Retirement benefit obligation	17,033,223	14,592,468	(2,455,045)	(2,763,461)	(14,290)	(2,246,668)
Tax Credits	82,386,243	–	(82,386,243)			
	99,419,466	14,592,468	(84,841,288)	(2,763,461)	(14,290)	(2,246,668)
Deferred tax effect on comprehensive income			41,357,856	(41,079,943)	(14,290)	(2,246,668)
Net deferred tax liability	197,139,903	155,767,757				

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

38. Current Tax Liabilities/ (Recoverable)

Income tax				
Balance at the beginning of the year	20,237,544	(2,565,501)	35,158,064	(2,006,210)
Current income tax charge	66,434,918	115,557,739	86,514,635	131,148,408
Income tax liability on acquisition	–	–	720,852	–
Payments made during the period	(95,722,555)	(75,897,134)	(121,849,378)	(76,875,896)
Withholding tax on interest income	(14,628,306)	(16,857,560)	(15,207,150)	(17,108,238)
Balance at the end of the year	(23,678,399)	20,237,544	(14,662,977)	35,158,064
Other tax liabilities	22,293,986	19,678,132	28,318,277	24,403,771
	(1,384,413)	39,915,676	13,655,300	59,561,835

39. Other Liabilities

Accrued expenditure – Non-interest	9,624,060	1,037,447	9,959,560	1,164,549
Payables to suppliers	342,345,052	162,497,300	342,345,052	162,497,300
Dividend payable	6,280,236	57,295,200	6,280,236	57,295,200
Value added tax payable	4,817,089	7,664,848	6,466,243	7,664,848
Deposit insurance premium	771,157	665,272	771,157	665,272
Other liabilities	8,201,717	10,507,225	8,425,966	10,731,472
	372,039,311	239,667,292	374,248,214	240,018,641

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

40. Employee Benefits

Balance at the beginning of the year		52,115,958	34,222,639	52,115,958	34,222,639
Retirement benefit expense recognised in the income statement	40.1	11,000,976	11,052,243	11,078,476	11,052,243
Retirement benefit expense recognised in the statement of comprehensive income	40.2	(65,082)	8,023,818	(65,082)	8,023,818
Benefits paid during the year		(2,360,358)	(1,182,742)	(2,360,358)	(1,182,742)
Balance at the end of the year		60,691,494	52,115,958	60,768,994	52,115,958

As at 31st March	Note	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

40.1 Retirement Benefit Expense Recognised in the Income Statement

Current service cost	**5,789,381**	5,799,738	**5,866,881**	5,799,738
Interest cost	**5,211,595**	5,252,505	**5,211,595**	5,252,505
Total	**11,000,976**	11,052,243	**11,078,476**	11,052,243

40.2 Retirement Benefit Expense Recognised in the Statement of Comprehensive Income

Actuarial (gain)/loss at the end of the year	**(65,082)**	8,023,818	**(65,082)**	8,023,818
	(65,082)	8,023,818	**(65,082)**	8,023,818

Mr. Piyal S. Goonathilake FSA (USA), a member of the American Academy of Actuaries has carried out an independent actuarial valuation of the defined benefit obligation as at 31st March 2015. The valuation was carried out using the Projected Unit Credit Method, the method recommended by Sri Lanka Accounting Standard – LKAS 19 on 'Employee Benefits'.

	2015	2014
Discount rate	**10%**	11%
Salary scale	**10%**	10%
Retirement age	**55 Years**	55 Years

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

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

Increase/(Decrease) in Discount Rate	Increase/(Decrease) in Salary Increment Rate	Sensitivity Effect on Income Statement Increase/(Reduction) In Result for the Year Rs. '000	Sensitivity Effect on Employment Benefit Obligation Increase/(Reduction) in the Liability Rs. '000
+1%	-	2,727	(2,727)
-1%	-	(3,136)	3,136
-	+1%	(3,002)	3,002
-	-1%	2,664	(2,664)

As at 31st March	Company 2015 Rs.	Company 2014 Rs.	Group 2015 Rs.	Group 2014 Rs.

41. Subordinated Liabilities

As at the beginning of the year	1,250,000,000	–	1,250,000,000	–
Redemptions	–	–	–	–
New debt instruments issued	–	1,250,000,000	–	1,250,000,000
Balance before amortised interest payable	1,250,000,000	1,250,000,000	1,250,000,000	1,250,000,000
Amortised interest payable	10,306,634	10,272,122	10,306,634	10,272,122
As at the end of the year	1,260,306,634	1,260,272,122	1,260,306,634	1,260,272,122

Outstanding debentures as at 31st March 2015, consist of 12,500,000 (2014 – 12,500,000) listed unsecured redeemable subordinated debentures of Rs. 100 each issued by the Company in December 2013, details of which are given below:

	Interest Payable	Issue Date	Maturity Date	Effective Annual Yield (%)		Value (Rs.)	
				2015	2014	2015	2014
2013/14 – Fixed rated 15% p.a.	Quarterly	2013/14	2018/19	15%	15%	1,250,000,000	1,250,000,000

As at 31st March	2015 No. of shares	2015 Value	2014 No. of shares	2014 Value

42. Stated Capital

Issued and fully paid shares

At the beginning of the year	58,704,800	747,152,000	53,368,000	533,680,000
Rights issue	–	–	5,336,800	213,472,000
Capitalisation of reserves	6,522,755	260,910,200	–	–
At the end of the year	65,227,555	1,008,062,200	58,704,800	747,152,000

43. Statutory Reserve Fund

Balance at the beginning of the year	195,036,033	165,036,033	195,036,033	165,036,033
Transfer during the year	35,000,000	30,000,000	35,000,000	30,000,000
Balance at the end of the year	230,036,033	195,036,033	230,036,033	195,036,033

The Reserve Fund is maintained in compliance with Direction No. 1 of 2003 of the Central Bank of Sri Lanka (Capital Funds) issued to Finance Companies.

As per the said Direction, every licensed finance company shall maintain a Reserve Fund and transfer to such reserve fund out of the net profits of each year after due provisions have been made for taxation and bad and doubtful debts on the following basis.

Capital Funds to Deposit Liabilities	Percentage of Transfer to Reserve Fund
Not less than 25%	5%
Less than 25% and not less than 10%	20%
Less than 10%	50%

Accordingly, the Company has transferred 5% of its net profit after taxation to the Reserve Fund as the Company's Capital Funds to Deposit Liabilities is not less than 25%.

44. Investment Fund Account

		Company		Group	
As at 31st March	Note	**2015 Rs.**	2014 Rs.	**2015 Rs.**	2014 Rs.
Balance at the beginning of the year		**170,628,603**	154,759,694	**170,628,603**	154,759,694
Transfer during the period	44.1	**(170,628,603)**	15,868,909	**(170,628,603)**	15,868,909
Balance at the end of the year		**–**	170,628,603	**–**	170,628,603

44.1 In accordance with the Guidelines on the Operations of the Investment Fund Account dated 7th August 2014, the remaining balance in the IFA of Rs. 170,628,603/- was transferred to the retained earnings through the Statement of Changes in Equity on 1st October 2014.

45. Related Party Transactions

Name of the Company	Nature of Transaction	**Transaction Amount 2015 Rs.**	Transaction Amount 2014 Rs.	**Balance Outstanding as at 31st March 2015 Rs.**	Balance Outstanding as at 31st March 2014 Rs.
Parent Company					
E. W. Balasuriya and Company (Pvt) Ltd.	Payment of rent expenses	**(3,686,352)**	(2,624,997)	**–**	–
	Dividend payment	**(89,899,152)**	(91,466,411)	**–**	–
	Rent income	**1,920,000**	1,920,000	**–**	–
	Net funds paid	**(95,505,503)**	(96,011,408)	**–**	–
Subsidiary					
Senkadagala Insurance Brokers (Pvt) Ltd.	Fixed deposits made	**21,116,992**	35,180,826	**22,374,484**	37,261,091
	Interest expense	**(4,237,226)**	(1,565,052)	**–**	–
	Rent income	**300,000**	200,000	**–**	–
	Dividend income	**55,600,000**	35,000,000	**–**	–
	Net funds received	**51,662,774**	33,634,948	**–**	–
	Balance payable	**–**	–	**(22,374,484)**	(37,261,091)

Name of the Company	Nature of Transaction	Transaction Amount 2015 Rs.	Transaction Amount 2014 Rs.	Balance Outstanding as at 31st March 2015 Rs.	Balance Outstanding as at 31st March 2014 Rs.
Subsidiary					
Newest Capital Ltd.	Payment of expenses	(1,452,369)	–	–	–
	Net funds paid	(1,452,369)	–		–
	Balance receivable	–	–	1,452,369	–
Company under common control					
Senkadagala Hotels Ltd.	Payment of rent expenses	(722,150)	(590,850)	–	–
	Fixed deposits	–	–	–	–
	Payment of interest for fixed deposits with the Company	–	–	–	–
	Fixed deposits made	–	–	–	–
	Net funds paid	(722,150)	(590,850)	–	–

45.1 Transactions with Key Management Personnel (KMP) of the Company

According to Sri Lanka Accounting Standard – LKAS 24 'Related Party Disclosures', Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, Senior Finance Officer, AGM Credit Control, AGM IT, AGM Accounts, DGM IT, GM Operations, Deputy CEO and the members of the Board of Directors of the Company (Including Executive and Non-Executive Directors), and of the Ultimate Parent Company have been classified as Key Management Personnel of the Company.

45.1.1 Compensation of Key Management Personnel

	2015 Rs.	2014 Rs.
Short-term employee benefits		
Board of Directors	24,110,000	15,375,000
Other Key Management Personnel	26,813,000	22,800,000

45.1.2 Post-Employment Benefits to Key Management Personnel

The key management personnel are entitled to gratuity provisions as per the provisions laid down by the Act and such provision as at 31st March 2015 amounted to Rs. 28,596,298/- (2013/14- Rs. 17,877,885/-).

45.1.3 Deposits Held by Key Management Personnel

	2015 Rs.	2014 Rs.
Deposits held with the Company	16,798,938	12,962,116

46. Commitments and Contingencies

46.1 Capital Expenditure Commitments

Capital expenditure approved by the Board of Directors for which provision has not been made in the Financial Statements amounted to approximately the following:

	2015 Rs.	2014 Rs.
Approved but not contracted for	–	120,000,000
Approved and contracted for	1,693,395	18,000,000
	1,693,395	138,000,000

46.2 Contingent Liabilities

There were no contingent liabilities as at the Reporting date, which require adjustments to or disclosures in the Financial Statements.

47. Events after the Reporting Period

The Board of Directors has declared and paid an interim dividend of Rs. 0.50 per share for the nine month period ended 31st December 2014, on 15th May 2015. Further a final dividend of Rs. 0.80 per share for the year ended 31st March 2015, is recommended by the Board of Directors subject to the approval from the shareholders at the Annual General Meeting for the financial year ended 2014/15. In accordance with the LKAS 10 on Events after the Reporting period, the proposed dividends are not recognised as a liability in the Financial Statements as at year end.

Except as mentioned above there were no material events occurring after the reporting period that require adjustment to or disclosure in the Financial Statements other than that what is disclosed above.

48. Acquisition of Subsidiary

Senkadagala Finance PLC acquired 100% equity stake in Newest Capital Ltd., which engages in provision of financial services, on 25th August 2014. The fair value of assets acquired and liabilities assumed were as follows:

	Fair Value as at 25th August 2014 Rs.
Assets	
Cash in hand	102,004
Balances with banks and financial institutions	211,059
Property, plant & equipment	27,125
License	81,025,268
Investment property	219,607,475
WHT recoverable	9,567
	300,982,497
Liabilities	
Current tax liability	720,852
Accured expenses	261,645
	982,497
Total identifiable net assets at fair value	300,000,000
Goodwill on acquisition	–
Purchase consideration	300,000,000
Cash and cash equivalents of subsidiary acquired	(313,063)
Net cash out flow on acquisition of subsidiary	299,686,937

49. Maturity Analysis

49.1 Company

An analysis of the total assets and the total liabilities of the Company as at 31st March 2015, based on the remaining period from the Reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	**Total as at 31st March 2015 Rs.**
Interest Earning Assets					
Cash and cash equivalents	404,636,587	–	–	–	**404,636,587**
Deposit with licensed Commercial Banks	–	93,520,005	467,600,028	187,038,048	**748,158,081**
Investment in Government and other securities	581,421,556	892,653,582	–	169,978,709	**1,644,053,847**
Loans and advances	1,816,165,410	4,545,537,622	3,303,280,977	3,917,943,656	**13,582,927,665**
Total interest earning assets	2,802,223,553	5,531,711,209	3,770,881,005	4,274,960,413	**16,379,776,180**
Non-Interest Earning Assets					
Financial assets held at fair value through profit or loss	91,529,199	–	–	–	**91,529,199**
Financial assets available-for-sale	–	3,042,972	6,085,943	3,042,972	**12,171,887**
Investment in subsidiaries	–	–	–	320,000,000	**320,000,000**
Property, plant and equipment	–	–	–	1,122,864,434	1,122,864,434
Due from related party	1,452,369	–	–	–	**1,452,369**
Other receivables	41,017,644	53,542,623	24,963,836	25,700,124	**145,224,227**
Total non-interest earning assets	133,999,212	56,585,595	31,049,779	1,471,607,530	**1,693,242,116**
Total assets	2,936,222,765	5,588,296,804	3,801,930,784	5,746,567,943	**18,073,018,296**
Percentage as at 31st March 2015 (%)	16.25	30.92	21.04	31.80	**100.00**

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2015 Rs.
Interest-Bearing Liabilities					
Deposits from customers	576,539,314	3,904,079,827	1,861,780,382	199,496,236	6,541,895,759
Bank overdrafts	91,947,000	–	–	–	91,947,000
Borrowings	387,710,579	1,762,781,942	1,876,008,248	669,244,880	4,695,745,649
Debentures	–	207,520,965	1,909,192,878	1,463,022,804	3,579,736,647
Total interest-bearing liabilities	1,056,196,893	5,874,382,734	5,646,981,508	2,331,763,920	14,909,325,055
Non-Interest-Bearing Liabilities	106,509,603	185,719,369	114,174,806	223,442,587	629,846,365
Total liabilities	1,162,706,496	6,060,102,103	5,761,156,314	2,555,206,507	15,539,171,420
Percentage as at 31st March 2015 (%)	6.43	33.53	31.88	14.14	85.98
Shareholders' funds	–	–	–	2,533,846,876	2,533,846,876
Total shareholders' funds and liabilities	1,162,706,496	6,060,102,103	5,761,156,314	5,089,053,383	18,073,018,296

49.2 Group

An analysis of the total assets and the total liabilities of the Group as at 31st March 2015, based on the remaining period from the Reporting date to the respective contractual maturity dates is given below:

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2015 Rs.
Interest Earning Assets					
Cash and cash equivalents	427,833,458	–	–	–	427,833,458
Deposits with licensed commercial banks	–	93,520,005	467,600,028	187,038,048	748,158,081
Investments in government and other securities	581,421,556	892,653,582	–	169,978,709	1,644,053,847
Loans and advances	1,816,165,409	4,545,537,622	3,303,280,977	3,917,943,657	13,582,927,665
Total interest-earning assets	2,825,420,423	5,531,711,209	3,770,881,005	4,274,960,414	16,402,973,051
Non-Interest Earning Assets					
Financial assets held at fair value through profit or loss	91,529,199	–	–	–	91,529,199
Financial assets available-for-sale	–	3,042,972	6,085,944	3,042,971	12,171,887
Investment in subsidiaries	–	–	–	–	–
Property, plant and equipment	–	–	–	1,376,208,283	1,376,208,283
Other receivables	39,911,334	53,542,624	24,963,836	25,700,124	144,117,918
Total non-interest earning assets	131,440,533	56,585,596	31,049,780	1,404,951,378	162,402,787
Total assets	2,956,860,956	5,588,296,805	3,801,930,785	5,679,911,792	18,027,000,338
Percentage as at 31st March 2015 (%)	16.40	31.00	21.09	31.51	100.00

	Up to 3 Months Rs.	3 to 12 Months Rs.	1 to 3 Years Rs.	More than 3 Years Rs.	Total as at 31st March 2015 Rs.
Interest-Bearing Liabilities					
Deposits from customers	576,539,314	3,881,705,342	1,861,780,382	199,496,236	**6,519,521,274**
Bank overdrafts	104,469,934	–	–	–	**104,469,934**
Borrowings	387,710,579	1,762,781,942	1,876,008,248	669,244,880	**4,695,745,649**
Debentures	–	207,520,965	1,909,192,878	1,463,022,804	**3,579,736,647**
Total interest-bearing liabilities	1,068,719,827	5,852,008,249	5,646,981,508	2,331,763,920	**14,899,473,504**
Non-Interest-Bearing Liabilities	107,229,653	200,718,585	114,310,180	223,553,992	**645,812,410**
Total liabilities	1,175,949,480	6,052,726,834	5,761,291,688	2,555,317,912	**15,545,285,914**
Percentage as at 31st March 2015 (%)	6.52	33.58	31.96	14.17	**86.23**
Shareholders' funds	–	–	–	2,481,714,424	**2,481,714,424**
Total shareholders' funds and liabilities	1,175,949,480	6,052,726,834	5,761,291,688	5,037,032,336	**18,027,000,338**

50. Segment Report – Group

As at 31st March	Leasing 2015 Rs.	Leasing 2014 Rs.	Hire Purchases 2015 Rs.	Hire Purchases 2014 Rs.	Pawning Advances 2015 Rs.	Pawning Advances 2014 Rs.
Revenue						
Interest	1,424,612,045	1,398,979,560	1,472,811,593	1,486,218,967	19,255,735	19,137,515
Trading	–	–	–	–	–	–
Commissions	–	–	–	–	–	–
Rent	–	–	–	–	–	–
Dividends	–	–	–	–	–	–
Other income	–	–	–	–	–	–
Total revenue	1,424,612,045	1,398,979,560	1,472,811,593	1,486,218,967	19,255,735	19,137,515
Profit before tax						
Taxation						
Profit after tax						
Segment assets	8,151,414,340	6,001,775,609	4,925,414,552	6,167,957,766	101,408,214	102,884,961
Segment liabilities	6,031,216,542	5,347,873,664	6,235,273,437	5,681,363,402	81,520,796	73,156,903
Information on Cash Flows						
Operating activities	373,805,177	900,448,068	917,564,361	1,007,980,668	4,007,966	9,025,177
Investing activities	–	–	–	–	–	–
Capital expenditure	(214,257,154)	(154,312,787)	(129,462,847)	(158,585,528)	(2,665,480)	(2,645,295)
Financing activities	–	–	–	–	–	–
Net cash flow	159,548,023	746,135,281	788,101,514	849,395,140	1,342,486	6,379,882
Depreciation and amortisation	(103,150,246)	(69,285,478)	(62,327,555)	(71,203,912)	(1,283,248)	(1,187,721)

Other Advances		Investments/Property		Insurance		Unalocated		Total	
2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
86,828,699	78,100,608	185,430,358	166,101,543	–	–	–	–	3,188,938,430	3,148,538,193
–	–	19,805,893	8,665,281	–	–	101,722	115,432	19,907,615	8,780,713
–	–	–	–	73,766,050	57,205,778	–	–	73,766,050	57,205,778
–	–	1,686,607	1,659,821	–	–	–	–	1,686,607	1,659,821
–	–	2,334,192	2,095,081	–	–	–	–	2,334,192	2,095,081
–	–	13,596,788	16,807,144	–	–	438,703,364	413,990,503	452,300,152	430,797,647
86,828,699	78,100,608	222,853,838	195,328,870	73,766,050	57,205,778	438,805,086	414,105,935	3,738,933,046	3,649,077,233
								615,796,918	645,915,271
								(133,432,491)	(106,600,604)
								482,364,427	539,314,667
404,690,559	402,923,405	3,618,777,448	2,613,697,130	26,766,334	20,806,779	798,528,891	560,437,616	18,027,000,338	15,870,483,266
367,596,699	298,554,887	943,470,722	746,682,904	28,765,891	32,925,708	1,857,441,828	1,583,001,128	15,545,285,914	13,763,558,595
27,098,179	37,707,570	(1,080,907,507)	(231,810,925)	53,265,260	25,634,618	(189,316,369)	(128,131,450)	105,517,067	1,620,853,725
–	–	(294,336,368)	12,395,899	–	–	33,834,288	30,409,161	(260,502,080)	42,805,060
(10,637,154)	(10,359,640)	(95,118,335)	(67,201,261)	(22,800)	(1,365,270)	(20,989,060)	(14,409,517)	(473,152,830)	(408,879,298)
–	–	–	–	–	–	619,944,245	(1,164,881,926)	619,944,245	(1,164,881,926)
16,461,025	27,347,930	(1,470,362,210)	(286,616,287)	53,242,460	24,269,348	443,473,104	(1,277,013,733)	(8,193,598)	89,897,561
(5,121,066)	(4,651,414)	(303,038)	(303,038)	(1,078,900)	(1,048,707)	(26,321,484)	(6,469,783)	(199,585,536)	(154,150,052)

51. Financial Instruments – Fair Values

A. Accounting Classifications and Fair Values – Company

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying Amount		
As at 31st March 2015	Designated as FVTPL Rs.	Available-for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities - Quoted	89,279,199	–	–
Investments in unit trust - Quoted	2,250,000	–	–
	91,529,199	–	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	404,636,587
Deposits with licensed commercial banks	–	–	748,158,081
Repurchase agreements	–	–	581,421,556
Loans and advances	–	–	13,332,093,359
Other advances	–	–	250,834,306
Investments in equity securities - Unquoted	–	10,704,006	–
Investments in unit trust – Unquoted	–	1,467,881	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	12,171,887	15,317,143,889
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated liabilities	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	89,279,199	89,279,199	–	–	89,279,199
–	–	2,250,000	2,250,000	–	–	2,250,000
–	–	91,529,199	91,529,199	–	–	91,529,199
–	–	404,636,587	–	–	–	–
–	–	748,158,081	–	–	–	–
–	–	581,421,556	–	–	–	–
–	–	13,332,093,359	–	14,004,741,996	–	14,004,741,996
–	–	250,834,306	–	–	–	–
–	–	10,704,006	–	–	–	–
–	–	1,467,881	–	–	–	–
177,050,675	–	177,050,675	–	197,115,945	–	197,115,945
885,581,616	–	885,581,616	–	886,303,380	–	886,303,380
1,062,632,291	–	16,391,948,067	–	15,088,161,321	–	15,088,161,321
–	2,928,337,801	2,928,337,801	–	–	–	–
–	6,249,091,255	6,249,091,255	–	6,288,661,893	–	6,288,661,893
–	292,804,504	292,804,504	–	–	–	–
–	204,028,833	204,028,833	–	123,096,047	–	123,096,047
–	1,655,326,014	1,655,326,014	–	–	–	–
–	2,319,430,013	2,319,430,013	–	2,550,361,871	–	2,550,361,871
–	1,260,306,634	1,260,306,634	–	1,392,841,571	–	1,392,841,571
–	14,909,325,054	14,909,325,054	–	10,354,961,382	–	10,354,961,382

As at 31st March 2014	Carrying Amount		
	Designated as FVTPL Rs.	Available-for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	73,202,285	–	–
Investments in unit trust – Quoted	1,710,000	–	–
	74,912,285	–	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	404,047,840
Deposits with licensed commercial banks	–	–	–
Repurchase agreements	–	–	1,114,280,206
Loans and advances	–	–	12,424,707,435
Other advances	–	–	250,834,306
Investments in equity securities - Unquoted	–	10,704,006	–
Investments in unit trust Unquoted	–	1,295,277	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	11,999,283	14,193,869,787
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated liabilities	–	–	–
	–	–	–

	Carrying Amount			Fair Value			
	Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
	–	–	73,202,285	73,202,285	–	–	73,202,285
	–	–	1,710,000	1,710,000	–	–	1,710,000
	–	–	74,912,285	74,912,285	–	–	74,912,285
	–	–	404,047,840	–	–	–	–
	–	–	–	–	–	–	–
	–	–	1,114,280,206	–	–	–	–
	–	–	12,424,707,435	–	12,683,629,054	–	12,683,629,054
	–	–	250,834,306	–	–	–	–
	–	–	10,704,006	–	–	–	–
	–	–	1,295,277	–	–	–	–
	174,913,864	–	174,913,864	–	187,212,383	–	187,212,383
	379,859,389	–	379,859,389	–	379,744,022	–	379,744,022
	554,773,253	–	14,760,642,323	–	13,250,585,459	–	13,250,585,459
	–	1,406,252,190	1,406,252,190	–	–	–	–
	–	5,442,455,268	5,442,455,268	–	5,511,264,554	–	5,511,264,554
	–	181,944,217	181,944,217	–	–	–	–
	–	1,590,801,109	1,590,801,109	–	1,550,972,078	–	1,550,972,078
	–	501,664,179	501,664,179	–	–	–	–
	–	2,897,074,338	2,897,074,338	–	1,205,147,986	–	1,205,147,986
	–	1,260,272,122	1,260,272,122	–	1,516,858,800	–	1,516,858,800
	–	13,280,463,423	13,280,463,423	–	9,784,243,419	–	9,784,243,419

B. Accounting Classifications and Fair Values – Group

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying Amount		
As at 31st March 2015	Designated as FVTPL Rs.	Available-for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	89,279,199	–	–
Investments in unit trust – Quoted	2,250,000	–	–
	91,529,199	–	–
Financial Assets Not Measured at Fair Value			
Cash and cash equivalents	–	–	427,833,458
Deposits with licensed commercial banks	–	–	748,158,081
Repurchase agreements	–	–	581,421,556
Loans and advances	–	–	13,332,093,359
Other advances	–	–	250,834,306
Investments in equity securities - Unquoted	–	10,704,006	–
Investments in unit trust - Unquoted	–	1,467,881	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	12,171,887	15,340,340,760
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated liabilities	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	89,279,199	89,279,199	–	–	89,279,199
–	–	2,250,000	2,250,000	–	–	2,250,000
–	–	91,529,199	91,529,199	–	–	91,529,199
–	–	427,833,458	–	–	–	–
–	–	748,158,081	–	–	–	–
–	–	581,421,556	–	–	–	–
–	–	13,332,093,359	–	14,004,741,996	–	14,004,741,996
–	–	250,834,306	–	–	–	–
–	–	10,704,006	–	–	–	–
	–	1,467,881	–	–	–	–
177,050,675	–	177,050,675	–	197,115,945	–	197,115,945
885,581,616	–	885,581,616	–	886,303,380	–	886,303,380
1,062,632,291	–	16,415,144,938	–	15,088,161,321	–	15,088,161,321
–	2,940,860,735	2,940,860,735	–	–	–	–
–	6,226,716,770	6,226,716,770	–	6,266,560,213	–	6,266,560,213
–	292,804,504	292,804,504	–	–	–	–
–	361,928,833	361,928,833	–	123,096,047	–	123,096,047
–	1,497,426,014	1,497,426,014	–	–	–	–
–	2,319,430,013	2,319,430,013	–	2,550,361,871	–	2,550,361,871
–	1,260,306,634	1,260,306,634	–	1,392,841,571	–	1,392,841,571
–	14,899,473,503	14,899,748,503	–	10,332,859,702	–	10,332,859,702

As at 31st March 2014	Carrying Amount		
	Designated as FVTPL Rs.	Available-for-Sale Rs.	Loans and Receivables Rs.
Financial Assets Measured at Fair Value			
Investments in equity securities – Quoted	73,202,286	–	–
Investments in unit trust – Quoted	1,710,000	–	–
	74,912,286	–	–
Financial Assets Not Measured At Fair Value			
Cash and cash equivalents	–	–	420,155,384
Deposits with licensed commercial banks	–	–	–
Repurchase agreements	–	–	1,114,280,206
Loans and advances	–	–	12,406,816,158
Other advances	–	–	268,725,584
Investments in equity securities - Unquoted	–	10,704,006	–
Investments in unit trust - Unquoted	–	1,295,277	–
Treasury Bonds	–	–	–
Treasury Bills	–	–	–
	–	11,999,283	14,209,977,331
Financial Liabilities Not Measured at Fair Value			
Due to banks	–	–	–
Deposits from customers	–	–	–
Savings deposits from customers	–	–	–
Other borrowings	–	–	–
Short-term and floating rated borrowings	–	–	–
Debt securities issued	–	–	–
Subordinated liabilities	–	–	–
	–	–	–

Carrying Amount			Fair Value			
Held-to-Maturity Rs.	Other Financial Liabilities Rs.	Total Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
–	–	73,202,286	73,202,286	–	–	73,202,286
–	–	1,710,000	1,710,000	–	–	1,710,000
–	–	74,912,286	74,912,286	–	–	74,912,286
–	–	420,155,384	–	–	–	–
–	–	–	–	–	–	–
–	–	1,114,280,206	–	–	–	–
–	–	12,406,816,158	–	12,683,629,054	–	12,683,629,054
–	–	268,725,584	–	–	–	–
–	–	10,704,006	–	–	–	–
–	–	1,295,277	–	–	–	–
174,913,864	–	174,913,864	–	187,212,383	–	187,212,383
379,859,389	–	379,859,389	–	379,744,022	–	379,744,022
554,773,253	–	14,776,749,868	–	13,250,585,459	–	13,250,585,459
–	1,419,144,263	1,419,144,263	–	–	–	–
–	5,405,194,176	5,405,194,176	–	5,474,235,828	–	5,474,235,828
–	181,944,217	181,944,217	–	–	–	–
–	1,590,801,109	1,590,801,109	–	1,550,972,078	–	1,550,972,078
–	501,664,179	501,664,179	–	–	–	–
–	2,897,074,338	2,897,074,338	–	1,205,147,986	–	1,205,147,986
–	1,260,272,122	1,260,272,122	–	1,516,858,800	–	1,516,858,800
–	13,256,094,404	13,256,094,404	–	9,747,214,692	–	9,747,214,692

C. Measurement of Fair Values – Company

1. Valuation techniques and significant unobservable inputs used for Financial Instruments not measured at fair value

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Not applicable	Not applicable
Corporate debt securities	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

*** Other Liabilities consist of Due to Banks, Deposits from Customers, Borrowings and Debentures.*

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently.

Assets

Cash and cash equivalents
Repurchase agreements
Other advances

Liabilities

Due to Banks
Savings deposits from customers
Short-term and floating rated borrowings
Bank overdrafts

D. Measurement of Fair Values – Group

1. Valuation techniques and significant unobservable inputs used for Financial Instruments not measured at fair value

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation Technique	Significant Unobservable Inputs	Inter-Relationship Between Significant Unobservable Inputs and Fair Value Measurement
Other liabilities **	Discounted cash flows using prevailing current market rates for similar financial instruments.	Not applicable.	Not applicable.
Corporate debt securities	Market comparison technique: The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable.	Not applicable.

*** Other Liabilities consist of Due to Banks, Deposits from Customers, Borrowings and Debentures.*

The following is a list of financial instruments which have not been considered under the fair value measurement hierarchy, because the carrying amount of those financial instruments is a reasonable approximation of fair value since they are short-term in nature or re-price to current market rates frequently.

Assets

Cash and cash equivalents
Repurchase agreements
Other advances

Liabilities

Due to Banks
Savings deposits from customers
Short-term and floating rated borrowings
Bank overdrafts

52. Risk Management

52.1 Introduction

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

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

At Senkadagala Finance PLC, the Board of Directors approves the Integrated Risk Management Policy, which sets the objectives, principles, processes and responsibilities for risk management within the Company. The policy sets guidelines for defining, quantifying, monitoring and reporting financial risks. The Integrated Risk Management Committee, which is a subcommittee of the Board, is responsible for reviewing the effectiveness of risk control policies, procedures and regulations.

More specifically, the Committee is responsible for ensuring:

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

The Company is primarily exposed to credit risk, market risk, liquidity risk, operational risk and regulatory risk.

52.2 Credit Risk

Credit risk is the risk that a borrower is unable to meet its financial obligations to the lender. In order to manage credit risk, the Company has established robust policies for credit appraisal and the staff is regularly trained in evaluating creditworthiness of prospective clients, Senkadagala Finance PLC manages high-risk sectors through sector restrictions that require prior high-level clearance before taking on new exposures even for small amounts. Once credit facilities are funded, they are continually monitored to identify changes in risk profiles. Further, sourcing and approval of clients are segregated to achieve independence. Recovery and NPA management are also given greater emphasis and are aggressively monitored.

Impairment Assessment

The Company uses Net Flow Rate model for the recognition of losses on impaired financial assets. The losses can only be recognised when objective evidence of a specific loss event has been observed. This includes:

- Significant financial difficulty of the customer
- A breach of contract such as a default of payment
- It becomes probable that the customer will enter bankruptcy or other financial reorganisation
- Observable data that suggest that there is a decrease in the estimated future cash flow from the loans

Individually Assessed Allowances

The allowances appropriate for each individually significant loan or advance is determined on an individual basis, including any overdue payments of interests, credit rating downgrades, or infringement of the original terms of the contract. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance if it is in a financial difficulty, projected receipts and the expected pay out should bankruptcy ensue, the availability of other financial support, the realisable value of collateral and the timing of the expected cash flows. Impairment allowances are evaluated at each Reporting date, unless unforeseen circumstances require more careful attention.

Collectively Assessed Allowances

Allowances are assessed collectively for losses on loans and advances and for held-to-maturity debt investments that are not individually significant.

Generally, the analysis is based on historical experience. However, when there are significant market developments, macro economic factor changes have to be considered. These factors include, current level of bad debts, changes in law, changes in regulations and other customer data. The Company may use the aforementioned factors as appropriate to adjust the impairment allowances.

The collective assessment is made for groups of assets with similar risk characteristics, in order to determine whether provision should be made due to incurred loss events for which there is objective evidence, but the effects of which are not yet evident in the individual loans assessments. The collective assessment takes account of data from the loan portfolio (such as historical losses on the portfolio, levels of arrears, credit utilisation, loan to collateral ratios and expected receipts and recoveries once impaired) or economic data (such as current economic conditions, unemployment levels and recoveries once impaired) or economic conditions and local or industry-specific problems. The approximate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance is also taken into consideration. Management is responsible for deciding the length of this period, which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Company's overall policy.

52.2.1 Credit Quality by Class of Financial Assets

As at 31st March 2015	Neither Past Due Nor Impaired Rs.	Past Due But Not Impaired Rs.	Individually Impaired Rs.	Total Rs.
Assets				
Cash and cash equivalents	404,636,587	–	–	404,636,587
Deposits with licensed commercial banks	748,158,081	–	–	748,158,081
Repurchase agreements	581,421,556			581,421,556
Financial investments – Held at fair value through profit or loss	91,529,199	–	–	91,529,199
Loans and advances	6,592,078,697	6,958,288,910	32,560,058	13,582,927,665
Financial investments – Available-for-sale	12,171,887	–	–	12,171,887
Financial investments – Held-to-maturity	1,062,632,291	–	–	1,062,632,291
Total financial assets	9,492,628,298	6,958,288,910	32,560,058	16,483,477,266

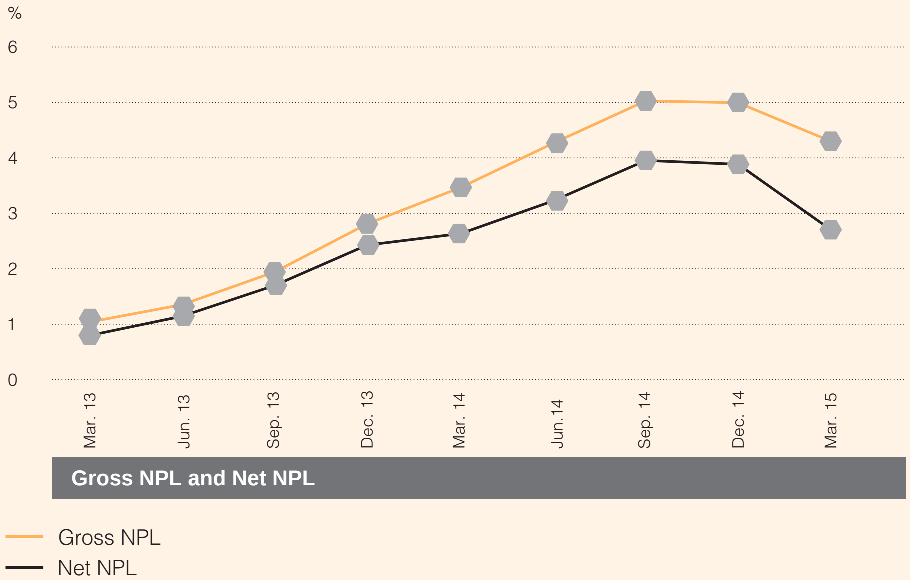
52.2.1.1 Age Analysis of Past Due (i.e., Facilities in arrears of 1 day and above) But Not Impaired Loans by Class of Financial Assets

	Past Due But Not Impaired				
As at 31st March 2015	Less than 30 Days Rs.	31 to 60 Days Rs.	61 to 90 Days Rs.	More than 91 Days Rs.	Total Rs.
Loans and advances	2,184,984,818	1,702,037,579	2,484,433,760	586,832,753	6,958,288,910
	2,184,984,818	1,702,037,579	2,484,433,760	586,832,753	6,958,288,910

52.2.2 Non-Performing Asset Ratio

Non-performing assets percentage movement which depicts the quality of the loan portfolio of the Company during the financial period.

The gross non-performing assets ratio includes loans and advances receivable net of interest in suspense which are in arrears for more than six months as the numerator and total advances net of interest in suspense as the denominator. To arrive at the net non-performing assets ratio specific provision is deducted from the numerator of the above formula.



Gross NPL and Net NPL

52.2.3 Industry Analysis

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

Sector-wise Breakdown	Cash and Cash Equivalents Rs.	Financial Investments – Held at Fair Value Rs.	Loans and Advances** Rs.	Financial Investments– Available-for-Sale Rs.	Financial Investments – Held-to-Maturity Rs.	Total Financial Assets Rs.
Agriculture	–	247,000	570,053,956	–	–	570,300,956
Manufacturing	–	8,045,320	77,924,471	–	–	85,969,791
Construction	–	175,000	415,714,300	–	–	415,889,300
Financial Services	1,757,413,095	20,207,604	260,142,900	1,467,881	–	2,039,231,480
Trading	–	8,754,550	2,690,712,489	–	–	2,699,467,039
Retail	–	649,049	3,970,245,153	–	–	3,970,894,202
Government	–	–	–	–	1,062,632,291	1,062,632,291
Hotels	–	36,437,421	302,036,407	10,413,420	–	348,887,248
Services	–	17,013,255	5,296,097,988	290,586	–	5,313,401,829
Total	1,757,413,095	91,529,199	13,582,927,665	12,171,887	1,062,632,291	16,506,674,137

*** Provincial breakdown for (01) Loans and advances, (02) Lease rentals receivable and Stock out on hire from customers within Sri Lanka is as follows:*

Province	Loans and Advances Rs.
Central	2,115,374,547
Eastern	377,439,970
North-Central	683,784,075
North-Western	1,164,684,197
Northern	386,118,856
Sabaragamuwa	1,087,139,956
Southern	768,427,511
Uva	481,916,369
Western	6,518,042,184
Total	13,582,927,665

52.3 Liquidity Risk and Fund Management

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

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

52.3.1 Statutory Liquid Assets Ratio

As per the requirements of Finance Companies (Liquid Assets) Direction No. 04 of 2013, Company has maintained minimum liquid assets, not less than 10% of the outstanding value of time deposits and face value of certificates of deposit; and 15% of the outstanding value of savings deposits received by the Company at a given day; and 5% of total outstanding borrowings excluding borrowings which are included in the capital funds of the finance company and borrowings which are secured by mortgage of any asset of the Company.

Further in accordance with the Finance Companies (Liquid Assets) Direction No. 04 of 2013 every Finance Company has to maintain assets in the form of approved securities equivalent to 7.5% of the average of month end total deposit liabilities and borrowings of the twelve months of the preceeding financial year.

As at March 31, 2015, the Company maintained Government Securities to Average Deposit Liabilities and Borrowings ratio at 13.77%.

52.3.2 Analysis of Financial Assets and Liabilities by Remaining Contractual Maturities

The table below summarises the maturity profile of the undiscounted cash flows of the Company's financial assets and liabilities as at 31st March 2015:

	Less than 3 Months Rs.	3-12 Months Rs.	1-3 Years Rs.	Over 3 Years Rs.	Total Rs.
Financial Assets					
Cash and cash equivalents	404,636,587	–	–	–	404,636,587
Deposits with licensed commercial banks	748,158,081	–	–	–	748,158,081
Repurchase agreements	581,421,556	–	–	–	581,421,556
Financial investments – Fair value through profit or loss	91,529,199	–	–	–	91,529,199
Loans and advances	1,816,165,410	4,545,537,622	3,303,280,977	3,917,943,656	13,582,927,665
Financial investments – Available-for-sale	–	3,042,972	6,085,943	3,042,972	12,171,887
Financial investments – Held-to-maturity	–	885,581,616	–	177,050,675	1,062,632,291
Total financial assets	3,641,910,833	5,434,162,210	3,309,366,920	4,098,037,303	16,483,477,266
Financial Liabilities					
Bank overdraft	91,947,000	–	–	–	91,947,000
Deposits from customers	576,539,314	3,904,079,827	1,861,780,382	199,496,236	6,541,895,759
Debt instruments issued and other borrowed funds	387,710,579	1,970,302,907	3,785,201,126	2,132,267,684	8,275,482,296
Total financial liabilities	1,056,196,893	5,874,382,734	5,646,981,508	2,331,763,920	14,909,325,055
Total net financial assets/(liabilities)	2,585,713,939	(440,220,525)	(2,337,614,588)	1,766,273,383	1,574,152,211

52.3.3 Capital Management and Capital Adequacy

In order to be resilient in volatile economic conditions it is important to maintain an adequate capital base. Central Bank of Sri Lanka has laid down directions to promote the strengthening of the capital base of NBFIs.

In accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003, the Company transferred Rs. 30 million of net profits for the year, to the Statutory Reserve Fund. Since the capital base of the Company is greater that 25% of total deposit liabilities only 5% of profits for the year was transferred to this reserve.

Further, in accordance with the Finance Companies (Risk-Weighted Capital Adequacy Ratio) Direction No. 02 of 2006, all the NBFIs are required to maintain, at all times its Capital at a level not less than 10% of its Risk-Weighted Assets and the Core Capital at a level not less than 5% of Risk-Weighted Assets. The ratios as at 31st March 2015 were 22.97% and 16.54% respectively. Detailed calculation is given below:

Risk-Weighted Assets

As at 31st March	2015 Rs.	2014 Rs.	Risk Weighting %	2015 Rs.	2014 Rs.
On-Balance sheet – Total assets	18,073,018,296	15,869,676,489		15,318,494,056	13,791,905,923
Cash and current accounts with banks	404,636,587	404,047,840	0	–	–
Deposits with banks	1,329,579,637	1,114,280,206	20	265,915,927	222,856,041
Sri Lanka Government Treasury Bills	1,062,632,291	554,773,253	0	–	–
Loans and advances	13,582,927,665	12,675,541,741		13,359,336,013	12,448,016,433
Loans against deposits with the Company	122,183,438	124,640,347	0	–	–
Loans against gold and gold jewellery	101,408,214	102,884,961	0	–	–
Other Loans and advances	13,359,336,013	12,448,016,433	100	13,359,336,013	12,448,016,433
Fixed assets	1,122,864,434	857,732,103	100	1,122,864,434	857,732,103
Other assets	570,377,682	263,301,346	100	570,377,682	263,301,346

Capital Base

As at 31st March	2015 Rs.	2014 Rs.
Tier I: Core Capital		
Issued and paid-up ordinary shares	1,008,062,200	747,152,000
Statutory reserve fund	230,036,033	195,036,033
Published retained profits	1,295,748,643	988,965,872
Total Tier I Capital	2,533,846,876	1,931,153,905
Tier II: Capital		
Eligible revaluation reserves	–	–
Eligible general provisions	–	–
Approved hybrid capital instruments	–	–
Eligible approved unsecured subordinated term debt	1,000,000,000	965,576,953
Total Tier II Capital	1,000,000,000	965,576,953
Deductions		
Equity investments in unconsolidated financial and banking subsidiaries	(15,333,019)	(9,753,311)
Total Capital Base	3,518,513,857	2,886,977,547

As at 31st March	2015 Rs.	2014 Rs.
Core Capital Ratio (Minimum requirement 5%)		
Total core capital	2,533,846,876	1,931,153,905
Total risk-weighted assets	15,318,494,056	13,791,905,923
	16.54%	14.00%
Total Capital Ratio (minimum requirement 10%)		
Total capital base	3,518,513,857	2,886,977,547
Total risk-weighted assets	15,318,494,056	13,791,905,923
	22.97%	20.93%

During the 2013/14 financial year, the Company Issued a Subordinated, Unsecured, Listed Debenture for a sum of Rs. 1,250 million. With the approval of the CBSL this was included in the capital base of the Company and it was expected to strengthen the capital base and to strike a balance between Tier I and Tier II capital. Accordingly as at 31st March 2015, 80% of the said debenture, Rs. 1,000 million is included under Tier II of the Company.

52.4 Market Risk

Market risk is the risk of potential losses accruing through adverse fluctuation in market interest rates, equity prices and exchange rates. Of these market risks, the more frequent and most likely is the risk of adverse fluctuations of interest rates. The effect of such adverse movements could have an immediate and direct bearing on the Company. Interest rate risk is the risk of loss in the net interest income of the Company due to adverse changes in market interest rates. The Company routinely assesses its assets and liability profile in terms of interest rate risk and depending on this assessment, necessary realignments in the assets and liability structure are undertaken.

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

52.5 Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board has established limits on the non-trading interest rate gaps for stipulated periods. The Company policy is to monitor positions on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

52.6 Currency Risk

Currency risk is that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company monitored this on a daily basis and hedging strategies are used.

52.7 Equity Price Risk

Equity price risk is that the fair value of equities decreases as the result of changes in the level of equity indices and individual stocks. The non-trading equity price risk exposure arises from equity securities classified as available-for-sale.

52.8 Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events. Senkadagala Finance PLC manages operational risk in a variety of ways. These include maintaining a comprehensive system of internal controls including disaster recovery plans and business continuity plans, using technology to automate processes and reduce manual errors, monitoring and analysing risk, events and trends, employing experienced staff, monitoring business activities by compliance and audit professionals, requiring education and training of employees, and emphasising the importance of management oversight.

The Company has in place a process of continuous internal audit utilising the services of Messrs Ernst & Young, Advisory Services (Pvt) Ltd.

52.9 Regulatory Risk

Regulatory risk is the risk of non-compliance with applicable legislation, regulation and regulatory directives. Senkadagala Finance PLC manages regulatory risk day by day primarily by educating and training employees about regulatory requirements, establishing and maintaining appropriate policies and procedures, and monitoring for compliance. The Company has appointed a Compliance Officer for communicating regulatory requirements to each business unit, ensuring that business units have appropriate policies and procedures in place and that staff are trained to meet regulatory requirements and for tracking, escalating and reporting significant issues and finding to senior management and the Board.

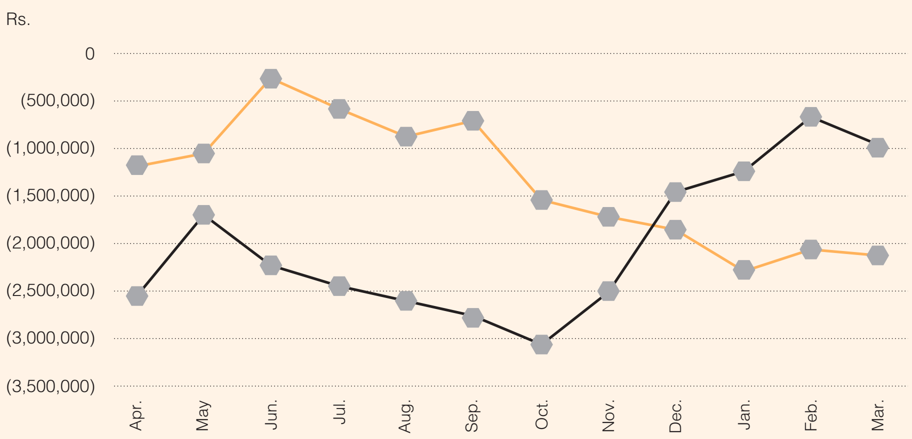
In this latter process, the Compliance Officer is supported and assisted by the Company's Internal Auditors, Messrs Ernst & Young Advisory Services (Pvt) Ltd. who also report on any issues of non-compliance, with both internal and external regulations. Compliance with regulatory requirements is also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

52.10 Reputation Risk

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

53. Sensitivity Analysis

The graph below depicts the sensitivity analysis carried out on the statement of Financial Position as at 31st March 2015, on the changes of interest rate right across the market in a hypothetical situation. The Company is exposed to sudden interest rate fluctuations due to the availability of short-term and floating rate funding. The exposure will partly diminish by the short term, rate sensitive investments. The time horizon of the study is restricted to a 12 months period. The Company undertakes varying degrees of such rate shocks and evaluates them to ensure that the risk exposures are within the risk appetite of the Company as compared to the anticipated market rate movements.



Impact on NII - Rate Shock of 100 bp

2014/15
2013/14

Sensitivity to Projected Net Interest Income	100 bp Parallel Increase/Decrease*	
	2015 Rs. '000	2014 Rs. '000
As at 31st March	+/ - 2,125	+/ - 961
Average for the year	+/ - 1,355	+/ - 2,016
Maximum for the year	+/ - 2,289	+/- 3,065
Minimum for the year	+/ - 265	+/- 669

** Parallel increase in rates would have a positive impact on earning whereas parallel decrease have a negative effect.*

In arriving at the above result the Company considered only rate sensitive assets and liabilities.

Ten Year Summary

Rs. '000

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Operating Results										
Interest income	3,584,165	3,528,336	2,861,923	1,884,502	1,493,088	1,451,560	1,560,124	1,259,893	1,058,870	645,333
Interest expense	1,750,532	1,868,499	1,524,288	841,034	679,358	845,696	931,904	668,737	499,471	268,693
Net interest income	1,833,634	1,659,838	1,337,635	1,043,467	813,730	605,864	628,220	591,156	559,399	376,640
Other operating income	131,220	94,950	113,678	131,523	177,868	100,671	87,309	101,899	104,487	108,974
Profit before taxation and VAT	697,029	657,054	735,545	692,960	435,584	172,614	132,807	283,098	260,671	210,918
Profit before income taxation	647,444	622,417	680,482	634,872	349,626	138,485	113,583	256,132	257,750	207,369
Profit for the year	539,639	534,942	578,526	476,450	222,400	54,951	61,364	241,092	277,547	205,595
Dividends paid	140,239	160,347	172,912	127,016	63,508	19,212	29,886	75,783	82,400	26,150
Balance Sheet										
Assets										
Cash and near cash items	2,796,849	2,073,101	1,860,837	1,277,793	617,647	659,489	379,798	520,140	387,240	453,039
Investments	103,701	86,912	69,047	61,299	66,126	37,742	32,305	30,398	26,459	16,319
Loans and advances	13,582,928	12,675,542	11,559,936	8,968,566	5,398,168	4,684,291	4,882,142	4,789,265	3,654,387	3,168,384
Investments in subsidiary	320,000	20,000	20,000	–	–	–	–	–	–	–
Property and equipment	1,122,864	857,732	629,823	557,758	429,969	422,658	401,969	359,627	206,853	139,763
Other assets	146,677	156,390	129,935	152,086	107,544	60,948	51,986	86,454	509,271	405,380
Total assets	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454	5,865,128	5,748,200	5,785,883	4,784,210	4,182,885
Liabilities										
Deposits from customers	6,541,896	5,624,399	3,412,464	2,732,031	2,386,821	2,094,478	1,398,151	937,315	764,349	686,740
Borrowings	4,787,693	3,423,011	6,136,152	4,805,838	1,528,532	1,428,382	2,401,083	2,921,212	2,566,478	2,497,594
Debentures	3,579,737	4,157,346	2,618,281	1,771,753	1,425,524	1,090,000	840,000	750,000	509,000	250,000
Deferred tax liability	197,116	155,732	199,093	178,788	103,560	70,968	65,240	40,394	34,099	67,793
Dividends payable	6,280	57,295	3,648	2,427	1,684	1,340	1,016	1,125	-	189
Other liabilities	426,451	350,110	325,894	399,961	439,996	275,061	156,471	278,941	256,459	221,890
Total liabilities	15,539,171	13,767,894	12,695,532	9,890,798	5,886,117	4,960,228	4,861,961	4,928,987	4,130,385	3,724,206
Equity										
Stated capital	1,008,062	747,152	533,680	533,680	533,680	213,472	213,472	213,472	213,472	213,472
Statutory reserve fund	230,036	195,036	165,036	130,036	100,036	86,536	83,536	79,536	61,026	43,594
Investment fund account	–	170,629	154,760	97,059	16,752	–	–	–	–	–
Retained earnings	1,295,749	988,966	720,571	365,928	82,870	604,892	589,231	563,888	379,327	201,613
Total equity	2,533,847	2,101,783	1,574,047	1,126,704	733,337	904,900	886,239	856,896	653,825	458,679
Total liabilities and equity	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454	5,865,128	5,748,200	5,785,883	4,784,210	4,182,885

Key Ratios and Indicators

Rs. '000

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Performance Indicators										
Return on average total assets (%)	3.18	3.55	4.58	5.40	3.56	0.95	1.06	4.56	6.19	6.54
Return on average shareholders' funds (%)	23.28	29.11	42.84	51.23	27.15	6.14	7.04	31.92	49.90	49.84
Net interest margin (%)	11.78	11.78	11.30	12.83	14.33	11.43	11.89	12.64	14.60	13.90
Growth of income (%)	1.58	23.29	51.87	26.22	2.86	-6.96	23.83	18.98	64.08	109.74
Growth of profit for the year (%)	0.88	-7.53	21.42	114.23	304.73	-10.45	-74.55	-13.13	35.00	114.87
Growth of loans and advances (%)	7.16	9.65	28.89	66.14	15.24	-4.05	1.94	31.06	15.34	86.27
New advances disbursed (Rs. '000)	8,263,649	6,861,202	7,009,369	7,325,099	4,069,048	2,361,059	2,672,551	2,737,712	2,363,626	2,629,757
Net flow of deposits (Rs. '000)	917,496	2,211,935	680,433	345,210	298,264	696,327	460,836	172,966	77,609	136,757
Borrowings obtained (Rs. '000)	3,382,550	1,860,000	3,703,345	4,568,600	1,020,910	1,005,723	1,251,489	1,830,201	1,351,715	1,638,200
Debentures issued (Rs. '000)	–	2,410,000	1,216,000	565,229	300,000	350,000	240,000	241,000	259,000	250,000
Capital expenditure incurred (Rs. '000)	473,130	407,514	213,881	243,266	103,066	103,682	116,993	216,888	122,612	71,118
Gross non-performing assets ratio (%)	4.30	3.48	1.07	1.18	2.30	4.31	3.53	6.25	6.35	2.87
Investor Information										
Earnings per share (Rs.)	8.27	8.63	10.64	8.93	4.17	1.03	1.15	4.52	5.20	3.85
Dividends per share (Rs.)	2.95	1.79	3.24	2.38	1.19	0.90	1.40	3.55	3.86	1.23
Net assets per share (Rs.)	38.85	35.80	29.49	21.11	13.74	42.39	41.52	40.14	30.63	21.49
Interest cover (times)	1.31	1.29	1.38	1.57	1.33	1.06	1.07	1.36	1.56	1.77
Dividends cover (times)	3.85	3.34	3.35	3.75	3.50	2.86	2.05	3.18	3.37	7.86
Dividend payout ratio (%)	25.99	29.97	29.89	26.66	28.56	34.96	48.70	31.43	29.69	12.72
Capital and Leverage										
Core capital (%)	16.54	14.00	11.41	10.51	12.07	17.56	16.67	16.84	15.85	14.34
Total capital (%)	22.97	20.93	11.31	10.51	12.07	17.56	16.67	16.84	15.85	14.34
Equity as a % of total assets (%)	14.02	13.24	11.03	10.23	11.08	15.43	15.42	14.81	13.67	10.97
Equity as a % of total deposits and borrowings (%)	17.00	15.92	12.94	12.10	13.73	19.62	19.10	18.59	17.03	13.36
Growth of total assets (%)	13.88	11.21	29.52	66.44	12.86	2.03	-0.65	20.94	14.38	98.42
Growth of net assets (%)	20.56	33.53	39.70	53.64	-18.96	2.11	3.42	31.06	42.55	25.22
Earnings retention ratio (%)	74.01	70.03	70.11	73.34	71.44	65.04	51.30	68.57	70.31	87.28
Total deposit liabilities to capital (%)	38.73	37.37	46.13	41.24	30.72	43.20	63.39	91.42	85.54	66.79
Debt to equity ratio (times)	3.30	3.61	5.56	5.84	4.03	2.78	3.66	4.28	4.70	5.99
Liquidity										
Liquid assets as a % of total assets	15.48	13.06	13.04	11.60	9.33	11.24	6.61	8.99	8.09	10.83
Liquid assets as a % of total deposit liability	42.75	36.86	54.53	46.77	25.88	31.49	27.16	55.49	50.66	65.97
Operational										
Number of branches	39	39	39	30	30	30	30	26	18	14
Growth in branch numbers (%)	0	0	30	0	0	0	15	44	29	75
Number of service centres	41	24	13	15	0	0	0	0	0	0
Number of staff	601	492	414	347	235	213	211	185	146	105
Pre-tax profit per employee (Rs. '000)	1,077	1,265	1,644	1,830	1,488	650	538	1,384	1,765	1,975

Depositor Information

Value of Deposit Base

	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Term deposits	6,237,346	5,439,663	3,254,899	2,627,293	2,299,937
Certificates of deposit	11,745	2,792	3,521	2,925	2,897
Savings deposits	292,805	181,944	154,044	101,813	83,986

Term Deposits Analysed on Rate of Interest Basis as at 31st March 2015

	No. of Deposits	Value Rs. '000	Percentage of Total
Less than 8%	994	1,045,265	16.76
More than or equal to 8% and less than 10%	2,267	2,053,703	32.93
More than or equal to 10% and less than 12%	1,724	1,631,797	26.16
More than or equal to 12% and less than 15%	408	1,292,094	20.72
More than 15%	288	214,487	3.44
	5,681	6,237,346	100.00

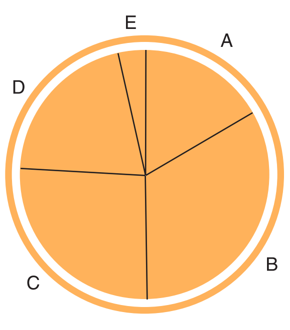
Term Deposits Analysed on Deposit Period Basis as at 31st March 2015

	No. of Deposits	Value Rs. '000	Percentage of Total
01 Month	185	182,512	2.93
03 Months	504	310,645	4.98
06 Months	427	706,223	11.32
01 Year	3364	2,981,780	47.81
02 Years	722	1,705,697	27.35
03 Years	216	151,486	2.43
04 Years	74	80,033	1.28
05 Years	189	118,970	1.91
	5,681	6,237,346	100.00

Depositor Indicators

	2015	2014	2013	2012	2011
Deposit interest expenses (Rs. '000)					
Term deposits	**668,309**	542,635	391,358	261,904	262,605
Certificates of deposit	**1,012**	469	376	325	180
Savings deposits	**14,218**	14,460	8,298	5,711	4,982
Total deposit interest paid	**683,540**	557,565	400,032	267,940	267,767
Deposit interest cover (Times)	**1.95**	2.12	2.70	3.37	2.31
Liquid assets as a percentage of term and certificates of deposit	**45**	38	57	49	27
CBSL minimum requirement (%)	**10**	10	10	10	10
Liquid assets as a percentage of savings deposits	**955**	1,139	1,208	1,255	735
CBSL minimum requirement (%)	**15**	15	15	15	15

Analysis of Fixed Deposits Based on Interest Rate



A - 17% Less Than 8%

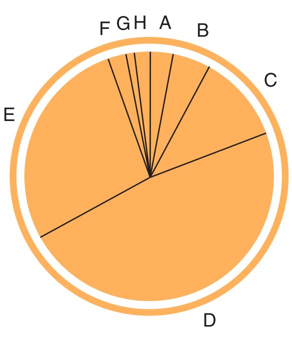
B - 33% More than or equal to 8% and less than 10%

C - 26% More than or equal to 10% and less than 12%

D - 21% More than or equal to 12% and less than 15%

E - 3% More than 15%

Analysis of Fixed Deposits Based on Period



A - 3% 01 Month

B - 5% 03 Months

C - 11% 06 Months

D - 49% 01 Year

E - 27% 02 Years

F - 2% 03 Years

G - 1% 04 Years

H - 2% 05 Years

Capital Adequacy

In order to be resilient in volatile economic conditions, it's important to maintain adequate capital funds. Central Bank of Sri Lanka has issued the following directives to regulate the capital structure of NBFIs:

- Finance Companies (Capital Funds) Direction No. 01 of 2003
- Finance Companies (Risk-Weighted Capital Adequacy Ratio) Direction No. 02 of 2006
- Finance Companies (Minimum Core Capital) Direction No. 01 of 2011

Finance Companies (Capital Funds) Direction No. 01 of 2003 specifies,

- that every finance company shall maintain capital funds which shall at all time be more than 10% of its total deposit liabilities
- also, every finance company shall maintain a Statutory Reserve Fund, transferring a specified fraction of its net profit for the year based on the ratio of capital funds to total deposit liabilities.

Finance Companies (Risk-Weighted Capital Adequacy Ratio) Direction No. 02 of 2006 specifies,

- that every finance company shall, at all times maintain its capital at a level not less than 10% of its risk-weighted assets, with the core capital constituting not less than 5% of its risk-weighted assets.

Where,
Tier 1 Core capital: comprising of paid up ordinary share capital, statutory reserves and or any other reserves created or increased by transferring of retained earnings excluding special purpose reserves.
Tier 2 Supplementary capital: comprising of revaluation reserves, general provisions and other capital instruments which combine characteristics of equity and debt instruments and unsecured subordinated term debts.

Risk-Weighted Assets - Central Bank defines weightings based on the risk inherent in each category of assets. Cash and cash equivalent items as well as Government Securities are 0% weighted, securitised assets are weighted in accordance with risk exposure of the security, etc. Detailed calculation is given below.

Finance Companies (Minimum Core Capital) Direction No. 01 of 2011 specifies,

- that every finance company shall at all times maintain an unimpaired core capital not less than Rs. 400 million.

In accordance with the Guidelines on the Operations of the Investment Fund Account dated 7th August 2014, the remaining balance in the IFA was transferred to the retained earnings through the Statement of Changes in Equity on 1st October 2014. Accordingly, Rs. 170,628,603/- was added to the retained earnings of the entity contributing to the improvement of the capital ratio of the Company.

Our Commitment

Senkadagala Finance has continuously adhered to these levels of capital, understanding the importance of maintaining adequate buffer to shield from market volatility. During the year we managed to raise our Core Capital ratio to 16.54% from 14.00% in 2014. Also improved the Total Capital ratio from 20.93% in 2014 to 22.97% by March 2015.

Following were the initiatives taken during the year:

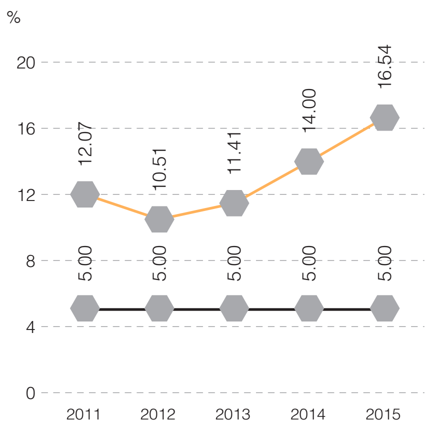
- The Company maintains a Statutory Reserve Fund, which amounts to Rs. 230,036,033 as at 31st March 2015. Rs. 35 million of funds were transferred to this fund during the year.
- Out of profits for the year Rs. 432,064,368/- was retained within the Company to strengthen the capital base of the Company and to support future growth.

Calculation of Risk-Weighted Capital Adequacy Ratios

Risk-Weighted Assets

Rs. '000	2015	2014	2013	2012	2011	Risk-Weights	2015	2014	2013	2012	2011
On-Balance sheet - total assets	18,073,018	15,869,676	14,269,579	11,017,502	6,619,454		15,318,494	13,791,906	12,440,300	9,797,980	5,935,343
Cash and current accounts with banks	404,637	404,048	333,440	233,762	343,998	0%	–	–	–	–	–
Deposits with banks	1,329,580	1,114,280	1,137,541	739,919	75,139	20%	265,916	222,856	227,508	147,984	15,028
Deposits with finance companies	–	–	–	–	–	20%	–	–	–	–	–
Due from Central Bank of Sri Lanka	–	–	–	–	–	0%	–	–	–	–	–
Sri Lanka Government Treasury Bills	1,062,632	554,773	389,856	304,111	198,510	0%	–	–	–	–	–
Sri Lanka Government/ Central Bank Securities	–	–	–	–	–	0%	–	–	–	–	–
Other securities guaranteed by Sri Lanka Government	–	–	–	–	–	0%	–	–	–	–	–
Loans and advances	13,582,928	12,675,542	11,559,936	8,968,566	5,398,168		13,359,336	12,448,016	11,363,987	8,878,853	5,316,676
Against Deposits with the Company	122,183	124,640	126,314	88,347	81,492	0%	–	–	–	–	–
Against SL Government Guarantee/Securities	–	–	–	–	–	0%	–	–	–	–	–
Against dues/Securities/ Guarantees of CBSL	–	–	–	–	–	0%	–	–	–	–	–
Loans against Gold and gold jewellery	101,408	102,885	69,635	1,366	–	0%	–	–	–	–	–
Other Loans & Advances	13,359,336	12,448,016	11,363,987	8,878,853	5,316,676	100%	13,359,336	12,448,016	11,363,987	8,878,853	5,316,676
Fixed Assets	1,122,864	857,732	629,823	557,758	429,969	100%	1,122,864	857,732	629,823	557,758	429,969
Other assets	570,378	263,301	218,982	213,385	173,671	100%	570,378	263,301	218,982	213,385	173,671
Capital Base											
Tier I: Core Capital							2,533,847	1,931,154	1,419,287	1,029,644	716,586
Issued and paid up Ordinary shares							1,008,062	747,152	533,680	533,680	533,680
Statutory reserve fund							230,036	195,036	165,036	130,036	100,036
Published retained profits/ (accumulated losses)							1,295,749	988,966	720,571	365,928	82,870
Tier 2: Supplementary Capital							1,000,000	965,577	–	–	–
Eligible revaluation reserves							–	–	–	–	–
Eligible general provisions							–	–	–	–	–
Approved hybrid capital instruments							–	–	–	–	–
Minority interest arising from preference shares issued by subsidiaries							–	–	–	–	–
Eligible approved unsecured subordinated Term Debt							1,000,000	965,577	–	–	–

Rs. '000	2015	2014	2013	2012	2011	Risk-Weights	2015	2014	2013	2012	2011
Deductions											
Equity investments in unconsolidated financial and banking subsidiaries							(15,333)	(9,753)	(12,048)	–	–
Total Capital Base							3,518,514	2,886,978	1,407,239	1,029,644	716,586
Core Capital Ratio											
Core capital ratio	Core Capital		x100								
	Risk-Weighted Assets										
Senkadagala Finance PLC							16.54%	14.00%	11.41%	10.51%	12.07%
CBSL minimum requirement							5.00%	5.00%	5.00%	5.00%	5.00%
Total Capital Ratio											
Total capital ratio	Total Capital Base		x100								
	Risk-Weighted Assets										
Senkadagala Finance PLC							22.97%	20.93%	11.31%	10.51%	12.07%
CBSL minimum requirement							10.00%	10.00%	10.00%	10.00%	10.00%

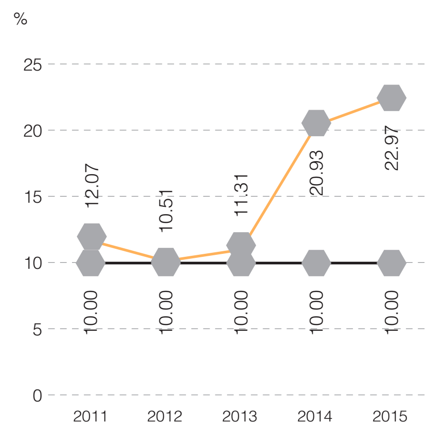


Core Capital Ratio

16.54%

2014: 14.00% **Change: 2.54%pt**

Senkadagala Finance PLC
CBSL Minimum Requirement



Risk Weighted Capital Ratio

22.97%

2014: 20.93% **Change: 2.04%pt**

Senkadagala Finance PLC
CBSL Minimum Requirement

Shareholder Information

Senkadagala Finance PLC was listed in the *Diri Savi* Board of the Colombo Stock Exchange with effect from 22nd March 2011. All shares listed are voting shares. The Company does not have any other category of shares in issue.

During the year Senkadagala FInance PLC issued 6,522,755 ordinary shares at Rs. 40.00 each for a total consideration of Rs. 260,910,200 to the registered shareholders by way of a Capitalisation of Retained Earnings at a ratio of 1:9, increasing the stated capital of the Company to Rs. 1 billion. Pursuant to the capitalisation of reserves 6,522,755 new ordinary voting shares were listed in the Colombo Stock Exchange on 12th May 2014.

Additional capital introduction was done by way of capitalisation of earnings. During the year the Company capitalised 74.01% of its earnings compared to 70.03% of last year.

Details of dividends paid to shareholders during the year are as follows:

	2015			2014		
Dividend Payment	Amount Rs.	DPS Rs.	Paid Date	Amount Rs.	DPS Rs.	Paid Date
1st interim dividend paid	–	–	–	21,347,200	0.40	15.10.2013
2nd interim dividend paid	55,443,422	0.85	20.02.2015	34,635,832	0.59	31.01.2014
3rd interim dividend paid	32,613,778	0.50	15.05.2015	52,182,044	0.80	09.06.2014
Final dividend proposed/paid	52,182,044	0.80	Subject to AGM Approval	52,182,044	0.80	26.09.2014
Total dividends	140,239,243			160,347,120		
Earnings during the year	539,639,042			534,942,033		
Dividends pay-out ratio (%)	25.99			29.97		
Earnings retention ratio (%)	74.01			70.03		

1. Twenty Largest Shareholders as at 31st March

	2015		2014	
	Number of Shares	% of Holding	Number of Shares	% of Holding
E. W. Balasuriya & Co. (Pvt) Ltd.	36,697,014	56.26	33,017,714	56.24
Hallsville Trading Group Inc.	5,164,444	7.92	4,648,000	7.92
Dr. M. Balasuriya	3,754,842	5.76	3,372,415	5.74
Mr. R. Balasuriya	3,754,842	5.76	3,372,415	5.74
Dr. (Mrs.) G. Madan Mohan	3,754,841	5.76	3,372,415	5.74
Dr. A. Balasuriya	3,747,127	5.74	3,372,415	5.74
Mrs. L. Fernando	3,141,113	4.82	2,827,002	4.82
Mr. L. Balasuriya & Mr. S. K. Balasuriya	1,877,421	2.88	1,686,207	2.87
Mr. L. Balasuriya & Ms. A. S. Balasuriya	1,877,420	2.88	1,686,207	2.87
Mr. D. K. C. R. Fernando	606,014	0.93	545,413	0.93
Mrs. S. Thaha	172,890	0.27	389,000	0.66
Mrs. C. Fernando	172,888	0.27	155,600	0.27
Estate of the late Mr. D. G. K. Hewamallika	172,888	0.27	155,600	0.27
Mrs. S. Sellamuttu	129,666	0.20	–	–
Mr. I. M. Thaha	129,666	0.20	–	–
Mr. M. M. Ariyaratne	28,488	0.04	25,640	0.04
Mr. P. P. K. Ikiriwatte	15,280	0.02	13,752	0.02
Mr. J. K. Jayatileke	15,267	0.02	13,741	0.02
Dr. A. Balasuriya & Mr. D. Balasuriya	3,858	0.01	–	–
Dr. A. Balasuriya & Mr. S. Balasuriya	3,857	0.01	–	–
Mr. E. W. Balasuriya (Deceased)	–	–	41,660	0.07
Mr. C. Y. Ching	–	–	4,800	0.01
Ms. S. I. A. Ching	–	–	4,800	0.01
Mr. L. Balasuriya - The Trustee of the Capitalisation Issue	15	0.00	4	0.00
Total shares	65,219,841	99.98	58,704,800	100.00

2. The percentage of shares held by the public on 31st March 2015 was 21.60% (2014 - 21.71%). and was distributed among 13 shareholders.

3. The Company has 65,227,555 (2014 - 58,704,800) number of voting shares in issue, with right to vote allocated at one vote per share.

4. Directors' Shareholdings as at 31st March

	2015		2014	
	Number of Shares	% of Holding	Number of Shares	% of Holding
Dr. A. Balasuriya	3,747,127	5.74	3,065,832	5.22
Dr. A. Balasuriya & Mr. D. Balasuriya	3,858	0.01	–	0.00
Dr. A. Balasuriya & Mr. S. Balasuriya	3,857	0.01	–	0.00
Dr. M. Balasuriya	3,754,842	5.76	3,065,832	5.22
Mrs. L. Fernando	3,141,113	4.82	2,570,002	4.38
Mrs. L. Fernando & Ms. S. A. Fernando	2,572	0.00	–	0.00
Mrs. L. Fernando & Mr. A. R. Fernando	2,571	0.00	–	0.00
Mrs. L. Fernando & Mr. A. L. Fernando	2,571	0.00	–	0.00
Mr. L. Balasuriya & Mr. S. K. Balasuriya	1,877,421	2.88	1,532,916	2.61
Mr. L. Balasuriya & Ms. A. S. Balasuriya	1,877,420	2.88	1,532,916	2.61
Mr. L. Balasuriya - The Trustee of the Capitalisation Issue	15	0.00	4	0.00
Mr. W. A. T. Fernando	–	0.00	–	0.00
Dr. P. Ramanujam	–	0.00	–	0.00
Mr. S. S. Kulatunga	–	0.00	–	0.00
Mr. S. D. Bandaranayake	–	0.00	–	0.00
Mr. D. T. P. Collure	–	0.00	–	0.00
Mr. W. M. R. S. Dias	–	0.00	–	0.00

5. Shareholding as at 31st March

	2015			2014		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
1 - 1,000	1	15	0.00	1	4	0.00
1,001 - 10,000	5	15,429	0.02	2	9,600	0.02
10,001 - 100,000	3	59,035	0.09	4	94,793	0.16
100,001 - 1,000,000	7	1,732,374	2.66	4	1,245,613	2.12
1,000,001 - 10,000,000	8	26,723,688	40.97	8	24,337,076	41.46
Over 10,000,000 shares	1	36,697,014	56.26	1	33,017,714	56.24
		65,227,555	100.00		58,74,800	100.00

6. Residential and Non-Residential Shareholders as at 31st March

	2015			2014		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
Resident shareholders	24	60,063,111	92.08	19	54,056,800	92.08
Non-resident shareholders	1	5,164,444	7.92	1	4,648,000	7.92
		65,227,555			58,704,800	

7. Institutional and Individual Shareholding as at 31st March

	2015			2014		
	Number of Holders	Number of Shares	%	Number of Holders	Number of Shares	%
Institutions	3	42,034,346	64.44	3	37,821,314	64.43
Individuals	22	23,193,209	35.56	17	20,883,486	35.57
		65,227,555			58,704,800	

8. Information on Ratios and Market Prices Per Share

As at 31st March	2015	2014
Earnings per share (Rs.)	8.27	8.63
Dividends per share (Rs.)	2.95	1.79
Net assets per share (Rs.)	38.85	35.80
Price earning ratio (times)	7.25	5.09*
Price to book value ratio (times)	1.54	1.40*
Dividends yield (times)	3.58	5.18*
Market Prices		
Highest price (Rs.)	60.00	Not traded
Lowest price (Rs.)	60.00	Not traded
Last traded price (Rs.)	60.00	Not traded

** Calculated based on the last traded price of Rs. 50.00.*

Information on Listed Debentures

During the financial year 2013/14, Senkadagala Finance issued two listed debentures. In light of the relaxation of tax regime applicable to capital markets, the Company decided to raise funds through this avenue, which enabled our investors to reap the benefits of the relaxed tax regulations. This also provided the Company a cost effective form of funding. Accordingly Senkadagala Finance has following listed debentures in issue:

	May 2013			December 2013
Debenture	Type 1	Type 2	Type 3	
Instrument	Senior, Unsecured, Redeemable, Rated			Subordinated, Unsecured, Redeemable, Rated
Listing	Main Board of the Colombo Stock Exchange			Main Board of the Colombo Stock Exchange
Redemption	Redeemable	Redeemable	Redeemable	Redeemable
Number of debentures	4,142,465	5,852,535	5,000	12,500,000
Issue price	Rs. 100.00	Rs. 100.00	Rs. 100.00	Rs. 100.00
Tenure	3 Years	4 Years	4 Years	5 Years
Date of issue	May 2013	May 2013	May 2013	December 2013
Date of maturity	May 2016	May 2017	May 2017	December 2018
Interest rate (%)	17.00	17.25	6 Month Gross T Bill + 2.50%	Fixed coupon of 15.00% p.a.
Frequency of interest	Quarterly	Quarterly	Quarterly	Quarterly
Effective annual yield (%)	18.11	18.40	–	15.87
Interest rate of comparable Government Securities (%)	8.40	8.80	8.80	8.85
Rating	BBB+ by Fitch Ratings Lanka Ltd.			BBB by Fitch Ratings Lanka Ltd.
Total amount	Rs. 414,246,500	Rs. 585,253,500	Rs. 500,000	Rs. 1,250,000,000
Market information				
Highest traded value (Rs.)	111.90	120.00	Not traded	119.25
Lowest traded value (Rs.)	110.50	117.19	Not traded	99.99
Last traded value (Rs.)	111.90	117.19	Not traded	110.27
Current yield (%)	15.19	14.38	–	12.58
Yield to maturity (%)	9.03	9.21	–	11.58

Proceeds from the Debenture issue in May 2013 was primarily utilised for the on-going lending activities of the Company. These proceeds also helped to minimise the funding mismatch of the Company.

The subordinated debenture issue in December 2013 was primarily objected to strengthen the capital structure of the Company. The approved subordinated debenture helped to improve the Total Capital Ratio of the Company to 22.97% by March 2015. The proceeds of this issue was also used to finance the growth of the lending portfolio of the Company. The interest rate risk for the Company was reduced consequent to the issue of this debenture, as the five-year fixed rated funds raised helped to reduce the mismatch between the assets and liabilities on the balance sheet.

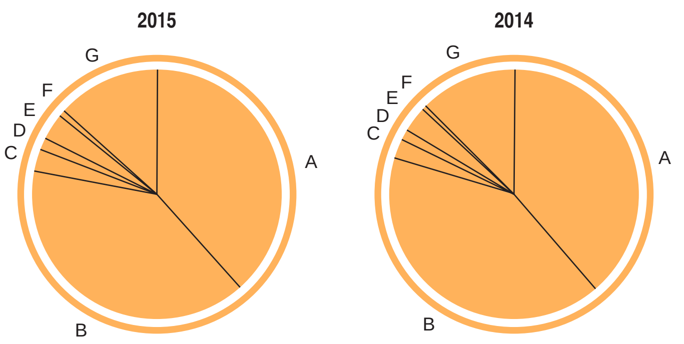
Other Financial Information

	2015	2014
Debt to equity ratio (Times)	3.30	3.61
Interest cover (Times)	1.31	1.29

Sources and Utilisation of Income

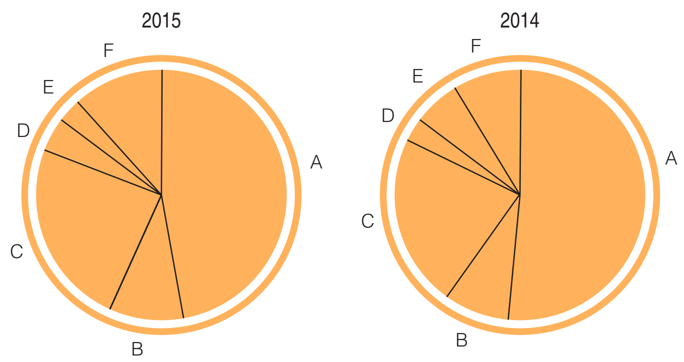
	2015 Rs. '000	%	2014 Rs. '000	%
Sources of Income				
Interest income from leases	1,424,612	38.34	1,398,980	38.61
Interest income from hire purchases	1,472,812	39.64	1,486,219	41.02
Interest income from other loans and advances	106,084	2.86	97,238	2.68
Interest income from Government Securities	66,584	1.79	49,766	1.37
Income from other investments	118,100	3.18	115,314	3.18
Commission income	35,172	0.95	27,563	0.76
Other income	492,020	13.24	448,206	12.37
Total	3,715,385		3,623,286	
Utilisation of Income				
Suppliers of funds as interest	1,750,532	47.12	1,868,499	51.57
Employees	362,361	9.75	302,157	8.34
Other suppliers	905,397	24.37	803,600	22.18
Government as taxes	157,405	4.24	119,866	3.31
Shareholders as dividends	107,625	2.90	214,901	5.93
Invested in the business	432,064	11.63	314,264	8.67
Total	3,715,385		3,623,286	

Sources of Income



	2015 %	2014 %	
A –	38	39	Interest income from leases
B –	40	41	Interest income from hire purchases
C –	3	3	Interest income from other loans and advances
D –	2	1	Interest income from Government Securities
E –	3	3	Income from other investments
F –	1	1	Commission income
G –	13	12	Other income

Utilisation of Income

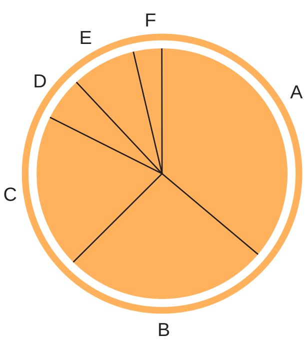


	2015 %	2014 %	
A –	47	52	Suppliers of funds as interest
B –	10	8	Employees
C –	24	22	Other suppliers
D –	4	3	Government as taxes
E –	3	6	Shareholders as dividends
F –	12	9	Invested in the business

Sources and Utilisation of Funds

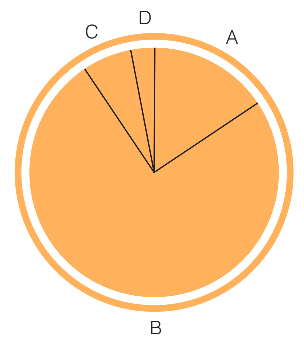
	2015 Rs. '000	2014 Rs. '000	2013 Rs. '000	2012 Rs. '000	2011 Rs. '000
Sources of Funds					
Depositor funds	6,541,896	5,624,399	3,412,464	2,732,031	2,386,821
Borrowings from banks and other institutions	4,787,693	3,423,011	6,136,152	4,805,838	1,528,532
Funding through issue of debt instruments	3,579,737	4,157,346	2,618,281	1,771,753	1,425,524
Funds from shareholders	1,008,062	747,152	533,680	533,680	533,680
Internally-generated funds	1,525,785	1,354,631	1,040,367	593,024	199,657
Other sources	629,846	563,137	528,634	581,176	545,239
Total	18,073,019	15,869,676	14,269,579	11,017,502	6,619,454
Distribution of Funds					
Liquid assets	2,796,849	2,073,101	1,860,837	1,277,793	617,647
Interest earning assets	13,582,928	12,675,542	11,559,936	8,968,566	5,398,168
Fixed assets	1,122,864	857,732	629,823	557,758	429,969
Other assets	570,378	263,301	218,982	213,385	173,671
Total	18,073,019	15,869,676	14,269,579	11,017,502	6,619,454

Sources of Funds



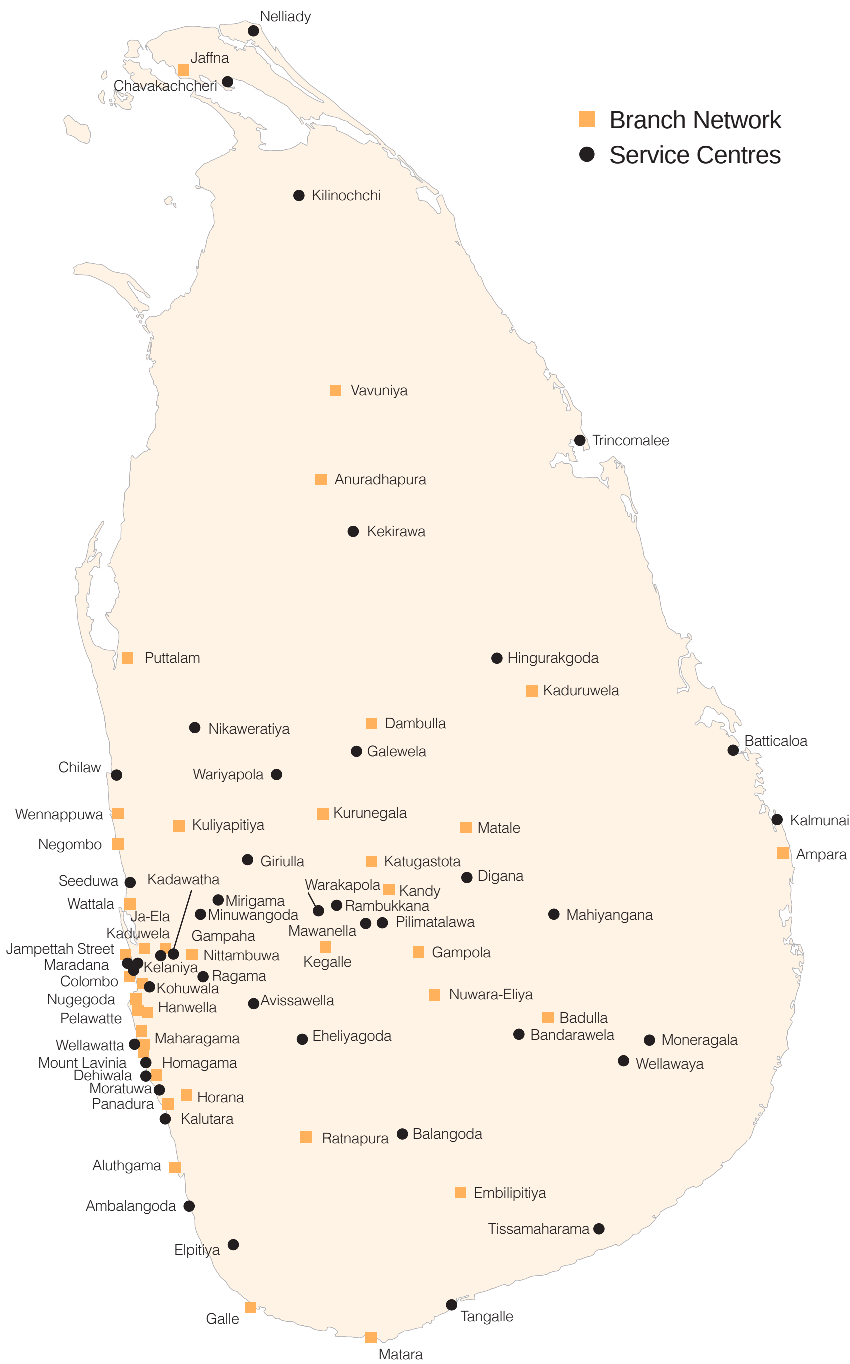
A - 36% Depositor Funds
B - 26% Borrowings from Banks and Other Institutions
C - 20% Funding Through Issue of Debt Instruments
D - 6% Funds from Shareholders
E - 8% Internally Generated Funds
F - 4% Other Sources

Distribution of Funds



A - 16% Liquid Assets
B - 75% Interest Earning Assets
C - 6% Fixed Assets
D - 3% Other Assets

Branch/Service Centre Network



Branches

	Address	Telephone	Fax
Aluthgama	No. 168, Galle Road, Kaluwamodara, Aluthgama	034-2270573	034-2270578
Ampara	No. 778, D.S. Senanayaka Mawatha, Ampara	063-2224057	063-2224093
Anuradhapura	No. 561/4, New Bus Stand, Anuradhapura	025-2237969	025-2237989
Badulla	No. 2, Riverside Road, Badulla	055-2224401	055-2224407
Colombo 03	No. 267, Galle Road, Colombo 3	011-2301301	011-2301937
Dambulla	No. 358 (First & Second) Matale Road, Dambulla	066-2285530	066-2285535
Embilipitiya	No. 325B, Ratnapura Road, Pallegama, Embilipitiya	047-2261991	047-2261996
Galle	No. 143, Colombo Road, Kaluwela, Galle	091-2248111	091-2248116
Gampaha	No. 560 A, Colombo Road, Gampaha	033-2233555	033-2233560
Gampola	No. 240, (First Floor) Kandy Road, Gampola	081-2350100	081-2351850
Homagama	No. 94/1 (First Floor) Highlevel Road, Homagama	011-2857878	011-2857880
Horana	No. 246, Panadura Road, Horana	034-2262770	034-2262776
Ja-Ela	No. 67, Negombo Road, Ja-Ela	011-2247861	011-2247866
Jaffna	No. 62/3, New Stanley Road, Jaffna	021-2219960	021-2219965
Kaduruwela	No. 292, Saw Mill Junction, Kaduruwela	027-2224739	027-2224743
Kaduwela	Kumara Building, No. 502/10, Colombo Road, Kaduwela	011-2538180	011-2538186
Kandy	No. 12, Kotugodella Veediya, Kandy	081-2201201	081-2201207
Katugastota	No. 437 B, Katugastota Road, Kandy	081-2213860	081-2213867
Kegalle	No. 263, Colombo Road, Kegalle	035-2221277	035-2221281
Kelaniya	No. 457, Kandy Road, Dalugama, Kelaniya	011-2914714	011-2914887
Kotahena	No. 178, (Third Floor) George R. De Silva Mawatha, Colombo 13	011-2441261	011-2441267
Kuliyapitiya	No. 74/1/1, Hettipola Road, Kuliyapitiya	037-2284630	037-2284635
Kurunegala	No. 34, Kandy Road, Kurunegala	037-2220402	037-2220405
Maharagama	No. 161/1/A, High Level Road, Maharagama	011-2896888	011-2896052
Matale	No. 97, 97A, King Street, Matale	066-2222954	066-2222960
Matara	No. 558, Anagarika Dharmapala Mawatha, Pamburana, Matara	041-2233891	041-2233896
Mawanella	No. 10 (First Floor), Rankothdiwela, Mawanella	035-2247626	035-2247655
Mount Lavinia	246, 1/1, Galle Road, Ratmalana South, Mount Lavinia	011-2715001	011-2715002
Negombo	149, Rajapakse Broadway, Negombo	031-2223456	011-2223462
Nittambuwa	538/3, 38 Kilometer Post, Malwatta, Nittambuwa	033-2297030	033-2297035
Nuwara Eliya	26, Upper Lake Road, Nuwara Eliya	052-2224123	052-2224128
Nugegoda	No. 257 C, D, C 1/2, Stanley Thilakaratne Mawatha, Nugegoda	011-2856600	011-2856650
Panadura	229, Galle Road, Panadura	038-2243990	038-2243995
Pelawatte	1,067, Pannipitiya Road, Battaramulla	011-2774140	011-2774145
Puttalam	1,2,3,4, Kurunegala Road, Puttalam	032-2266783	032-2266789
Ratnapura	19, Kudugalawatte, Ratnapura	045-2226890	045-2226895
Vavuniya	8, 1st Cross street, Vavniya	024-2226340	024-2226345
Wattala	264, Negombo Road, Wattala	011-2949611	011-2949616
Wennappuwa	272, Chilaw Road, Wennappuwa	031-2245226	031-2245271

Service Centres

	Address	Telephone	Fax
Ambalangoda	No. 118B, Galle Road, Ambalangoda	091-2254901	091-2254906
Avissawella	No.19, Kudagama Road, Avissawella	036-2222800	036-2222805
Balangoda	No. 281, Colombo Road, Balagahamula, Balangoda	045-2289533	045-2289537
Bandarawela	No. 68, Dharmavijaya Mawatha, Bandarawela.	057-2222675	057-2222679
Batticaloa	No. 221 (Ground & First Floor), Trinco Road, Batticaloa	065-2229200	065-2229205
Chavakachcheri	No. 15, Kandy Road, Chavakachcheri	021-2270951	021-2270956
Chilaw	No. F 12,1st Floor, New Shopping Complex, Urban Council, Chilaw	032-2224043	032-2224048
Dehiwala	No. 121, Galle Road, Dehiwala	011-2732456	011-2732460
Digana	No. 2004/18/7, Kandy Road, Digana	081-2376623	081-2376643
Eheliyagoda	No. 320, Main Street, Eheliyagoda	036-2257341	036-2257346
Elpitiya	No. 42, Ambalangoda Road, Elpitiya	091-2290485	091-2290495
Galewela	No. 87/3A, Kurunegala Road, Galewela	066-2288025	066-2288075
Giriulla	No. 101, Negombo Road, Giriulla	037-2288700	037-2288770
Hanwella	40 , Pahala Hanwella, Hanwella	036-2252190	036-2252195
Hingurakgoda	No. 9, Airport Road, Hingurakgoda	027-2245680	027-2245685
Jampettah Street	No. 124, Jampettah Street, Colombo 13	011-2380804	011-2380809
Kadawatha	No. 316 H, Kandy Road, Kadawatha	011-2929010	011-2929090
Kalmunai	No. 202, Baticaloa Road, Kalmunai	067-2226860	067-2226865
Kalutara	First floor, No 443,443/1 Galle Road, Kalutara	034-2227101	034-2227106
Kekirawa	No. 55, Main Road, Kekirawa	025-2263234	025-2263239
Kilinochchi	Opposite Commercial Bank, Kandy Road, Kilinochchi	021-2283720	021-2283725
Kohuwala	No. 210, Dutugemunu Street, Kohuwala	011-2890800	011-2890805
Mahiyanganaya	No. 205/5, Padiyathalawa Road , Mahiyangana	055-2258280	055-2258285
Maradana	No. 92, Deans Road, Colombo 10, Maradana	011-2683600	011-2683222
Minuwangoda	No. 12, Weyangoda Road, Minuwangoda	011-2295177	011-2295189
Mirigama	No. 71, Negombo Road, Mirigama	033-2276868	033-2276911
Monaragala	No. 112, Wellawaya Road, Monaragala	055-2055421	055-2055426
Moratuwa	No. 18, New Galle Road, Moratuwa	011-2644249	011-2644254
Nelliady	No. 58/1, Point Pedro Road, Nelliady	021-2261430	021-2261435
Nikaweratiya	No. 245/A, Puttalam Road, Nikaweratiya	037-2260117	037-2260217
Pilimathalawa	No. 96/07, Colombo Road, Pilimathalawa	081-2579622	081-2579623
Ragama	No. 46B, Kadawatha Road, Ragama	011-2953992	011-2953993
Rambukkana	No. 63 & 67, Mawanella Road, Rambukkana	035-2266650	035-2264655
Seeduwa	No. 394, Negombo Road, Seeduwa	011-2251863	011-2251869
Tangalle	35, Sea Road, Tangalle	047-2241902	047-2241907
Tissamaharama	No. 60, Palliyawatta Road, Tissamaharama	047-2239925	047-2239930
Trincomalee	No. 346, (Ground Floor) Main Street, Trincomalee	026-2225115	026-2225119
Warakapola	No. 129, Kandy Road, Warakapola	035-2267020	035-2267022
Wariyapola	No. 141, Kurunegala Road, Wariyapola	037-2268880	037-2268885
Wellawatta	No. 55, 55A, 55B, Manning Place, Wellawatta	011-2363634	011-2363680
Wellawaya	No. 72, Ella Road, Wellawaya	055-2274194	055-2274198

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Report Application Level			C	C+	B	+B	A	+A
Standard Disclosures	Profile Disclosures	Output	Report on: 1.1 2.1-2.10 3.1-3.8, 3.10-3.12 4.1-4.4, 4.14-4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5-4.13, 4.16-4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	Disclosures on Management Approach	Output	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosed for each Indicator Category	
	Performance Indicators & Sector Supplement Performance Indicators	Output	Report fully on a minimum of any 10 Performance Indicators, including at least one from each of: Social, Economic and Environmental.**		Report fully on a minimum of any 20 Performance Indicators, at least one from each of: Economic, Environment, Human Rights, Labour, Society, Product Responsibility.***		Respond on each core and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	

** Sector supplement in final version.*
*** Performance Indicators may be selected from any finalised Sector Supplement, but 7 of the 10 must be from the original GRI Guidelines.*
**** Performance Indicators may be selected from any finalised Sector Supplement, but 14 of the 20 must be from the original GRI Guidelines.*

Notice of Meeting

NOTICE IS HEREBY GIVEN that the 46th Annual General Meeting of Senkadagala Finance PLC will be held at the Registered Office of the Company, 2nd Floor, No. 267, Galle Road, Colombo 03, on 26th August 2015 at 10.00 a.m. for the following purposes:

1. To receive and consider the Statement of Accounts for the year ended 31st March 2015 with the Annual Report of the Board of Directors and Auditors' Report thereon.
2. To declare a final dividend of Rs. 52,182,044/- (Rs. 0.80 per share) to the shareholders of the Company as recommended by the Board of Directors.
3. To reappoint the Auditors, Messrs KPMG, Chartered Accountants and authorise the Board of Directors to determine their remuneration.

By Order of the Board of
Senkadagala Finance PLC

Sgd.
Mrs. C. Salgado
Managers and Secretaries (Private) Ltd.
Secretaries

Colombo

22nd July 2015

Form of Proxy

I/We, the undersigned ....

of ....

being a member/members* of Senkadagala Finance PLC hereby appoint -

Mr. Lakshman Balasuriya of Colombo or failing him*

Dr. Asoka Balasuriya of Kandy or failing him*

Dr. Mahendra Balasuriya of Colombo or failing him*

Mrs. Lakshmi Fernando of Colombo or failing her*

Mr. Widanalage Ajith Terrence Fernando of Colombo or failing him*

Dr. Prathap Ramanujam of Colombo or failing him*

Mr. Sanjay Kulatunga of Colombo or failing him*

Mr. Sanath Bandaranayake of Colombo or failing him*

Mr. Don Tilak Padmanabha Collure of Colombo or failing him*

Mr. Wadugamudalige Marius Ravindra Sirilal Dias of Colombo or failing him*

Mr./Mrs./Dr...

of .... as my/our* proxy to attend and vote at the 46th Annual General Meeting of the Company to be held at the Registered Office of the Company, 2nd Floor, No. 267, Galle Road, Colombo 03 on 26th August 2015 at 10.00 a.m. and at any adjournment thereof.

		For	Against
1.	To adopt the Financial Statements of the Company for the year ended 31st March 2015		
2.	To declare a final dividend of Rs. 0.80 per share for the financial year ended 31st March 2015		
3.	To reappoint the Auditors Messrs KPMG, Chartered Accountants and authorise the Board of Directors to determine their remuneration.		

Signed on this...day of.......................................2015.

....

Signature

Note:

1. **Please delete the inappropriate words.*
2. *Instructions on completing the Form of Proxy are set out on the reverse.*

Instructions for Completion of Proxy Form

1. Kindly perfect the Form of Proxy by filling in legibly your full name and address, signing in the space provided and filling in the date of signature.
2. Please indicate clearly how your proxy should vote on the Resolution. If no indication is given, the proxy in his/her discretion will vote as he/she thinks fit.
3. In the case of a company/corporation, the proxy must be under its common seal, which should be affixed and attested in the manner prescribed by its Articles of Association.
4. The completed Form of Proxy should be deposited at the Registered Office of the Company at Senkadagala Finance PLC, 2nd Floor, No. 267, Galle Road, Colombo 03, 48 hours before the time appointed for the meeting.

CORPORATE INFORMATION

Name of Company
Senkadagala Finance PLC

Date of Incorporation
29th December 1968

Legal Status
- Listed public limited liability company incorporated on 29th December 1968. The Company was re-registered under the Companies Act No. 07 of 2007.
- Approved and registered under the Finance Business Act No. 42 of 2011.
- Approved and registered under the Finance Leasing Act No. 56 of 2000.
- An approved credit agency under the Mortgage Act No. 06 of 1949 and the Trust Receipt Ordinance No. 12 of 1947.

Company Registration Number
PB 238 PQ

Taxpayer Identification Number (TIN)
104028349

Registered Office
2nd Floor, 267, Galle Road,
Colombo 03, Sri Lanka
Tel: 011-2301301
Fax: 011-2301937
SWIFT code: SENFLKLX
Email: senk@senfin.com
Website: www.senfin.com

Stock Exchange Listing
Listed in the *'Diri Savi'* Board of the Colombo Stock Exchange with effect from 22nd March 2011.

Credit Rating
Fitch Ratings Lanka affirmed BBB+(lka) with a stable outlook, in September 2014

Board of Directors
Mr. Ravi Dias
FCIBC (London), LL.B
Hubert H. Humphrey Fellow
Independent Non-Executive Director
(Appointed to the Board and as the Chairman with effect from 15th August 2014)

Dr. Prathap Ramanujam
B.Sc. (Hons.), M.Sc., Ph.D. in Economics
Independent Non-Executive Director

Mr. Lakshman Balasuriya
B.Sc. (London), M.Sc. (Lancaster)
Managing Director/CEO

Dr. Asoka Balasuriya
B.Sc. (London), Ph.D. (Lond.)
Executive Director - Operations

Dr. Mahendra Balasuriya
B.V.Sc.
Executive Director - Planning

Ms. Lakshmi Fernando
B.Sc. (Hons.)
Executive Director - Human Resources

Mr. Ajith Fernando
FCMA (UK), MA (Colombo)
Independent Non-Executive Director

Mr. Sanjay Kulatunga
MBA (Booth School of Business), B.Comm., ACMA, CFA
Independent Non-Executive Director

Mr. Sanath Bandaranayake
B.Sc. (University of Sri Lanka)
Executive Director - Additional CEO

Mr. Tilak Collure
B.Sc. (Colombo)
Independent Non-Executive Director

Secretaries
Managers and Secretaries (Pvt) Ltd.
8, Tickell Road, Colombo 08

Auditors
KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 03

Legal Consultants
FJ & G de Saram
Attorneys-at-Law
216, De Saram Place,
Colombo 10

Internal Auditors
Ernst & Young Advisory Services (Pvt) Ltd.
839/2, Peradeniya Road, Kandy

Bankers
Commercial Bank of Ceylon PLC
Hatton National Bank PLC
Sampath Bank PLC

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