Being

LANKA ORIX LEASING COMPANY PLC

Annual Report 2016/17

Being Bigger. Being Better. Being Faster. Giving More.

The LOLC Group is the largest non-banking financial institution and one of the biggest diversified conglomerates in Sri Lanka. We're well known for the excellence of our financial performances, the expertise of our people, innovative use of technology and the service excellence to our customers.

We regard the creation and sharing of holistic value with all our stakeholders as the key to our definition of real success. That's why we are so proud to present this record of an unmatched performance to you today, with exceptional top and bottom-line results to outperform a very competitive industry sector this year.

We believe that our commitment to our vision, far-sighted and strategic thinking and years of industry experience have made us who we are today; a truly extraordinary company forging global partnerships that will strengthen our business and endure long into the future.

Today, LOLC has proved itself as the most profitable corporate in Sri Lanka. Yet we have never lost sight of our roots, and our commitment to delivering inclusive sustainable solutions to the thousands of microfinance customers we serve remains strong. We shall keep striving to be number one in all that we do, by delivering bigger, better, faster and more.

The LOLC Group has rapidly evolved into being the biggest non-banking financial institution and one of the biggest and most diversified conglomerates in the country. Besides a range of financial products and services, our portfolio includes leisure, plantations, agri-inputs, renewable energy, construction, manufacturing and trading and other strategic investments.

Our footprint in Sri Lanka spans every district, from the rural hinterlands to major cities and we have enduring business partnerships with a host of financial and developmental organisations across the world. We have significantly successful investments in Cambodia, Myanmar and Pakistan and we continue to expand our international presence by actively seeking new opportunities in the region.

As a leading player in Sri Lanka's SME and microfinance sectors, the LOLC Group has been a catalyst in facilitating financial inclusion. Our role in microfinance has enabled us to benefit many people and communities, whilst striving to maximise environmental benefits through green operations and processes in line with our triple bottom line focus in all we do. The Group's business interests are in key growth areas of the economy and we are confident that LOLC will grow further both in potential and in value creation for the many stakeholders we partner and serve.

Being the most profitable corporate in Sri Lanka...

Today, LOLC has proved itself as the most profitable corporate in Sri Lanka. We shall keep striving to be number one in all that we do, by delivering bigger, better, faster and more.

Being Bigger

A leading player in Sri Lanka's SME and microfinance sectors, we are constantly expanding our operations, moving across boundaries, benefitting many people and communities across the region.

Being Better

As a leading player in Sri Lanka's SME and microfinance sectors, we have benefited many people and communities, in line with our triple bottom line focus in all we do.

Being Faster

Technologically superior, easily accessed products and services delivered across a range of business sectors have become the hallmark of the LOLC Group, enhancing customer convenience.

Giving More

In line with our unwavering commitment to our triple bottom line, we are creating and sharing holistic value, positively impacting many people, communities and our environment.

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About Us

The Group's presence in **Sri Lanka spans every district,** across the rural hinterlands to the cosmopolitan cities. We have also reached beyond the shores by setting up operations in Cambodia, Myanmar and **Pakistan.**

The LOLC Group

Ours is a legacy of dynamism, vision and nimbleness, attributes which have seen us harness, create and meet many opportunities in the national landscape to become one of Sri Lanka's most successful and respected conglomerates.

The past few years have seen the rapid evolution of LOLC, from a leading financial services provider to the largest non-banking financial institution, to today become one of the largest and most diversified conglomerates in the country. LOLC's portfolio is broadly categorised as Financial Services and Non-Financial Services, encompassing Leisure, Plantations, Agri Inputs, Renewable Energy, Construction, Manufacturing and Trading and other Strategic Investments.

The Group's presence in Sri Lanka spans every district, across the rural hinterlands to the cosmopolitan cities. We have also reached beyond the shores by setting up operations in Cambodia, Myanmar and Pakistan. The success of these investments, has spurred us to expand our international presence and actively pursue new opportunities in the region.

As a leading player in the SME and Microfinance sectors of the country, the LOLC Group has been a catalyst in facilitating financial inclusion. The contribution we make to the nation's economic growth is one we hold in high esteem. Our role in Microfinance has enabled us to impact beyond our own profitability, to benefit society at large and to be in sync with our triple bottom line focus in enterprise. LOLC's businesses are in the thrust areas of the economy which currently spearhead Sri Lanka's growth agenda. We will thus see the Group growing in its potential and expanding its value creation for all stakeholders.

A Salute to a Great Leader

Mr. Rajah Nanayakkara who was born in 1940 in Matara, Southern Province, will be remembered profoundly as a legendary business personality in Sri Lanka.

Mr. Rajah Nanayakkara who was born in 1940 in Matara, Southern Province, will be remembered profoundly as a legendary business personality in Sri Lanka.

He was a great visionary, a self-made entrepreneur, and as the founder of Ishara Traders, the pioneers in the motor vehicle trade, he acted as an industry leader and a trendsetter in the country. He also served as the Chairman of LOLC Group. Mr. Nanayakkara's far-reaching initiatives to propel and empower entrepreneurs has built a truly sustainable legacy - one that today extends well beyond Sri Lanka.

We at LOLC Group would like to express our sincere gratitude for the passion, commitment, guidance and innovative spirit of our late Chairman, whose efforts indisputably facilitated our remarkable journey to the top.

The ORIX Connection

An enduring partnership that continues to grow and enhance value creation...

Since its inception in 1964 as Orient Leasing Company, in Osaka, Japan, the ORIX brand has grown rapidly to become one of the leading financial brands in Asia. The Company was re-registered as ORIX Corporation in 1989 to reflect its growing international profile and mark a move beyond leasing into other financial services.

Its growth, based on strategic and geographical expansion, demonstrates a boldness and scope that sets it apart from other large Japanese financial services firms. Credited with the pioneering of new groundbreaking financial solutions that have transformed the boundaries of the conventional financial service model, the ORIX portfolio in addition to the core leasing business, now consists of insurance, corporate rehabilitation, loan servicing, real estate, specialised financial services, investment and retail banking and value added services.

A global conglomerate, listed on the Tokyo and New York Stock Exchanges, the ORIX Corporation presently consists of 766 consolidated subsidiaries and 115 affiliates, with a total of 1,358 offices in Japan and a further 554 locations across the globe including, the United States, Asia, Oceania, Europe, the Middle East and Africa.

ORIX's foray into international markets began in the 1980's, with the establishment of offices in Sri Lanka, Taiwan, China, Australia, New Zealand and Pakistan, and the foundation for operations in the Middle East. Thus, 1980 saw the birth of Lanka ORIX Leasing Company (LOLC).

With the acquisition of a majority share in LOLC by Sri Lankan entrepreneurs in 2003, LOLC came under a new Sri Lankan management, with ORIX Corporation continuing its active engagement in this success story as the main investment partner, with a 30% share of ownership. It has since been represented on the Board by two senior executives of ORIX, Japan. The ORIX connection; today contributes to one of Sri Lanka's leading conglomerates with a diverse portfolio of businesses in several thrust areas of the economy.

LOLC has been one of the most successful, epitomising the success of the ORIX strategies, business excellence and best practices overseas.

And many have been the accolades LOLC has won over the years including "Outstanding Performance Amongst ORIX Companies" and "Excellent Performance in the Overseas Operations". The relationship with ORIX will continue to thrive and sustain growth in shareholder value, contributing expertise, best practices, governance standards, the stability and wisdom of ORIX which is now a leading international conglomerate.

LOLC Group's relationship with ORIX has contributed to LOLC's meteoric rise to become one of Sri Lanka's largest conglomerates, and this year - to become Sri Lanka's most profitable listed entity.

LOLC at a Glance

With our reach spanning across the region, the LOLC Group enjoys undisputed leadership in the diverse business sectors we operate, creating exceptional value to all the stakeholders we partner.

Financial Services Sector

Employees

12,000

Total Client Base

1.4 Mn

Loan Book Value

USD 2.8 Bn

Sri Lanka

- Financial Services
- Agriculture & Plantations
- Leisure
- Renewable Energy
- Construction
- Manufacturing & Trading
- Other Strategic Investments

Myanmar

- Commenced operations in September 2013
- 4th foreign operator in Myanmar
- Total Assets - USD 12.8 Mn
- Portfolio - USD 10.3 Mn
- Active Borrowers – 45,690
- Coverage - 20 Branches

Cambodia

PRASAC

- Largest MFI in Cambodia
- Asset Base - USD 1,480 Mn
- Portfolio - USD 1,175 Mn
- Number of Borrowers - 397,034
- Coverage - 181 Branches

LOLC (Cambodia) Plc.

(As at December 2016)

- 5th Largest MFI in Cambodia in terms of clients and 4th in terms of GLP base
- Asset Base - USD 253 Mn
- Portfolio - USD 219 Mn
- Number of Borrowers – 208,000
- Coverage 73 Branches

Pakistan

LOLC Group entered into an agreement in February, 2017 to acquire a controlling stake in Pak Oman Microfinance Bank Limited (POMB).

Expanded its **reach to Pakistan** through the **investment in Pak** Oman Microfinance Limited in 2017

Equity Book Value *(Group)*

USD **387** Mn

Total Assets *(Group)*

USD **4.2** Bn

LOLC is Asia's leading Microfinance Platform

75%

of all loans are given **to women**

85%

of all microfinance clients graduate to SME clients after 4 or 5 loan cycles

Acquired majority interest in PRASAC Microfinance Institution

Our Commitment to Fuelling Entrepreneurship among Micro & SME sectors

“We have never lost sight of our roots, and our commitment to the thousands of Microfinance customers we serve remains strong”

Our roots

LOLC commenced its journey in 1980 as a pioneer in leasing. The Company was founded by ORIX Corporation of Japan and the International Finance Corporation (IFC) with a mission to empower the small and medium scale economic sectors in Sri Lanka, who hitherto had no access to formal sources of financing. Our leasing solutions enabled this segment of the population, considered unbankable, to acquire productive assets. LOLC thus began to revolutionise growth in the agri sector of the country by facilitating mechanisation; and thereby helping to enhance productivity and value creation.

Loans

Rs. 367 Bn

(2016 - Rs. 161 Bn)

Leasing

Rs. 52 Bn

(2016 - Rs. 52 Bn)

Win win value creation for social and economic sustainability

Our venture into the rural heartlands and interactions with a large rural population, saw us identify an urgent need for them to access the formal sector for their financing needs and to facilitate their moving away from the costly informal sector from which they were compelled to borrow. Today, as the largest Non Banking Financial Institution (NBFI) and agri financier in the country, LOLC will continue to be a catalyst for economic growth by empowering the Micro and SME sectors of the country.

This contribution we make towards the country’s developmental goals is one which we hold high and is intrinsic to the Triple Bottom Line approach to enterprise that we have adopted. The LOLC Group’s core area of business has been the Micro and Small and Medium Scale Enterprises (SME sector) of the country.

We will continue to focus on the lower end of the SME and Micro segments, empowering the Micro entrepreneur to progress to level of a SME and the SME’s to grow into become larger sustainable enterprises.

Taking our model to empower people across the seas

Buoyed by the success of the Group's Microfinancing model, LOLC expanded to empower entrepreneurs across the seas, with its maiden foray in 2007, with investments in PRASAC Cambodia. Subsequently, the company also ventured into Myanmar. Expansion of the Group's footprint overseas continues to be a strategic priority for LOLC. The year under review saw the Group extend its unique Microfinance model to Pakistan, in a joint venture with Pakistan's Pak Oman Microfinance Bank Limited. Through its new partnership with LOLC, Pak Oman Microfinance Bank hopes to capitalise on the speciality of LOLC's Microfinance model to keep transforming and enabling Micro businesses in Pakistan.

Sustainability of our model

Since its inception in 2008, LOLC Micro Credit (LOMC) has accumulated over 425,000 borrowers on the way to become Sri Lanka's largest private sector microfinance institution (MFI). LOMC was the first MFI to have foreign equity presence and continues to date as the preferred conduit of international funding partners.

Driven by our Triple Bottom Line focus in enterprise, the Group will continue to kindle entrepreneurship, alleviate poverty, uplift living standards and empower women through not just financial support but skills development and knowledge sharing, in Sri Lanka as well as overseas as it continues to expand its footprint into regional markets.

Group Structure

LOLC
imagine
the possibilities

LOLC MICRO CREDIT (An LOLC Group Company)

LOLC FINANCE (An LOLC Group Company)

LOLC LIFE ASSURANCE (An LOLC Group Company)

LOLC GENERAL INSURANCE (An LOLC Group Company)

LOLC SECURITIES (An LOLC Group Company)

LOLC Factors (An LOLC Group Company)

LOLC Investments (An LOLC Group Company)

LOLC Technologies (An LOLC Group Company)

LOLC CAPITALOne (An LOLC Group Company)

LOLC MOTORS (An LOLC Group Company)

MYANMAR MICRO FINANCE

LOLC (Cambodia) Plc.

PRASAC MICROFINANCE INSTITUTION growing together

Pak Oman Microfinance Bank Limited

Cambodia, Myanmar & Pakistan Strategic Foreign Investments (In the Microfinance Sector)

CLC COMMERCIAL LEASING & FINANCE

brac Lanka Finance (A Member of LOLC Group)

الفلاح AL-FALAAH ISLAMIC FINANCIAL SERVICES

SEYLAN BANK PLC The bank with a heart

Browns
A Heritage of Trust

Browns Agriculture & Plantations

Browns Marine & Manufacturing

Browns Home & Office Solutions

Browns Power Generation

Browns Hospitals

Browns Investments

Browns Pharmaceuticals

Gal-Oya Plantations (Pvt) Limited

AgStar

sierra

Browns HOTELS & RESORTS

AJAX

Browns CAPITAL

THE EDEN RESORT & SPA BERUWELA • SRI LANKA

THE Paradise RESORT & SPA DAMBULLA • SRI LANKA

THE Turtle Beach RESORT & SPA KOSGODA • SRI LANKA

THE CALM RESORT & SPA PASIKUDA • SRI LANKA

DICKWELLA RESORT & SPA

Riverina Resorts

MATURATA HEARTLAND OF CEYLON TEA

SAGASOLAR POWER (PRIVATE) LIMITED SGP Towards Green Energy

EXCEL WORLD ENTERTAINMENT PARK

CEYLON ROOTS

Browns Tours

Awards and Certifications

The awards and recognition received throughout the year are testament to our outstanding performance and commitment towards business excellence.

Deal of the Year
IFN 2016 - Gold - LOLC Al-Falaah
Ijarah-Sukuk : 1st Landmark transaction in Sri Lanka

Islamic Finance
Entity of the Year
SLIBFI Awards 2016 - Gold
LOLC Al-Falaah

Deal of the Year
SLIBFI Awards 2016 - Gold
LOLC Al-Falaah
Ijarah-Sukuk : 1st Landmark transaction in Sri Lanka

Social Upliftment Award
SLIBFI Awards 2016 - Silver
LOLC Al-Falaah

Best Islamic Leasing Provider
IFN 2016 - Runner Up
LOLC Al-Falaah

Best Islamic Bank - Sri Lanka
IFN 2016 - Runner Up
LOLC Al-Falaah

Emerging Islamic Finance Entity of the Year – GOLD Award. SLIBFI Awards 2016 – CLC Islamic Finance

Rising Islamic Finance Personality of the Year – GOLD Award. SLIBFI Awards 2016 – Ash-Shaikh Zaid Nooramith, In House Shari'ah Advisor – CLC & Al-Falaah Takaful

National Business Excellence Awards (NBEA) 2016 - Overall Gold - LOLC

NBEA 2016 - Extra Large Category - Gold

NBEA 2016 - Diversified Group of Companies Category – Gold

NBEA 2016 - Eden Resort & Spa – Hospitality and Tourism Sector - Gold

Financial Service Provider of the Year - SLIM Nielsen People's Awards 2017 - LOLC

CIO of the Year Award - ICT Awards 2016
CIO of LOLC Group, Mr. Conrad Dias

03 Bronze Awards - National Business Excellence Awards (NBEA) 2016
- Excellence in Performance Management
- Excellence in Business and Financial Results
- Excellence in Local Market Reach

Our Presence

Northern Province

07
05

North-Central Province

14
07
04
02
05

North-Western Province

10
05
04
02
01

Central Province

13
02
06
01
04
02
05

Sabaragamuwa Province

09
04
03
01

as at 31st March

- LOLC Finance and LOMC Channel Network
- LOLC Finance, Al-Falaah Centres
  LOLC Finance, Al-Falaah Savings Centres
- CLC & COMFAC Channel Network
- Browns
- LOMC Post Office Service Centres & LOLC Finance Collection Centres
- Isuru Diriya Branch
- LOMC Service Centres
- BRAC Branches and Service Centres

Southern Province

16
07
02
06
10

Uva Province

08
04
02
02

Eastern Province

14
04
05
04
09
01
07

Western Province

37
02
18
02
08
03
06
07

Funding Partners

	Institution	Type of Facility	Purpose of Funding	Value Addition
	Belgian Investment Company for Developing Countries N.V.	Long Term USD Loan	Microfinance sector Financing and Development	Environmental Policy; Anti Money Laundering Policy
	OPEC Fund for International Development (OFID)	Long Term USD Loan	Microfinance sector Financing and Development	
	The Netherlands Development Finance Company (FMO) -Netherlands	Long Term USD Loan	SME & Microfinance Sector Financing and Development	Environmental Policy; Anti Money Laundering Policy
	French Development Agency Group (PROPARCO) - France	Long Term US $ / EURO Loan	Tsunami affected SME Sector Financing, SME Sector Financing and Development	Environmental Policy; Anti Money Laundering Policy
	Grameen Credit Agricole Microfinance Foundation	Long Term EURO Loan	Microfinance Sector Development	
	Citibank Nassau	Long Term USD Loan	Microfinance Sector Development	
	Credit Suisse Microfinance Fund Management Company	Long Term USD Loan	Microfinance Sector Development	
	Microfinance Enhancement Facility	Long Term USD Loan	Microfinance Sector Development	
	ResponsAbility - Luxembourg	Long Term USD Loan	Microfinance Sector Development	
	Norwegian Microfinance Initiative (NMI) - Norway	Long Term USD Loan	Microfinance Sector Development	
	Gawa Microfinance Fund - Luxembourg	Long Term USD Loan	Microfinance Sector Development	

	Institution	Type of Facility	Purpose of Funding	Value Addition
	Symbiotics - Switzerland	Long Term USD Loan	Microfinance Sector Development	
	Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF. (Blue Orchard – Switzerland)	Long Term USD Loan	Microfinance Sector Development	
	Bank IM Bistum Essen - Germany	Long Term USD Loan	Microfinance Sector Development	
	Triodos Bank - Netherlands	Long Term EURO Loan	Microfinance Sector Development	
	Microvest Short Duration Fund, LP	Long Term USD Loan	Microfinance Sector Development	
	Developing World Markets - USA	Long Term USD Loan	Microfinance Sector Development	
	FINNISH Development Finance Company (FINNFUND) - Finland	Long Term USD Loan	SME Sector Financing and Development	Environmental Policy; Anti-Money Laundering Policy
	Japan Bank for International Corporation	Long term Rupee Loan/ Refinancing Scheme	Environmental protection/ mitigate & eliminate industrial pollution and waste/energy saving, recycling & resource recovery in industries	Environmental Policy; Anti-Money Laundering Policy
	European Investment Bank	Long term Rupee Loan/ Euro Refinancing Scheme	Tsunami-affected SME Sector development and support in tourism sector	Environmental Policy; Anti-Money Laundering Policy

Funding Partners

	Institution	Type of Facility	Purpose of Funding	Value Addition
	Deutsche Investitionsund Entwicklungsgesellschaft mbH (DEG) – Germany	Long Term USD Loan	SME Sector Financing and Development	Environmental Policy; Anti Money Laundering Policy, Liquidity risk management technology
	The World Bank	Long term Refinancing Rupee Loan	Refinancing of rural Sector renewable energy development	Environmental Policy; Anti-Money Laundering Policy
	Asian Development Bank	Long term Rupee Loan/ Refinancing Scheme	SME sector financing and development/ Tea smallholders income improvement and development. Development of the plantation sector in enhancing profitability. Improve the living and working conditions of the workforce.	Environmental Policy; Anti-Money Laundering Policy
	Export Development Corporation (EDC) - Canada	Long Term USD Loan	SME Sector financing & development with Canadian imports	
	Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ) - Germany	Technical Assistance for Microfinance	Development of Microfinance Sectors	Promotion of Microfinance Sector
	International Finance Corporation	Technical Assistance	Development of Microfinance Sector	Institutional Capacity Development
	MCE Social Capital	Long Term Loan	Microfinance Sector Financing Development	-

	Institution	Type of Facility	Purpose of Funding	Value Addition
	First Gulf Bank	Long Term Loan	Portfolio Development	-
	Bank Muscat	Long Term Loan	Portfolio Development	-
	Emirates NBD	Long Term Loan	Portfolio Development	-
	National Bank of Oman	Long Term Loan	Portfolio Development	-
	RAK Bank	Long Term Loan	Portfolio Development	-
	Oikocredit International	Long Term Loan	Leasing and MSME Portfolio Development	-
	Oesterreichische Entwicklungsbank AG (Development Bank of Austria)	Long Term Loan	Leasing and MSME Portfolio Development	-
	Triple Jump B.V	Long Term Euro Loan	Microfinance sector Financing and Development	
	Islamic corporation for the development of the private sector (ICD)	Long Term US $ Loan	Microfinance sector Financing and Development	

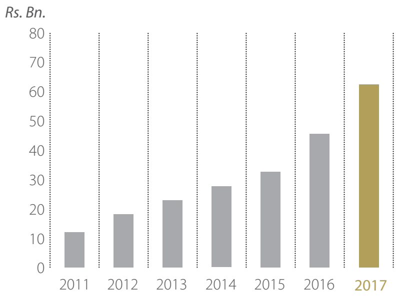
Financial Highlights

For the year ended 31 March	2008	2009	2010	2011	2012*	2013*	2014 *	2015*	2016*	2017*
Group										
Performance Indicators - Rs. Mn										
Net profit before tax	1,183	1,247	2,841	8,282	7,068	3,706	4,436	8,169	11,858	**24,379**
Net profit after tax	1,343	1,055	2,385	7,023	5,704	2,552	3,069	6,299	9,331	**20,921**
Total assets	32,994	46,287	75,371	113,070	145,204	162,982	167,175	244,917	379,595	**640,925**
New executions	14,320	14,906	21,963	47,392	58,233	48,119	65,299	113,048	191,135	**152,558**
Gross portfolio (Rentals receivable)	29,282	44,824	47,351	70,077	105,932	107,038	112,747	172,784	216,763	**427,365**
Deposits from customers	3,340	5,229	10,095	17,899	26,233	35,397	49,615	50,587	74,166	**211,128**
Outstanding borrowings	22,887	31,764	38,235	49,256	65,425	72,946	68,368	119,232	215,076	**294,115**
Non-performing portfolio	526	1,933	1,431	1,159	1,702	3,071	3,354	4,014	5,054	**7,736**
Return on equity (%)	29.84	18.72	18.67	25.88	14.62	5.90	7.05	13.16	15.24	**24.76**
Key Indicators - Rs. per share										
Net asset value per share (adjusted)**	10.78	12.65	16.63	27.53	41.22	43.96	47.64	59.41	79.33	**123.84**
Earnings per share (adjusted)	2.82	2.22	3.88	8.08	12.00	5.37	3.19	11.37	17.93	**44.03**
Company										
Performance Indicators - Rs. Mn										
Net profit before tax	841	582	491	1,898	3,072	68	689	458	835	**10,149**
Net profit after tax	1,059	505	327	1,523	2,977	34	694	504	689	**9,777**
Total assets	28,996	31,335	29,738	54,213	58,028	53,239	49,254	62,609	75,494	**102,007**
New executions	12,127	12,170	4,569	5,036	3,926	271	-	-	-	**-**
Gross portfolio (Rentals receivable)	25,056	25,185	17,958	11,897	7,704	3,881	2,134	1,378	1,848	**850**
Outstanding borrowings	22,273	24,850	23,087	22,379	23,807	19,738	14,254	25,016	38,369	**52,698**
Non-performing portfolio	443	538	769	545	500	357	178	168	168	**153**
Key Indicators - Rs. per share										
Dividends per share	0.23	0.28	-	-	-	0.50	-	-	-	**-**
Market price per share	11.78	6.95	16.50	119.60	54.00	60.70	75.00	76.60	72.00	**61.00**
Net asset value per share	10.02	10.74	11.42	15.67	69.97	68.86	71.82	73.44	74.71	**98.89**
Debt to equity ratio - Times	4.66	4.87	4.25	3.00	0.72	0.60	0.42	0.72	1.08	**1.12**
Interest cover - Times	1.28	1.14	1.16	1.80	2.19	1.02	1.25	1.27	1.26	**2.93**
Dividend cover - Times	9.53	3.79	-	-	-	0.14	-	-	-	**-**

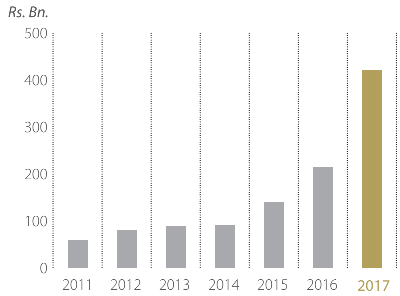
* The figures are derived from Financial Statements prepared in accordance with SLRFS/LKAS. Figures for the remaining periods are derived from Financial Statements prepared in accordance with previous SLFA's.

** Net assets per share has been calculated, for all periods, based on the net assets of the Group and number of shares in issue as at 31st March 2017

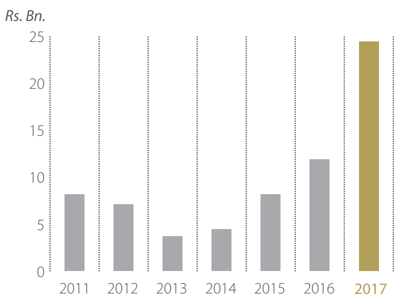
Income



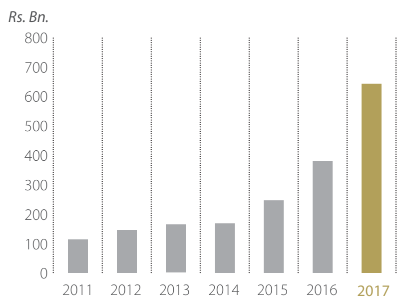
Net lending portfolio



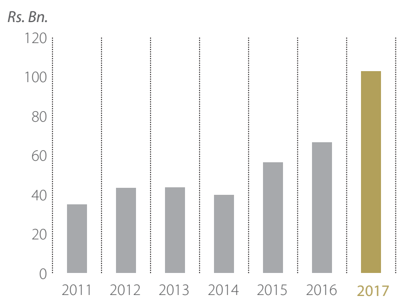
Profit before tax



Total assets



Shareholders' funds



Review of the Deputy Chairman

Dear Shareholder,

I take pleasure in welcoming you to the 38th Annual General Meeting of LOLC PLC and presenting to you the Annual Report and audited financial statements for the year ended 31st March, 2017. In our Annual Report two years ago we mentioned the "tremendous growth potential" in the diverse business sectors in which we had invested, as well as how the Group was positioned to achieve its "objective of becoming the most profitable conglomerate in the future". I'm most inspired to say this year your Group has achieved just that.

Performance

It gives me great pleasure to share with you this exceptional performance which saw the LOLC Group achieve the highest profit amongst listed entities in Sri Lanka. The Group earned a Profit After Tax of Rs. 21 Bn, achieving a growth of 124% over the previous year and our previous highest whilst Revenue increased by 37% to Rs. 92 Bn. This performance was once again spearheaded by the Group's Financial Services Segment which contributed 81% to profitability, despite a challenging year on the macroeconomic front.

Sri Lanka's economic activity began to gather momentum and showed signs of stabilisation as the year 2016 left behind some of the policy uncertainties that characterised the preceding year of elections and transition. June 2016 saw Sri Lanka reach an agreement with the IMF for an Extended Fund Facility (EFF), which was an important milestone during the year, not only to boost the Country's foreign reserves but also to improve investor confidence and provide a sustainable fiscal and monetary policy framework.

Unfavourable weather conditions and a sluggish global economic recovery however, caused the economy to grow at a slower 4.4% in real terms in comparison to 4.8% in the previous year, although a steady acceleration in quarterly growth was observed from the second quarter of the year amidst tightened fiscal and monetary policies. As per the expenditure approach estimates of the Central Bank, economic growth in 2016 was primarily driven by the expansion in investment expenditure whilst the growth in investment predominantly emanated from the expansion in construction activities during the year.

The Group's Financial Sector, constituting a comprehensive portfolio of Financial services, proved its resilience in a challenging environment. Key players in the sector, led by LOLC Finance PLC, Commercial Leasing and Finance PLC (CLC), LOLC Micro Credit Limited (LOMC) and BRAC Lanka Finance PLC (BRAC) which have consistently delivered strong performance, were the key contributors to Profits during the year. Moreover, the Group also began to reap the dividends of its strategic initiatives of expanding its footprint overseas, in the Asian region. Our strategic investments into Non-Financial sectors such as Leisure, Plantations, Construction, Health Care and Trading and Manufacturing also complemented the growth in the Financial Sector. This diverse portfolio spread over a multitude of growth sectors has made LOLC one of the largest conglomerates in the country.

We are also heartened by the accolades we received during the year from several leading external organisations as endorsements of our continuous commitment to excellence. The highlight of these was the Overall Gold award at the National Business Excellence Awards (NBEA) from the National Chamber of Commerce of Sri Lanka, considered the pinnacle of corporate awards in Sri Lanka. The Group was also chosen as the "Financial Services Provider of the Year 2017" at the SLIM-Nielsen People's Awards 2017 for which selections are based on consumer responses or people's choice; thus reflecting the leadership status of brand LOLC and how strongly it is held in the hearts and minds of the Sri Lankan people.

Continuing to expand our footprint

Expansion of the Group's footprint overseas continues to be a strategic priority for LOLC. The year under review saw the Group extend its unique Microfinance model to Pakistan, in a joint venture with Pakistan's Pak Oman Microfinance Bank Limited. Having observed LOLC's distinctive Microfinance business model and its success in Sri Lanka, Myanmar and Cambodia, Pak Oman Microfinance Bank Limited, which is a joint venture between the Islamic Republic of Pakistan and the Sultanate of Oman, invited LOLC to take a majority stake in their Microfinance venture for Pakistan. Through its new partnership with LOLC, Pak Oman Microfinance Bank hopes to capitalise on the speciality of LOLC's Microfinance model to keep transforming and enabling Micro businesses to become Small and Medium level enterprises through sustainable industrialisation.

Encouraged by the success of the Group's maiden overseas investments in PRASAC Microfinance Institution Limited in Cambodia made in 2007, the year under review saw the Group increase its investments to acquire a majority stake in PRASAC, and now owns 70% (from 22.25% in 2014) with the remaining 21% held by the Bank of East Asia and 9% by P.S. Co. Ltd.

This year also marked the Group's first foray overseas in the Leisure sector. We commenced the North Malé Resort Development project in partnership with State-owned China Machinery Engineering Corporation (CMEC), in a pioneering initiative which saw the creation of three islands by reclaiming two lagoons. The Group will construct a 5-star and two 4-star properties which are due to become operational in 2019.

Looking ahead

The Group will also look to expand its regional presence in its core business sector of Financial services as well as Leisure, in the Asian and South East Asian region in a future where Asia is

expected to provide leadership to world growth. We will seek to harness the dividends of our overseas investments whilst also continuing to expand our regional footprint whilst empowering more entrepreneurs in Sri Lanka and beyond through our unique Microfinance model.

Our non-Financial sector will continue to expand investments in industries in identified growth sectors such as Healthcare and Leisure and also invest in sunshine industries. We will also focus on revenue diversification and improving resource productivity, cost efficiency, product quality and the diversity of our current portfolio.

Buoyed by an exceptional performance which established new benchmarks in Sri Lanka's corporate performance, we look to the future with much anticipation and a constant commitment to excellence in what we do and how we do it; as we strive to keep delivering "bigger, better, faster and more" to all our stakeholders.

Acknowledgements

I would like to convey my heartfelt appreciation to the entire team that makes up LOLC Group at our many locations across the country as well as overseas, for their tremendous effort which is reflected in a remarkable performance this year. I also wish to convey my sincere appreciation to all our stakeholders including banks, funding and business partners- both here and overseas, our customers, investors, the regulators, my fellow colleagues on the Board, for their trust, confidence and cooperation which have enabled our achievements throughout.

Ishara Nanayakkara
Deputy Chairman

Group Managing Director/ CEO's Review

The LOLC Group completed an outstanding year, establishing new benchmarks by posting the highest profits by any listed entity in the country. The diversity of our portfolio, the multitude of businesses and a sustainable model based on a triple bottom line focus continued to be key elements of your Group's success. This performance was endorsed at the National Business Excellence Awards (NBEA) when LOLC was awarded the overall Gold which is considered the pinnacle of Corporate awards in Sri Lanka. The Group's consolidated gross income grew by 37% to Rs. 92 Bn, while the interest income from Financial Services grew by 41% to Rs. 55 Bn. The total assets of the Group grew by 68% to Rs. 641 Bn during the year. Another key factor in the sustainability of our profits and growth has been the fostering of a well-diversified customer base of over 100,000, without over reliance on a few large groups. The lending book grew by Rs. 206 Bn during the year, mainly due to the increased disbursement by the Group companies, amounting to Rs. 34 Bn and as a result of the consolidation of the PRASAC advances. Total Borrowings of the Group increased by Rs. 79 Bn to Rs. 287 Bn during the year due to the acquisition of PRASAC, the increase in the lending book and funding for the Construction sector.

It is also noteworthy that this year's performance was despite some challenges in the operating environment which are summarised below.

Context of Performance

Sri Lanka's economy grew at a slower pace than the previous year, at 4.4%, due to adverse weather conditions and subdued export demand. The Financial Services Industry performed well, despite emerging concerns about a continuing upward trend in interest rates and a depreciating Rupee, and contributed to the 4.2% growth in the Services sector which accounts for 56.5% of Sri Lanka's GDP.

Consumer price inflation moved upwards during the first half of 2016, although it stabilised somewhat during the remainder of the year, while core inflation broadly followed an upward trend in 2016 and thus impacted consumer purchasing power. On an annual average basis, NCPI based headline inflation increased to 4% by end 2016 compared to 3.8% at end 2015. The prevailing drought conditions, the effect of the tax changes and rising international commodity prices affected the movements in inflation in the first quarter of the year 2017 as well, although tightened monetary and fiscal policies enabled reigning in of demand pressures on inflation to a great extent. Adverse weather in the second quarter of 2017 led to higher inflationary pressure on food items in the remainder of the year.

Accordingly, the Central Bank of Sri Lanka initiated several gradual monetary policy tightening steps during the year which, combined with the gradual decline in excess liquidity contributed to a considerable rise in both lending and deposit rates during the year. The Average Weighted Deposit Rate (AWDR) increased to 8.17% by end 2016 from 6.20% at end 2015, while the Average Weighted Fixed Deposit Rate (AWFDR) also increased to 10.46% by end 2016 from 7.57% at end 2015. Interest rates offered on new deposits also increased substantially during the year. Accordingly, the Group subsidiary LOLC Finance increased its Deposit and Lending rates during the year whilst LOMC, CLC and BRAC increased their lending rates.

Meanwhile the Rupee also depreciated against all major currencies except the pound sterling during the year and depreciatory pressure came from increased imports, continued foreign debt service payments and outflows on account of reversal of foreign investments from the government securities market amidst monetary policy normalisation in the USA.

Oil prices increased by around 20% between August 2016 and February 2017, in part due to the agreement by the Organisation of the Petroleum Exporting Countries (OPEC) and other producers to restrict oil production. Stronger activity and expectations of more robust future global demand also contributed to strengthening oil prices since their troughs in early 2016. According to the IMF's (International Monetary Fund) latest estimates, global growth is expected to rise from 3.1% in 2016 to 3.5% in 2017 and 3.6% in 2018.

Group Performance

The Group's Financial Services Sector was once again the key contributor to growth with a 91% contribution to Group Turnover with a total sector Turnover of Rs. 83.04 Bn.

The flagship Finance company of the Group, LOLC Finance, proved its mettle once again by achieving a robust performance during the year under review, further consolidating its position as one of the strongest and largest NBFI's in the country. Its Profit Before Tax (PBT) grew by 8% to Rs. 2.2 Bn, with an asset base of Rs. 123 Bn, a deposit base of Rs. 81 Bn and a loan portfolio of Rs. 91 Bn, a direct consequence of the heightened focus on technology-led investments aimed at optimizing business efficiencies. Interest Income grew by a commendable 41%, to Rs. 18.5 Bn in the year under review.

CLC, a turnaround case study since its acquisition by LOLC in 2008, recorded another excellent year with a PBT of Rs. 2.2 Bn, an asset base of Rs. 78 Bn a deposit base of Rs. 16 Bn and a loan portfolio of Rs. 54 Bn. The Company's progress in its two new areas of business has been remarkable. The Microfinance business operation was able to build a portfolio of Rs. 3.5 Bn in just its first full year of operations contributing 6.5% to CLC's profits. The new business of Islamic Finance was also able to achieve a growth of 450% in its portfolio to reach Rs. 2.6 Bn in value.

LOMC, the largest private sector Microfinance company in the country, achieved a PBT of Rs. 2.5 Bn with an asset base of Rs. 62 Bn and Gross Loan Portfolio of Rs. 50 Bn. LOMC has made its name in the global Microfinance arena

with its unique business model that sets it apart from conventional Microfinance models. LOMC was thus chosen by INSEAD business school, France, as a case study for their MBA program, following an independent study of the Company's remarkable performance, its commitment to empowering women and communities and its outstanding social stewardship reflected in its business model. It also became the first and only Sri Lankan Microfinance institution to be awarded Client Protection Principles Certification by the SMART Campaign.

BRAC achieved significant financial performance in the current year with a PBT of Rs. 352.8 Mn, an asset base of Rs. 13 Bn, a deposit base of Rs. 3 Bn and a net loan portfolio of Rs. 11 Bn. BRAC was able to replicate the LOLC's micro business model and operational processes effectively in achieving this superior performance.

Seylan Bank, an associate company of the Group also contributed well with a PBT of Rs. 1.4 Bn to the Group's profits.

The Group's Insurance businesses, LOLC Life Assurance Limited and LOLC General Insurance Limited completed their first full year of operations as two separate entities, following the splitting of the composite insurance company (LOLC Insurance Company Limited) as per Sri Lanka's new Insurance regulatory requirements in 2015. Both these Companies performed well, positioning themselves among the top 10 players in less than 4 years of operations, in both General and Life businesses, in terms of Gross Written Premiums. The General business contributed Rs. 310 Mn in profits, while the Life business recorded a Rs. 321 Mn as surplus during the last financial year.

The Group's long term investments in the Non-Financial Sector grouped and managed under Brown & Company PLC. also complemented growth. Browns PBT grew by 165% to Rs. 1.55 Bn during the year and PAT reached Rs. 1.48 Bn whilst Revenue reached Rs. 12.08 Bn during the year.

The Trading sector which contributed 56% to Browns' revenue, markets many world-renowned brands. The Trading Sector contributed 37% to Browns' Profit. The Sector's

Group Managing Director/CEO's Review

revenue and Profit grew by 15% and 172% respectively, compared to the previous year.

The Group's Leisure, Travel and Entertainment Division also fared well during the year. The four revenue generating resorts in Sri Lanka 'The Eden Resort & Spa, Beruwela', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Passikudah'; all increased their occupancy levels and performed well during the year. The year under review also saw a significant milestone in the Leisure sector as LOLC Group signed a momentous agreement with Club Med S A S - France, bringing in the world's most prestigious club resort operator to Sri Lanka. This would see the Riverina Resort, currently under construction and scheduled for opening in 2019, branded as the First Club Med Resort in Sri Lanka. The establishment of the globally-reputed Club Med brand in Sri Lanka opens a new chapter in the country's higher value tourism prospects. The Group's other resort project in progress, the Sheraton Turtle Beach Resort & Spa in Kosgoda, is a 172 roomed Five Star resort hotel. This is part of the prestigious international chain of Sheraton hotels in 2014 and will be opened in the latter part of 2017. The Group's Leisure sector also initiated its maiden foray overseas to construct one Five-star property and two Four Star properties in partnership with State-owned China Machinery Engineering Corporation (CMEC). Following the Group's acquisition of the most valuable and the largest property in the city of Male, the location of the Nasandura Palace, LOLC commenced its other property development in Male, the construction of an ultra-modern mixed development project comprising a 135 roomed hotel, a high end retail shopping mall and 118 apartments, which is due for completion in November 2018. Two other investments in the Maldives, the Bodhufinolu in South Ari Atol will see the construction of a 120 roomed Four-star resort whilst Bodhufaru in the Raa Atoll will see the development of a 60 roomed Five-star resort.

Excel World, the One Stop entertainment centre for the entire family located in the heart of Colombo, performed well to achieve a PBT of Rs. 69 Mn, and more than doubled its operating profits during the year. Its Revenue grew by more than 39% over the previous year to Rs. 326 Mn. The Group also took a significant step when it entered into another joint venture agreement with a Hong Kong based Investment Company to develop Excel World into a USD 70 Mn complex comprising serviced apartments, a life style shopping mall and family entertainment centre, construction of which is to commence in November 2017 and complete by June 2019. The project will also include a second phase-of a construction of a mixed-development project.

The Group's maiden venture in the Healthcare sector, The Browns Hospital in Ragama performed well in its second year of operations and continued to make strides in establishing itself as the only ultra-modern general hospital in the Gampaha district. The number of in-patients as well as the number of consultants who signed up at the Hospital, increased during the year. Buoyed by the success of its maiden venture, the Group acquired properties in Kurunegala, Jaffna and another in Negombo to establish new hospitals.

In the Plantations sector, Maturata Plantation - the Tea Plantation Company, was negatively impacted on the supply as well as demand side. Adverse weather resulted in a decline in production while reduced demand from Sri Lanka's key export markets due to reduced oil prices, impacted demand, to further exacerbate the challenges. The Company was however able to record a turnover of Rs. 2 Bn and a PAT of Rs. 2.8 Mn after the gain in fair value of biological assets. The Company's Rubber plantations also experienced a downward trend as international prices continued to be low. Performance of Gal Oya – the sugar cane plantation, was negatively impacted by the price controlling mechanism of the Government, higher sugar cane prices as well as adverse weather conditions during the year. However, your Group is buoyant on the opportunities ahead to meet the expected increase in demand for sugar based on estimates of higher consumption in the future. The construction of the distillery on the Hingurana estate also saw completion during the year and is scheduled to begin operations in the year ahead. LOLC Group progresses on its strategic intents to optimise its resources by divesting two of the plantations, Agalawatte and Pussellawa, in the year under review, while developing the potential of its existing portfolio of Gal Oya and Maturata.

Following the investment we made in 2015, the year under review saw the Group venture into renewable energy generation with the commissioning of Sri Lanka's first privately owned Solar power plant- "Saga Solar Power (Pvt) Ltd." with a capacity of 10 MW. This utility-scale power project located in Buruthankanda in Hambantota, is expected to add 19 GWh of clean energy to the national grid annually for over 20 years. At its full capacity the plant can contribute 19,000 MWh to the national grid and generate enough electricity for approximately 10,000 homes. In keeping with our triple bottom line focus, the Group will continue to expand its presence in renewable energy generation.

Consolidating and expanding our oversees investments:

The Group ventured into its maiden overseas investment in 2007, to empower entrepreneurs overseas with its unique and proven model of Microfinance; with an investment in PRASAC Microfinance Institution, Cambodia. Since then we have expanded our footprint to Myanmar and most recently, into Pakistan, increased our investment in PRASAC Cambodia and also established another Company in Cambodia.

PRASAC has evolved and grown rapidly since our initial investment in 2007, to be the largest Microfinance Institution (MFI) in Cambodia today, with an asset base of USD 1.4 Bn, a portfolio of USD 1.13 Bn and 297,034 borrowers.

PRASAC also has approximately 530,000 depositors with a deposit base of over USD 708 Mn as of March 2017. The year under review saw an unprecedented performance by PRASAC with profits growing by over 90 times for PBT to reach Rs. 7.88 Bn. and the Asset Base growing more than 260 times to reach Rs. 210 Bn, whilst the portfolio base grew more than 100 fold to Rs. 172 Bn. while maintaining a 30 days NPL ratio of 1.16%.

LOLC Cambodia achieved a remarkable performance during the year, with a PBT growth of 50% to make a contribution of Rs. 2.5 Bn to Group profits. Its asset base at year end stood at Rs. 42 Bn and the deposit base at Rs. 5 Bn whilst the loan-lease portfolio amounted to Rs. 36 Bn With a return on assets of 5.6% the company outperformed all its peers with a ROE of 32% and was second only to the largest MFI in the country. The Company consolidated its position as the country's 4th largest MFI in terms of total assets and gross loan portfolio, whilst being the 3rd most profitable MFI in Cambodia.

LOLC Myanmar Microfinance Company completed its most significant year since its incorporation in 2013; by completing the recovery of all brought forward losses to make a profit contribution of Rs. 61 Mn., a noteworthy achievement in just four years since incorporation. The Company's Asset base reached Rs. 2 Bn and its Deposit base as at year end stood at Rs. 460 Mn. and the Net Loan portfolio reached Rs. 1.6 Bn. The Company continued to consolidate its presence in its specific areas by increasing its branch network by 9, to 20 branches during the year. LOLC is the first Sri Lankan entity and the fourth international operator to commence operations in Myanmar in the Financial sector.

Outlook

The Group will continue on its consistent growth trajectory with a focus on a triple bottom line; continuing to uplift society and the environment through its diverse portfolio of businesses.

Our Microfinance Business has proved its mettle and been well acclaimed both locally and internationally. Buoyed by the success of our overseas ventures in Microfinance, the Group will consolidate and expand the investments it has made over the past few years whilst also exploring opportunities for new markets in middle income countries in the region.

Our long term investments are brimming with potential, especially because sectors such as Healthcare and Leisure are amongst the key growth sectors of the Sri Lankan economy. Agriculture is a vital area of the economy which needs mechanisation and technology, and the Group currently holds market leadership in Agri machinery. Product diversification will be a thrust for all our business units in the Non-Financial sector whilst cost leadership would be the key driver for strategic positioning of the range of brands marketed by Browns.

LOLC has forged strategic partnerships across its business sectors and several in its Leisure sector and these collaborations with international brands reflect and have augmented the Group's strong growth potential in this sector. The Group will continue to forge win-win partnerships to enhance the value it creates for all its stakeholders.

The Group's meteoric rise and its ability to establish new benchmarks in performance has been a result of the talent, passion and commitment of its people and its sustainable model of value creation. We will continue to develop the potential of our people, recognizing that harnessing and honing the potential of the individual must go hand in hand with expanding the potential of the Company.

Acknowledgements

I would like to record my heartfelt gratitude and note the tremendous contribution made by our late Chairman Mr. R. Nanayakkara, who passed away in March this year whilst he was serving as the Chairman of LOLC Group. His loss is profoundly felt by the entire Company who derived inspiration from his exemplary leadership and great dedication during the years he steered the Group. I also wish to convey my sincere appreciation to our Deputy Chairman and my colleagues on the Board for their guidance, continual support and the confidence placed in me and for the team that makes up LOLC, whose unreserved effort and commitment have fuelled the unprecedented achievement by the Group. My sincere appreciation also to our customers, funding partners, shareholders, business associates and other stakeholders for their continued support and inspiration.

W.D.K. Jayawardena
Group Managing Director/ CEO

Our Business Sectors

Financial Services

The Group's key sector encompasses a comprehensive portfolio of financial solutions, for the individual to the micro and large scale enterprises. **> pg 38**

Agriculture & Plantation

The Group's presence in this sector ranges from large scale Tea, Rubber and Sugar Cane plantations and to being Sri Lanka's leading supplier of agricultural machinery, fertilizer and crop care. **> pg 48**

Leisure

LOLC is among the few players in the country to offer a fully fledged Leisure, Travel and Entertainment proposition with resorts in iconic locations of the country, and some landmark ventures in progress in the Maldives. **> pg 52**

Renewable Energy

In keeping with the Group's Triple Bottom Line focus and the nation's growth agenda, the Group ventured into renewable energy and during the year launched the country's first privately owned Solar Power Generation facility. **> pg 56**

Construction

The LOLC Group is active in the Construction sector through its investments in Sierra Construction, one of Sri Lanka's leading construction companies, with wide expertise and experience in civil engineering, piling, irrigation and telecommunication works. > pg 58

Manufacturing & Trading

The sector includes the Group's own manufacturing plant which produces RADCO branded radiators and the authorised agencies for a wide range of leading global brands in Vehicle batteries, Power Generators, Machinery, Power tools, Office Solutions and Veterinary Care products among others. > pg 61

Overseas Expansion

Since the Group's maiden foray into Cambodia with its successful Microfinance model, it has expanded to Myanmar, and recently into Pakistan, while also further strengthening its presence in Cambodia, and actively exploring opportunities in other high potential regional markets. > pg 65

Other Strategic Investments

The Group's other Strategic Investments include Information Technology, Healthcare and Banking. > pg 68

Management Discussion & Analysis

About this Report

We're using best practices in business...

This Annual Report is the 3rd Integrated Annual Report of Lanka ORIX Leasing Company PLC -the holding Company of LOLC Group which also comprises Brown & Company PLC. This report presents the economic, social and environmental performance of the entire Group including its offshore operations in Cambodia, Myanmar, the Maldives and Pakistan.

Reporting Principles

The contents included in this report are deemed useful and relevant to our stakeholders with due regard to their expectations which have been identified through continuous engagement. The information provided aims to provide the Group's stakeholder with a good understanding of the financial, social and environmental impacts of the Group's operations and business activities to facilitate their evaluation of the Group's ability to create sustainable value for all its stakeholders.

All information obtained from a range of sources within the Group has been verified for their completeness, balance, comparability, accuracy, reliability, timeliness and clarity in accordance with the Group's disclosure policies.

Forward Looking Statements

This Annual Report contains certain forward looking statements which relate to the future performance and results of the operations of the Group.

These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future and be beyond the control of the Group. Factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, global and national economic conditions, changes in industry environment, natural environmental conditions, interest rates, credit and the associated risk of lending, merchandise clearance rates, inventory levels, gross and operating margins achieved and competitive and regulatory factors.

Financial Review

The LOLC Group reached a historic milestone by reporting highest ever profitability in the history of the Group, a profit before tax (PBT) of Rs. 24.4 Bn, an increase of 106% growth over the previous year. The increase in the profitability is supported by the increase in business volumes as well as the returns from Group's investment activities. The gross income of the Group stood at Rs.91.7 Bn, an increase of 37% over the previous year results of Rs 66.7 Bn.

The Group which consists of financial services, insurance, trading, leisure and plantation continued to deliver mixed results to the performance. Financial services which accounts for 81% of Group profitability continued its steady performance reaching Rs.19.8 Bn in trems of profitability. The Insurance segment too showed higher growth in business also improving its market share. Trading business is mainly represented through the business activities of Brown & Company PLC, showed re-emerging signs as the trading sector reported a growth in revenue of 21% over the previous year. The Plantation segment, as the market continued to provide volatile results, the Group reduced its exposure in the segment by disposing Pussellawa Plantations Ltd, a timely disposal of an investment deriving exceptional bottom line results. The leisure segment became stronger by making investment in the Maldives.

The Group's revenue increased to Rs. 91.7 Bn from Rs. 66.7 Bn in the previous year. The increase is mainly due the higher increase in income from the financial services sector that showed a related income of Rs. 83 Bn in the year. The increase in revenue from the financial services sector is mainly due to the increase in the lending operations by its financial services companies which include LOLC Finance PLC (LOFC), Commercial Leasing & Finance PLC (CLC) and LOLC Micro Credit Ltd. (LOMC) and BRAC Lanka Finance PLC (BRAC).

Revenue represents the income from trading, leisure and plantation segments. The reported revenue for the year was Rs. 23.4 Bn compared to the previous amount of Rs. 20.2 Bn. The increase is mainly due to the increase in profits from the trading segment, as a result of the higher volume sales.

Interest expense of the Group increased to Rs. 33.2 Bn from Rs.18.9 Bn in the previous year. The increase in borrowing cost is the result of an increase in market interest rates and increased funding requirement for asset base growth in the financial service sector.

The reported other income for the year is Rs. 6.0 Bn. Other income of the Group increased mainly as a result of interest income earned on other investment securities which amounted to Rs.4.6 Bn. the increase in other securities include the back to backed deposits kept with the bankers by way of arranging funds. The Group also holds a large amounts of investment properties where the gain of Rs. 855 Mn was recognised due to change in property value.

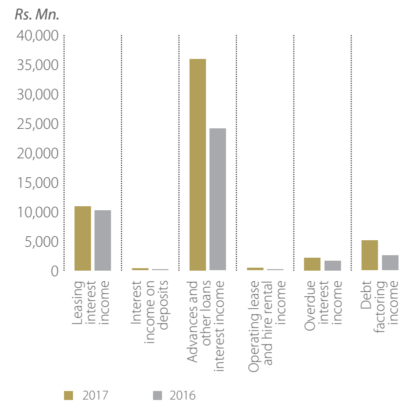
In line with the increase in Group activities the overhead cost rose as well. Direct expenses of the Group increased mainly due to the increase in VAT on financial services in line with the increase in the financial service sector profits. There was also an increase in reinsurance premiums due to net written premium growth in the insurance segment. Personal costs of the Group increased due to general market increments.

The net impairment loss on financial assets has gone up by 44% to Rs. 4.3 Bn as a result of provisions made on loans and receivables. Further, the Group wrote off bad debts amounting to Rs. 1.1 Bn. The management actions on recovery efforts are continuously made to reduce future impacts.

The share of profits of the Group from associate companies increased by 24% to Rs. 3.8 Bn in the year. The major contributions are from PRASAC Microfinance Ltd and Seylan Bank PLC. Results of the acquisition and divestment of the Group investment increased to Rs.10.6 Bn during the year. This includes the profit on the disposal of FLMC Plantations (Pvt) Ltd and the disposal of Lotus Hydro Power PLC which amounted to Rs. 3.6 Bn. Further, at the end of the year PRASAC Microfinance Institution Ltd became a subsidiary of the Group and as per the requirement of the Sri Lanka Accounting Standards the previously held interest in an associate needs to be fair valued and the resultant gain is recognised in the income statement amounted to Rs. 7.0 Bn.

The Group did extremely well in recording a PBT of Rs. 24.4 Bn during the year, an increase of 106% over the previous year. After adjusting to Income taxation on corporates, the Group recorded a profit after tax of Rs. 20.9 Bn.

Group Income



Lanka ORIX Leasing Company PLC

The ultimate parent company of the Group successfully carried out its primary objective of making strategic investments and providing shared services to the Group companies. During the year the total asset base of the Company reached Rs. 102.0 Bn which is largely represented by the investments made in the Group companies amounted to Rs. 61.7 Bn at the end of the year. The asset base includes

Management Discussion & Analysis

Financial Review

investment into fixed assets and other related party loans. LOLC's main activity includes providing shared services and lending to Group companies.

During the year, the company reviewed its transfer pricing policy and implemented a transfer pricing policy that is compliant with transfer pricing regulations. Total income of the company stood at Rs. 20.3 Bn, earned mainly by providing shared services to related companies and interest income earned on providing lending to related companies. Other income earned includes a gain on disposal of its investment amounting to Rs. 9.1 Bn. The total overheads of the company increased mainly due to an increase in general prices and other related expenses in order to enhance the level of services to related entities. LOLC continues to operate its model into strategically important investments.

Financial Services Sector

LOLC's key business sector, the financial services sector continued to perform well during the year despite challenges from the external environment. LOLC Finance PLC, Commercial Leasing and Finance PLC, LOLC Micro Credit are strongly supported by BRAC Lanka Finance PLC to achieve these growth levels.

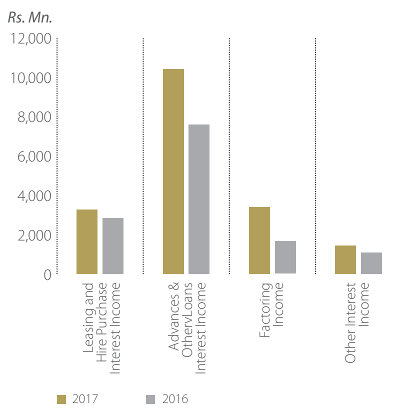
The segment reported a PBT of Rs. 19.8 Bn during the year under review compared to Rs. 9.7 Bn in the previous year. The increase in profitability is mainly attributable to the increase in revenue from Rs. 49.0 Bn to Rs. 83 Bn during the year. The sector also includes profits from LOLC Cambodia & LOLC Myanmar. The local companies continued to face the upward trend in the interest rates that resulted in increase in borrowing costs. The effect on the lending was also significant, as high interest rates reduces the borrowing capacity of potential customers. The Borrowing cost of the sector increased to Rs. 34.4 Bn, an increase of 66% from the previous year of Rs. 20.7 Bn, owing to the growth in lending oprations as well as the increase in the market rates.

LOLC Finance PLC (LOFC)

As a leading company in the Non-Banking Financial Institution (NBFI) sector in the country, LOLC Finance PLC concluded yet another successful financial year while sustaining its impressive growth and consolidating its position in the NBFI sector.

LOLC Finance PLC reported Rs. 18.5 Bn of interest income during the current financial year which was a 41% increase compared to the previous year. This was achieved despite the portfolio growing marginally by 7% and is primarily attributable to the effective portfolio re-organisation strategies followed by the Company to address the rising interest rates scenario.

Income



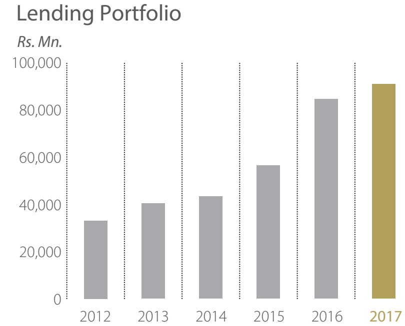
An evaluation of product-wise income shows that the interest income from leases grew by 15% and stood at Rs. 3.3 Bn. Leases constituted 18% (2015/16 - 22%) of total interest income. The factoring portfolio continued to grow and is one of the key revenue generators of the Company. The interest income from factoring contributed Rs. 3.4 Bn, which is 18% of the total interest income similar to leases.

The total interest expense of the Company grew by 76% primarily as result rising interest rates. The Company's primary funding source is customer deposits, of which a significant portion (above 80%) is short term deposits. Given the increasing interest rates the country is experiencing, the re-pricing of these deposits caused the significant increase in the interest expenses. 71% of the total interest expenses were on customer deposits and the balance on borrowings.

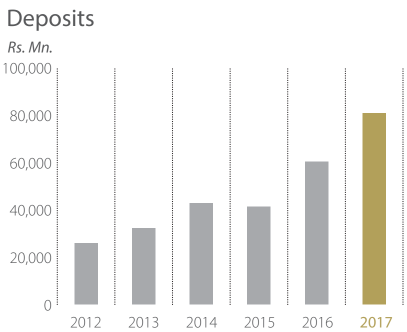
Despite the challenging environment, the profitability was resilient and was able to sustain its profitability. The PAT of the Company grew by 11% and stood at Rs. 1,587 Mn. The ability to retain and grow the profits made in the previous year can be primarily attributed to the ability of the management of the Company to make timely decisions and the agility of the organisation to adopt to challenging economic conditions.

The growth in the lending portfolio was complimented by all the major products offered by the Company. The factoring portfolio experienced a significant growth of 22% and stood at Rs. 16.5 Bn. The loan portfolio expanded from Rs. 53.3 Bn in 2016 to Rs. 55.4 Bn at end of 2017 growing by 4%, while the leasing portfolio showed commendable growth of 7%.

Lending Portfolio



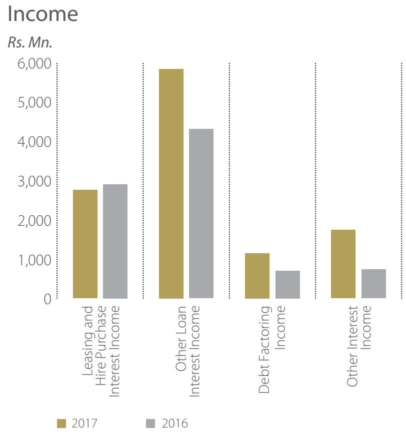
LOLC Finance continued to experience a significant influx of customer deposits during the year, resulting in the deposit base of the Company growing by over Rs. 20 Bn (34% growth) to stand at Rs. 81 Bn at end of the year. Conventional fixed deposits remain to bethe Company's primary source of funding and it showed a growth of 39% while increasing the value from Rs.49.4 Bn (2015/16) to Rs. 69 Bn. Deposits from the IBU increased slightly by 5% from Rs. 6.3 Bn in 2015/16 to Rs. 6.6 Bn in 2016/17. The foreign currency base of the company has increased by 5% and amounted to Rs. 1.7 Bn at end of the financial year.



Commercial Leasing and Finance PLC (CLC)

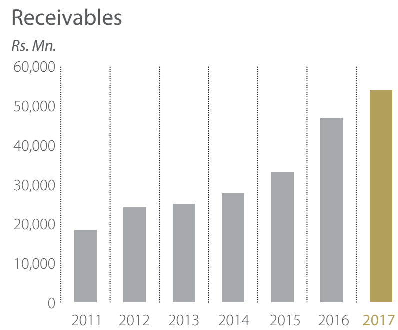
The Company has continued its growth momentum to record a robust performance for the financial year ended 31st March 2017, recording profit before income tax of Rs. 2. 2 Bn. This is a 10% increase over Rs. 2 Bn reported for the corresponding period in 2016. This performance was achieved despite the increase in costs of funds, shrinking margins and challenging market conditions prevalent during the year.

Interest income, the principal source of income of the Company increased by 34% from Rs. 8.11 Bn to Rs. 10.90 Bn during the year. Interest income from loans and advances increased to Rs. 5.83 Bn from Rs. 3.92 Bn with the change of product mix from lease and hire purchase to flexi cash, micro group loans etc. The factoring income stood at Rs. 1.30 Bn, with an increase of 86% from Rs. 703 Mn over the previous year resulting from the growth in the factoring portfolio from Rs. 4.95 Bn to Rs. 6.16 Bn.



Interest expenses increased at a faster pace during the year, putting pressure on the margins. Interest expense of the Company increased considerably by 82% from Rs. 3.37 Bn to Rs. 6.12 Bn due to increase in borrowing costs and higher quantum of borrowing supporting portfolio growth.

The asset base which consists mainly of the lending portfolio, and accounts for 69% of the company assets, grew by 15% from Rs. 46.79 Bn to Rs. 53.90 Bn recording a rupee growth of Rs. 7.11 Bn. Credit growth is mainly through other loans such as term loans, revolving loans, factoring and microfinance products. The leasing portfolio declined by 5% compared to the previous year. This could be attributed to the implementation of the loan to value ratio in respect of loans and advances granted by finance companies on motor vehicles.



Despite intense competition seen throughout the year, the company managed to increase its customer deposit base by almost 30% from Rs.11.98 Bn to Rs.15.61 Bn. This accounted for 26% of the funding mix. However, the cost of deposits went up by 24% with increase in cost of medium term deposits.

The funding base of the company decreased from Rs. 58.05 Bn to Rs. 45.74 Bn, a negative growth of 21% due to repayments relating to back to back loans obtained against foreign currency fixed deposits. Foreign currency borrowings accounted for a major share of total borrowing representing 41%. Exchange rate risk was managed by placing the foreign borrowings obtained in term deposits and backed to back financing.

LOLC Micro Credit Limited (LOMC)

LOMC concluded yet another successful financial year consolidating its position in the Non-Banking Financial Institution (NBFI) micro credit market. The company's efforts to expand its footprint and customer reach enabled higher portfolio growth strengthening the position in the micro finance space. This was achieved by the strong brand recognition and the trust the customers have placed in LOMC and the confidence the funding partners have in the Company's consistent financial performance.

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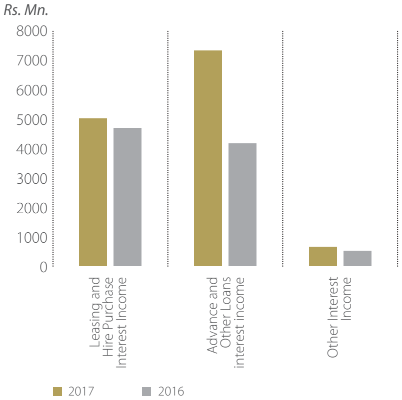
Financial Review

The company continued to maintain its growth momentum in interest income, reaching Rs.13Bn during the year. This was a growth of 39% compared with the previous year's top line and is a substantial achievement with the increase in lending rates and portfolio growth managing the strain on NIM. The main contributory factor to the growth in interest income is interest income from micro loans and leases.

The interest income from micro loans constituted 56% of the total interest income which surpassed Rs. 7.30Bn. This is an increase of 76% from last financial year. The income from leases grew by 7% and the interest on loans grew by 76%. However, income from hire purchases experienced a reduction primarily as a result of the company opting to phase out the hire purchase business and currently contributes an insignificant amount to the total income .The Company was able to show growth in every key product facilitating substantial top line growth.

Income

Rs. Mn.

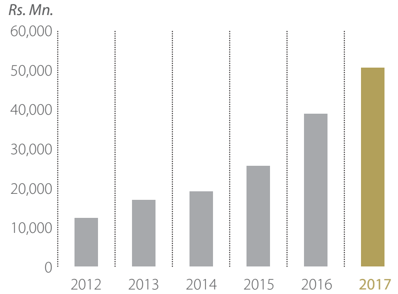


The interest expense showed an increase during the year, from Rs. 3.73Bn in 2015/16 to Rs. 5.47Bn in 2016/17 representing a 47% increase. This was mainly due to the additional borrowing made via local borrowings and foreign borrowings to support portfolio growth. Interest on local borrowings constituted 51% of the total interest expense the cost of local borrowings showed an increase of 29% YoY also due to the increase in interest ratesIn terms of profitability, the Company recorded strong profits after taxation despite the pressure on interest margins.and reached Rs. 1,725Mn (2015/16 Rs. 1,563Mn), a growth of 10%

The 30% (Rs.12Bn) growth in the lending portfolio was achieved through steady growth in all products offered by LOMC. The loan portfolio increased from Rs. 19.13Bn to Rs. 30.08Bn a 57% growth and the leasing portfolio which is a more mature portfolio showed modest growth of 4%.

Receivables

Rs. Mn.



During the current period, the company focussed on bank and other borrowings and foreign borrowings to support its portfolio growth. The borrowing base increased to Rs. 49 Bn from Rs. 35Bn.including a $43Mn and Euro – 34Mn long term loans obtained from several foreign funding institutions with whom LOMC has had strong long term relationships. Many of these institutions have lent to LOMC several times over the years. The exchange risk arising from these foreign currency borrowings are managed effectively by way of forward exchange contracts and backed to back foreign currency deposits.

The funding mix of the company saw a change from the previous year where the local borrowings constituted 53% (up from 2016's 50%) of the total borrowings and foreign constituted 47% (down from 2016's 50%) of the total borrowings.

BRAC Lanka Finance PLC (BRAC)

Year ended 31 March 2017 has been a remarkable year for BRAC which surpasses healthy levels in all financial and operational aspects. Portfolio growth, mobilization of deposit products and strategic rebalancing of assets have been the key driver throughout the year. Since acquisition by the LOLC Group, the Company geared its Micro Finance driven business for aggressive overall growth recording strong growth surpassing the industry growth becoming a key player in Micro Finance industry.

Despite the challenging environment the profitability of the Company was resilient and maintained profitability ratios. PAT growth of 45.15% in 2017 to Rs.220Mn was supported by higher net interest income derived from the portfolio of lending.

capitalising on the Micro Finance initiatives, the Company achieved Rs.11.20Bn in Micro Finance while the total portfolio stood at Rs.11.33Bn. Total number of customer base reported as 239,243 (2016- 241,464). With the financing requirement of total assets, total liabilities grew by Rs.3.17Bn (36.90%) during the year. The main contributor to the borrowing structure of the company were Intercompany borrowings, other bank borrowings and Deposits. Company is focusing on growing the deposit base and strong growth is envisaged in this area broad basing the funding options. Deposit base grew by Rs.1.63Bn in 2017 compared to 2016, mainly due to deposits from institutional investors. However, the Company is now in the process of concentrating on the granular deposits from individuals as a major funding source to the Company.

Foreign operations

Cambodia

The Group has two investments in Cambodia and their contributions to the Group is significant. LOLC Cambodia achieved remarkable growth in PBT, reaching Rs. 2.5Bn as well as growth in the lending portfolio which amounts to Rs.36.3 Bn. PRASAC Microfinance Institution Ltd, in which the Group had an associate stake, became a subsidiary at the end of the year. PRASAC contributed a share of profit of Rs. 1.7 Bn.

Myanmar

The Group investment in LOLC Myanmar Micro Finance Ltd the green field business, showed continuous growth in terms of its portfolio growth and turned into a profitable venture during the year. The company's total income for the stood at Rs. 347 Mn and Portfolio recorded at Rs.1.6 Bn during the year.

LOLC Insurance (LOIC)

Insurance segment has experienced rapid growth in its overall business performance as gross income from the segment increased by 19% to Rs.5.1 Bn. The steady increase in insurance business reported a PBT of Rs.632 Mn during the year. LOIC consists of two companies, LOLC General Insurance Ltd and LOLC Life Assurance Ltd continued to expand its business volumes also strengthening its presence throughout the country sharing the branch network of the parent company. Following the new regulation issued by the Insurance Board of Sri Lanka (IBSL) LOLC Insurance was segregated into LOLC General insurance Ltd & LOLC Life Assurance Limited.

Trading sector

The trading sector of the Group represent the trading services provided by Brown & Company. The segment reported a gross income of Rs.18.6 Bn an increase of 21% over the previous year. The segment continued to serve newly arising customer needs. The Trading sector contributed Rs. 2.2 Bn to Group PBT during the year under review.

Leisure sector

The leisure sector currently operates of 'The Eden Resort & Spa, Beruwala', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla' and 'The Calm Resort & Spa, Passikudah',. The total asset base in this segment increased to Rs. 41.0 Bn mainly due to the ongoing construction of properties this segment.

The Riverina Hotel is being built as a five-star hotel with a 375-Keys and is currently under construction in the Golden Mile. An agreement was signed with Club Med Resort, which is a globally acclaimed club resort operator, making it the first Club Med Resort in Sri Lanka. The hotel is scheduled to be open in 2018/19. The 172-room Sheraton Turtle Beach Resort & Spa in Kosgoda will be commissioned soon.

Investments in the Maldives have been continuing during the year under review. Construction in Nasandhura, Male has begun which will be a mixed development with hotel rooms and apartments.

Plantation segment

Group's plantation sector represented by the Browns Capital Group performed extremely well reporting a PBT of Rs 4.8 Bn for the year. Maturata Plantations Ltd., in addition to its tea and rubber plantations, has a total forestry extent of 1,162.57 hectares, has 961.53 hectares of commercial timber and 201.04 hectares of fuelwood on 19 estates under its purview. These are distributed in two geographical regions, with 11 estates situated in Nuwara Eliya and 8 estates situated in the Deniyaya-Akuressa region.

The Group divested subsidiaries FLMC Plantations Limited during the year which has contributed to a significant increase in the profit for the year in the Group financial statements.

The Group did extremely well during the year under review in terms of creating value for its shareholders. Total equity attributable to shareholders of the group increased to Rs.58.8 Bn, increase of 56% over the previous year. The Group's ability to enhance the value through business value creation will further be enhanced in ensuing year with the investments that Group has made.

Management Discussion & Analysis

Financial Services

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Financial Services
http://lolc.com/financial

69%

Gross Income
Rs. 83.04 Bn.

76%

Total Assets
Rs. 623.14 Bn.

The Group's key sector **encompasses a comprehensive** portfolio of financial solutions, for the individual to the micro and large scale enterprises.

LOLC Finance PLC

LOLC Finance proved its mettle once again by achieving a robust performance despite a lacklustre economic backdrop during the year under review, further consolidating its position as a leading player in Sri Lanka's Non-Banking Financial Institutions (NBFI) sector. Revenue grew by a commendable 45%, from Rs. 14.4 Bn in the previous year to Rs. 20.8 Bn in the year under review, while profit before tax increased by 8%, to reach Rs. 2.2 Bn as at 31st March 2017, a direct consequence of the heightened focus on technology-led investments aimed at optimising business efficiencies.

Improved market sentiments and the steady increase in the Average Weighted Deposit Rate (AWDR) throughout 2016, coupled with LOLC Finance Aggressive Deposit mobilisation campaign, helped the Company's Deposit portfolio to register a strong performance, with year-end results indicating a 34% growth in the overall deposit book compared to the previous year. The performance exceeded all expected KPI's 2016/17 and was also well above the industry average of 13.9% as at 31st March 2017.

Attributed to the value enhancements offered through the LOLC Real-time platform and the Company's unwavering commitment to service excellence, customer retention rate also remained strong at 80%. The results for the year can mainly be attributed to the stringent focus on growing volumes. Aggressive islandwide deposit mobilisation campaigns were conducted throughout the year combining both ATL and BTL channels to create awareness regarding LOLC Finance's Deposit proposition. Parallel to this, a number of internal campaigns were also run in an effort to motivate the branch sales force towards driving volumes. The main objective of this was to drive inorganic growth and expand the Fixed Deposit base, by tapping into new regional markets.

Challenged by the CBSL's decision to raise policy interest rates, LOLC Finance too was compelled to raise lending rates in quick succession on three separate occasions between April and October 2016, bringing pressure on the ability to canvass new business volumes, particularly the high-value loan categories including; Capital Lease and Term Loan products.

The Capital Lease, a product geared for the lease of high value vehicles, came under further stress following the depreciation of the Rupee and also tightening of the Loan-to-value (LTV) ratio in the latter part of 2016. Under the new rules, the LTV for Motor Cars and Vans were restricted to 50%, which proved to be a severe deterrent for this target market, resulting in a sharp drop in the demand for the Capital Lease in the second half of the year.

Management Discussion & Analysis

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In the backdrop of these developments, the focus for the lending business shifted towards the SME segment, with a series of aggressive promotional campaigns being rolled out to tap into the market for registered Three Wheelers and similar small ticket items. To further complement these efforts, two new high yielding products were also launched during the year; Three Wheeler Lease (second hand), Motor bike lease and the Scooter lease, specifically profiled for the SME customer. Each product was also coupled with a range of value added offerings to appeal to the target customers.

LOLC Finance's move to increase its exposure to the SME segment proved successful, with the total portfolio growing by 7% to Rs. 90.5 Bn as at 31st March 2017, from Rs. 84.3 Bn a year ago. A further analysis of the lending book shows that contribution from Term Loans, Capital Lease the Speed Draft reduced to 65% of the total lending portfolio as at 31st March 2017 compared to 66% a year ago, while Flash Loan and Flex Loan products, each increased their contribution to the portfolio.

Stringent recovery efforts enabled LOLC Finance to maintain asset quality, with NPL's holding steady at 4.4% by End-March 2017, well below the industry average of 4.9%.

LOLC Finance's Islamic banking unit, Al-Falaah continued to grow steadily, this year as well, buttressed by year-on-year improvements in both Revenue and Profitability. The main highlight for Al-Falaah in the current financial year, was the launch the Corporate Sukuk (investment certificates) in July 2016, which is envisaged to be a key growth catalyst for the future.

Digital delivery channels have become a significant part of the Company's operating model in recent years, and expanding such digital channels are deemed critical for LOLC Finance to remain competitive and sustain consumer interest in the Company's products and services. Leveraging on the growing popularity for online-real time mobile applications, the Company made significant investments to develop and design the LOLC REAL TIME Mobile App, making LOLC Finance the first financial institution in Sri Lanka to have ventured into this space. The move also complements LOLC Real Time, the Company's Internet.

The Banking solution launched in March 2015: Both the LOLC REAL TIME Mobile App and the LOLC Real Time Internet Banking solution offer seamless connectivity with the Company's core banking system, giving the customer 24/7, 365-day access through the customers' handheld smart devices / PC or laptop with an internet connection.

Another significant technology driven process improvement to enhance customer convenience was the installation of Cash Deposit Kiosks at branches, which kicked off in October 2016. As part of the first phase, Cash Deposit Kiosks were installed at 10 branches, with the remaining network to be covered in the forthcoming financial year. Using these self-service Cash Deposit Kiosks customers now have the ability to deposit cash directly into their savings accounts or settle their lease rentals in real time 24/7, 365. Another significant effort for the year was the system integration to support the new ATM/VISA debit card solution, launched in partnership with Hatton National Bank. LOLC Finance's Fixed Deposit customers can now use the VISA Debit Card to access their funds through any of the 438 HNB ATM's located islandwide. The Company also initiated a technology migration project using Java middleware architecture to improve the versatility of existing systems and automate certain key processes to deliver a better customer experience. The digital integration of the credit approval process, enabling vendor payments to be made via CEFT, decentralising of the Speed Draft disbursement process, the roll out of a new e-statement mechanism to replace the conventional passbook model and the introduction of electronic FD renewal reminders, WHT certificates were among the new developments for the year.

Further investments were also made in the new call center management software to equip the newly revamped centralised call center facility.

LOLC Finance's strategic thrust for the year ahead has prioritised two objectives, one being to drive growth through enhanced customer access to products and services. The Company is thus committed to profiling strategic locations and to expanding the touch-points to reach out to people in different geographical regions across the country.

Secondly, and from a product development perspective, the Company aims to continue integrating the state-of-the-art in technology in the quest to enhance service, make financial solutions easier, more efficient and a more rewarding experience for customers.

Commercial Leasing and Finance PLC

Commercial Leasing and Finance PLC (CLC) recorded an exceptional performance which was also combined with a vibrant level of expansion of its portfolio, market presence and reach. The Company's profitability (PBT) grew by 10% to Rs. 2.2 Bn whilst Turnover grew by 34% to Rs. 10.9 Bn during the year; supported by all its business channels. It is also significant that the Company was able to maintain its NPL ratio at less than 2% despite the strong growth in its portfolio during the year and the environmental factors such as floods and droughts which challenged the repayment capacities of our customers.

The progress made by the Company in its two new areas of business in their first full year of operations was remarkable. The Microfinance business, was able to contribute 5.2% to CLC's portfolio. The Microfinance Customer base as at the first year end stood at 60,000 and is currently growing at an average of 10,000 per month. The other new business unit, Islamic Finance, was also able to achieve a growth of 111% in its portfolio to reach Rs. 2.1 Bn in value and make a significant impact as a new player in Sri Lanka's Islamic Finance landscape. CLC today boasts of a wide portfolio of Islamic Financial instruments, such as Mudaraba, Wakala investment, Ijarah, Murabaha, Diminishing Musharaka and Wakala lending based products. Moreover, CLC now offers Islamic Finance at all its branches. The full Islamic Finance product range combined with the wide distribution channel has positioned CLC amongst the top players in the Islamic Finance space. The rapid progress made by CLC in Sri Lanka's Islamic landscape is endorsed by being awarded as the 'Emerging Islamic Finance Entity of the Year 2016' at the 6th Sri Lankan Islamic Banking and Finance Industry Awards (SLIBFI).

The Savings and Deposits business unit also grew its deposit base by 29% and made a valuable contribution to PBT during the year.

Since becoming the first NBFI to join CEFTS in 2015, CLC expanded the CEFTS and SLIPS service to more of its customer base during the year, enabling them to pay over 50 utility bill payments from the convenience of their desktop.

CLC will look to harness and expand further on the investments that have already been made in the Microfinance, Islamic Finance, Factoring and SME finance and the potential of its online banking platforms for deposit customers. It will also look to grow its customer base with a target to exceed 200,000 by the next financial year end.

An industry environment of rising interest rates remain an area of concern, as it increases our cost of borrowings and generally results in reducing the repayment capacity of customers. Hence, whilst closely monitoring the collections CLC also focussed on enhancing its savings account deposit base, a relatively low cost funding. CLC, with a comprehensive portfolio of financial services, brims with tremendous potential and the performance of its Microfinance and Islamic Banking businesses which just completed their first full year of operations augments the buoyant outlook we have for the Company to keep harnessing and expanding its potential.

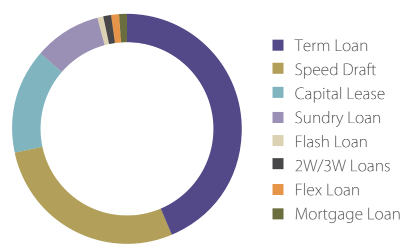
Commercial Leasing and Finance PLC recorded an exceptional performance which was also combined with a vibrant level of expansion, of its portfolio, market presence and reach.

The myriad new strategic initiatives that CLC has taken during the past few years, combined with its strong capital base, funding structure and pipelines, partnerships, management processes, technology and procedures, see it well poised for sustained growth with considerable resilience to external environmental challenges.

SME and Development Finance

The SME Financing business which is managed by the Group's subsidiary LOLC Finance PLC recorded a turnover of Rs. 50 Bn in lending activities. The portfolio of lending activity is presented below.

SME product-wise executions - FY 2016/17



During this period, we experienced a considerable drop in the four-wheel vehicle sector and as a result the priority was mainly focussed on two and three wheel vehicles.

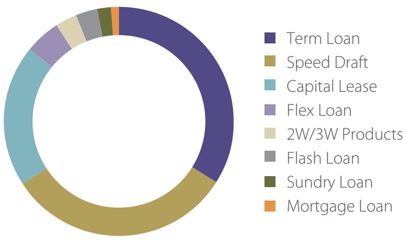
During the review period, the asset/lending portfolio of SME Financing under LOLC Finance stands at Rs. 63 Bn, which is an increase of 4.4% over the last Financial Year.

The portfolio distribution of the SME Business Unit is given below as at end of the last Financial Year.

Management Discussion & Analysis

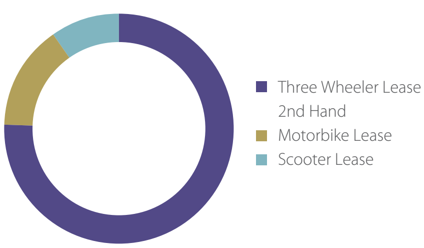
Financial Services

Distribution of SME Product Portfolio for FY 2016/17



The year under review was an excellent year for High Yield Products (HYP). Executions on HYP commenced in September 2016 and successfully continued till end March 2017. During the review period, HYP executions recorded Rs. 2.25 Bn, which is a more than fivefold increase of 764% when compared to the last Financial Year. The Company offered the following products under its High Yield category, Lease of Three Wheelers (secondhand); Brand New Scooters for working women and brand new motorbikes.

High Yield Executions - FY 2016/17



All two and three wheel leases were bundled with special gift offers such as mobile phones, Taxi meters, DSI tires or Laughs gas and a gas cooker. In addition, all brand new motorbike dealers who direct business to LOLC will be evaluated every quarter to reward them with special foreign tours/hotel packages.

The division will look to expand this business segment of HYP in the year 2017/18 and will also concentrate on strengthening Research & Development, Statistics and Market Intelligence, Business partnerships, the Business Introducer model and on our publicity and promotions.

LOLC Micro Credit Limited

The Group's subsidiary LOLC Micro Credit (LOMC) continues to empower rural populations who otherwise have no access to banking or finance, thus playing its part in Sri Lanka's economic objectives of reducing regional income disparities and fueling growth of micro enterprises.

Although a relatively underserved market, Sri Lanka's Microfinance sector now attracts a growing number of service providers making it one of the most competitive sectors in the country at present.

In this backdrop, LOMC grew its loan portfolio by a remarkable 30% with the addition of 60,000 new customers and by Rs. 12 Bn in value terms, supported by an aggressive client acquisition strategy. The Leasing and Loans portfolio reached Rs. 50 Bn during the year.

LOMC will focus on developing new products, harnessing technology to enhance efficacy, maintaining its responsible lending methods and changing its process of NPL management as key strategic priorities for the future.

The Company remains energised and passionate to continue and expand its contribution towards national objectives of financial inclusion and reducing income disparities by empowering a new generation of micro entrepreneurs. Its cost effective model and the support of foreign funding institutions are key strengths, which augments its platform to reach exponential growth through further client acquisition, expansion into new market segments, and sustaining its healthy cost to income ratio into the future.

LOMC also introduced the housing development loan product to the existing group loan customers with a view to enhance their living standards.

Upholding responsible finance, in 2013 LOMC obtained the certification on compliance to Client Protection Principles advocated by the Smart Campaign amongst the microfinance institutions worldwide. LOMC was the 13th microfinance institution to receive this certification out of 21 certified institutions at present on a global perspective whilst becoming the first in Sri Lanka.

BRAC Lanka Finance PLC

BRAC Lanka Finance achieved an impressive performance with a turnover of Rs. 3.39 Bn and a PBT of Rs. 352.79 Mn, signifying robust growth of 82% and 35% respectively, over the previous year and reflecting a complete turnaround in performance.

It is noteworthy that the Company's loan portfolio grew by a remarkable 41% to reach Rs. 11 Bn as at 31st March 2017; despite the reliance on a single-product lending model. The customer base also increased from 235,699 at the beginning of the year to 239,315 by the end of the current financial year. As much as 98% of the total portfolio of BRAC comprises Micro Group Loans. The Company, hence, introduced a mix of products such as Enterprise Development and Housing Development Loans for group loan customers during the year, to have more diverse market segments and gain a competitive advantage.

As one of the world's most effective microfinance models, BRAC has built a unique legacy of empowering small scale female entrepreneurs in Sri Lanka who had no access to bank funding at the grassroot level. The company focusses on lending exclusively to women entrepreneurs who are engaged in self-employment in areas such as manufacturing, trade and provision of services. Moreover, it is unique that BRAC also delivers its financial assistance and technical know-how through a team of staff made up of females.

Our employees underwent focussed training initiatives to enhance productivity, and the Company also increased employee incentives for meeting and exceeding individual revenue targets. It will also take steps to empower some of its team members with exposure to international microfinance operations to enable the adoption of those best practices. Considering the high number of field staff, the Company will continue to introduce new ways of maintaining high motivation levels to reach more customers despite some of the challenges they encounter when visiting customer locations. The Company also took steps to streamline the processes for its field force and offer greater convenience to the 467 female staff members by providing motor cycles to facilitate easier mobility and reduce time spent on commuting by public transport. This has helped bolster their self-confidence and also helped in retention. During the year, the Company also upgraded its branch network to offer an enhanced experience for customers and staff alike.

Since BRAC became a member of the LOLC Group Training and Development has been a priority for the Company, to be on par with the Parent Group's standards, best practices and reputation for professionalism.

Increasing our value addition to customers during the year included efforts to encourage a savings habit among the existing customer base. Thus, groundwork was laid for the launch of a structured savings product, bundled with an ATM card which will enable customers to access their savings accounts through over 800 VISA enabled ATM's across the country. The product is scheduled to be launched in the first half of 2018.

Backed by LOLC's extensive experience in the micro credit sector and the support of international agencies, BRAC hopes to introduce a range of innovative financial solutions which would help in the sustained advancement of less privileged rural communities. We would also introduce several industry best practices. For instance, the year ahead would see us adopt Client Protection Principles to build strong, lasting relationships with clients, increase client retention, and reduce financial risk. Cognisant of the fact that we are dealing with a highly sensitive market segment, we will also give priority to preventing over indebtedness and promoting self-regulation amongst them.

LOLC Factors Limited - (Working Capital Business Unit)

LOLC Factors (LOFAC) is the first factoring company established in Sri Lanka and is still considered to be the vanguard in the industry. It continues to be the market leader in the factoring business despite intensifying competition from a growing number of new entrants to the market in recent years.

The year under review has been a remarkable and a challenging year for LOFAC. We achieved a record breaking growth in revenue and profits in spite of challenging economic conditions.

Key achievements during the year:

- Recorded a remarkable 78% growth in profits with highest ever PAT of Rs 1.15 Bn compared to Rs 649 Mn in the previous year.
- Achieved highest ever gross income of Rs 4.68 Bn.
- Total lending portfolio reached the highest level of Rs 26.28 Bn, which included Rs 5.75 Bn in loans.
- The factoring portfolio also grew by approximately 29% which amounted to Rs 4.56 Bn to close the year at Rs 20.52 Bn.

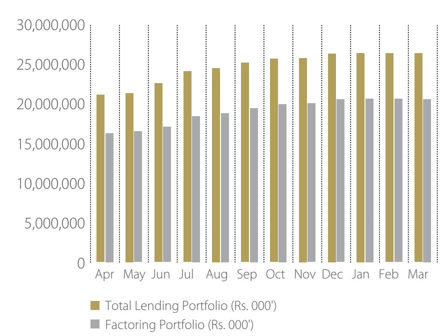
Key challenges faced during the year:

- The factoring portfolio saw a moderate growth of 29% mainly due to the credit crunch that was experienced in the financial sector, as well as the sharp rise in lending interest rates that prevailed particularly in the second half of the year.

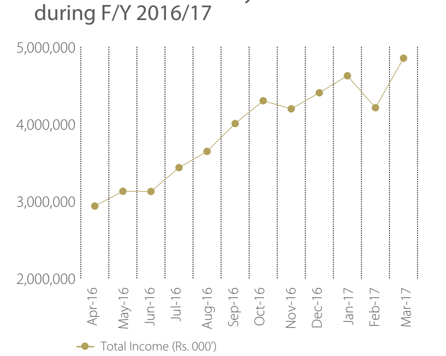
Furthermore, the SME sector was adversely impacted by the subdued level of economic activity that prevailed throughout the year. This resulted in the Company exerting a concentrated effort for debt recoveries, to maintain its NPL's below 4%.

Growth in Lending Portfolio and monthly Gross Income for the year is illustrated below:

LOFAC Lending Portfolio (Rs. 000')



The Increase in Monthly Gross Income during F/Y 2016/17



Management Discussion & Analysis

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LOFAC also continued to record the highest gross and net interest margin within the financial services sector of the LOLC Group. It is noteworthy that this achievement is in addition to maintaining its position as the business unit with the lowest costs and highest in profit per employee within the Group.

As a key strategy, the Company will look to introduce factoring services islandwide by leveraging on LOLC's extensive branch network and promote LOFAC's unique selling proposition to a wider customer base across the island.

Islamic Finance Unit of LOLC (Al-Falaah)

LOLC's Islamic Business Unit-Al-Falaah, posted a strong performance for the year under review, marked by a healthy improvement year-on-year across all KPI's. Revenue for the year under review was Rs. 2 Bn, while Profit Before Tax stood at Rs. 550 Mn, showing growth of 29% and 7% respectively over the Rs. 1.6 Bn and Rs. 515 Mn recorded in 2015/16. Led by strong growth in all core-lending products, Al-Falaah's lending portfolio rose from Rs. 10.8 Bn in the previous financial year to Rs. 11 Bn for 2016/17. In recognition of its consistent performance Al-Falaah was awarded the title 'Islamic Finance Entity of the Year for 2016', at the Sri Lanka Islamic Banking and Finance Industry Awards for the second time.

Having primarily focused only on the SME segment, up to now, Al-Falaah once again reinforced its position as a trailblazer in the industry, with the pioneering launch of the country's first-ever Ijarah-Sukuk (alternate option for securitisation) in July 2016. Since its launch, the product has become the new market benchmark for the most effective method of raising funds within the banking and finance industry. This feat gained global recognition when it was awarded the "Deal of the year" at the Islamic Finance News (IFN) Global Award held in Dubai U.A.E.

The unit also continued to review its processes to fine tune and enhance efficiency.

In an environment of rising cost of funds in Sri Lanka, Al-Falaah will look at overseas markets such as the Middle East to raise funds for Retail banking. Towards this end, the unit is well supported by its credentials including the national and international accolades it has received and its innovation in Islamic finance solutions to offer competitive pricing in retail banking.

We are most heartened by the recognition at both local and global levels during the year which added to our list of accolades for promoting Islamic finance in Sri Lanka, augmenting Al-Falaah's position as the leading Islamic Banking & finance institution in Sri Lanka.

LOLC Life Assurance and LOLC General Insurance

LOLC Life Assurance Ltd (LOLC Life) and LOLC General Insurance Ltd (LOLC General) completed their first full year of operation as two separate entities, following the splitting of the composite insurance company (LOLC Insurance Company Limited) as per Sri Lanka's new Insurance regulatory requirements in 2015.

Both Life and General Insurance businesses achieved strong growth during the year supported by regional expansion through LOLC's Branch network, Direct & Personal channels, Broker Unit, Bancassurance and Strategic Partnerships. The Gross Written Premium from General Insurance increased by 26% and surpassed Rs.3.2 Bn, whilst the Gross Premium from Life Insurance grew by a remarkable 57% to reach Rs. 1.9 Bn during the year. The combined Gross Premiums crossed the Rs. 5 Bn mark, a tremendous performance achieved by a mid-sized insurance company in a relatively a short span.

Both Life and General Insurance businesses achieved strong growth during the year supported by regional expansion through LOLC's Branch network, Direct and Personal channels, Broker Unit, Bancassurance and Strategic Partnerships.

The increase in operational activities also resulted in an increase in claims expenses by Rs. 309 Mn over the previous year 's whilst net claims in Life Assurance increased over the previous year by Rs. 62 Mn. The increase in business required additional reserves for both General and Life businesses. Hence funds reached approximately Rs. 2.2 Bn and Rs. 1.86 Bn respectively.

There was a significant change in the valuation bases for both businesses in 2016 as Gross Premium Valuation (GPV) under the Risk Based Capital (RBC) regime replaced the Net Premium Valuation (NPV) under the rule based solvency system. Both businesses continue to maintain healthy solvency ratios/capital adequacy ratios (CARs) and report ratios well above the minimum requirements stipulated by the Insurance Board of Sri Lanka (IBSL).

It is commendable that despite higher business growth during the year, the Life business was able to report a surplus of Rs. 318 Mn during the year.

Year 2016 was a fairly successful year for the Sri Lankan General Insurance industry with a modest growth of 13.86% in total Gross Written Premium (GWP) compared with a growth of 13.18% in 2015. Sri Lanka's Life Insurance industry grew by 18.59% compare with a growth of 20.14% in the previous year. It is noteworthy that both LOLC General & LOLC Life achieved growth well above the industry growth rates during the year under review. During 2016, the Sri Lankan Insurance industry primarily focussed on the implementation of the Risk Based Capital (RBC) solvency supervision system replacing the previous rule based solvency monitoring which ceased with effect from 31st December 2015.

The prudent and focused management strategies of the Companies which are subject to regular monitoring and evaluation have been a key factor in both Companies maintaining the momentum of growth. Being fully owned subsidiaries of LOLC Group has enabled LOLC Life and LOLC General to effectively leverage the Group's brand strength, its loyal customer base and island wide distribution reach combined with team synergy. These have provided an impetus to the overall performance of the insurance entities.

Moreover, prudent underwriting, focused claims management, sound investment policies and marketing strategies also contributed to the positive performance of both businesses despite the prevailing market environment.

The Insurance market in Sri Lanka remains intensely competitive. The General Insurance industry in particular has been facing fierce price competition for some time with little signs of the intensity of competition reducing. This factor constantly contributes to the erosion of overall profitability. However, LOLC General has been successful in refraining from excessively low pricing. At the same time, the Company also needs to constantly re-evaluate its product, pricing and service factors to maintain the status quo as well as reinvent itself, maintain leadership and sustain the growth momentum.

Life Insurance in Sri Lanka remains significantly under-penetrated and this offers much potential to reach untapped markets in the country. Demand needs to be created through awareness and education of the masses, which in turn has long periods of gestation. LOLC Life has established a network of nearly 1000 Financial Planners across the country. LOLC Life's key focus is to get quality businesses while maintaining higher productivity and persistency ratios. Several steps have been taken to strengthen and discipline the agency force by clearly defining recruitment procedures and continuous training and development of Financial Planners to improve portfolio quality in terms of persistency, case size and productivity.

Whilst the last six years saw the Companies focus on establishing infrastructure, distribution channels, processes and procedures, the years ahead will see these Companies focus on achieving strategic growth in order to increase

Management Discussion & Analysis

Financial Services

market share and be positioned among the 5 leading insurance companies in the industry, for both lines of Insurance.

LOLC Securities Limited

LOLC Securities, the Group's stock broking operation continued to have a lacklustre financial year as the stock broking industry continued to be challenged by low volume transactions in the Colombo Stock Exchange. However, it is noteworthy that the Company was able to increase its market share supported by higher volumes in foreign brokerage; despite this adverse environment. The Company will continue to focus on developing more strategic partnerships in the coming years.

The year under review saw a shift in the Company's business model in line with its long term business strategy, for LOLC Securities portfolio to have a diversified and a balanced contribution from local and foreign brokerage.

LOLC Securities' research team continued to be recognised in the industry as one of the best Sell-side research teams in the country – an encouraging endorsement of the quality of its research. The Company became the winner of the highest number of awards at the coveted CFA Capital Market Awards over the past two years, as it was awarded a Certificate of Commendation for Best Research Team and Best Research Report at the 2016 Awards. Being a market leader in research continues to bolster the Company's strong research based product to attract a diverse range of clients.

The stock broking industry saw early signs of revival in the latter part of 2016/2017, following increased foreign portfolio inflows to the Colombo Stock Exchange, with improved valuations, especially in the backdrop of strong performance in global markets. Sri Lanka's economic fundamentals have also begun to improve with several positive developments, such as a successful raising of sovereign bond, regaining of the GSP+ concession for exports to Europe and advances in trade discussions with India, China and Singapore. We thus expect the increase in economic stability and a more investor conducive environment to support a revival in the stock broking industry in the year ahead.

LOLC Capital One Limited

LOLC Capital One Limited, the newest addition to the Group's Financial sector, is a boutique investment bank which provides advisory services for Mergers and Acquisitions (M&A), Debt Capital Markets (DCM), Equity Capital Markets (ECM), and alternative Investments.

During its first year of operations, the Company focused on establishing its footprint in the advisory market by building a network of contacts. It is commendable that it was able to breakeven through generation of fee income from several M&A transactions and by providing research to one of the Group Companies -LOLC Securities.

Capital One has adopted a light resourced business model, keeping its cadre small and limiting its resources to Consultants, and collaborations with other leading counterparties to widen its reach in investment banking. Accordingly, the year under review saw us establish relationships with a Middle Eastern Investment bank, few Indian investment boutique banks, Singapore based consultancy firms and another leading international investment bank. In addition we have also nurtured good working relationships with several local investment banks and established strong relationships for the Buy-side with foreign private equity funds.

During the year, LOLC Capital One was able to establish deal flows across several sectors in the M&A's segment. For one, it structured LOLC Group's acquisition of a Pakistani Microfinance bank. Furthermore, it was able to place US Dollar syndicated loans to LOLC Group and a licensed commercial bank through its collaborative partner.

Sri Lanka's Equity Capital Markets has faced a challenging year due to a dismal performance by the Colombo Stock market in a backdrop of political instability and subdued economic activity, resulting in lower valuations in the market. During the year, the CSE hence saw only two Initial Public Offerings (IPO's).

The Company also ventured into development project Consultancy through its collaborative partnership with a foreign consultancy firm. It bid for three projects during the year but was placed second for all these three projects.

Despite being a new entrant to the industry, the strong presence that LOLC Capital One has been able to establish in its first year of operations has been most encouraging and well supported by the strong brand equity of LOLC in the financial sector and its expertise in capital markets.

The first year of operations of LOLC Capital One was a fairly modest year in terms of contribution to the Group's top line, as some of the transactions initiated during the year are still a work in progress. The year ahead is expected to see the Company reap the dividends of these initiatives. Its realm of business is significantly influenced by the performance of the external environment and investor sentiment. We expect the outlook for the Sri Lankan economy to improve with increased capital inflows to the country and stronger external trade and relationships, which should bode well for LOLC Capital One's short to medium term prospects. The Company will look to widen its reach in the capital markets via further collaborative efforts with valued business partners.

LOLC Fleet Management

LOLC's Fleet Management Division recorded a Turnover of Rs. 400 Mn and a Profit After Tax of Rs. 10 Mn during the year under review.

The Group increased its vehicle fleet during the year by 115 vehicles, to offer our retail customers a broader range of options and encourage corporate customers to upgrade their fleet. The fleet as at the year end stood at 600. The division also intensified its client acquisition strategies to capture a larger share of the corporate segment. Both tactics contributed to increase volumes, by 5% year-on-year compared to the previous year.

The Short Term rent-a-car business on the other hand saw only moderate growth, on the back of strict client evaluation parameters which were put in place to minimise risks associated with the traditional rent-a-car concept. However, with the objective of growing this segment, the Company laid the groundwork to vehicle rentals that target smaller companies, SME's and individuals.

LOLC Motors

Since launching operations as a service provider for LOLC Group's fleet of vehicles in 2010, LOLC Motors has leveraged its expertise to expand its services to customers outside the Group as a steady source of revenue.

LOMO was able to exceed its budgeted targets to achieve a turnover of Rs. 20 Mn per month whilst its customer base grew by 20% during the year . The Company's ISO 9001:2008 certification was renewed for the year 2017/18, reflecting the commitment to the quality management systems at its workshop. Enhancing our service levels and turnaround times remained a key priority as a differentiator from competition.

LOLC Motors is also registered with the Leasing Association of Sri Lanka (LASL) as a Valuer of vehicles and caters to more than 90% of LOLC Finance's and CLC's vehicles. The Company's growth plans for the year ahead include a Service facility for Commercial vehicles which is scheduled to become operational in the next financial year.

Management Discussion & Analysis

Agriculture & Plantation

GET IN TOUCH
Agri Input Sector
http://lolc.com/agriculture-plantations

22%

Gross Income
Rs. 6.71 Bn.

56%

Total Assets
Rs. 7.00 Bn.

The Group's presence in this sector ranges from large scale Tea, Rubber and Sugar Cane plantations and to being Sri Lanka's leading supplier of agricultural machinery, fertilizer and crop care.

Agriculture Division

The Agriculture sector remains one of the key drivers of the Sri Lankan economy, accounting for substantial employment, income and foreign exchange. Inimical weather conditions adversely impacted agriculture during the year, limiting GDP growth in this sector to 7.9%. Browns Agriculture remained a market leader during the year holding a market share of 55% in the Agri Machinery market.

Browns Agriculture took initiatives to convert seasonal agri business to a year-round income generating sector via the introduction of new machinery such as Combine harvesters, Sugar cane harvesters, Seeders as well as Lubricants for tractors. Browns also enhanced its existing range of conventional machinery during the year, facilitating a competitive edge for our farmer clientele.

It has been well established that mechanisation of agriculture in Sri Lanka is an urgent imperative and a strategic priority for the country in order to increase land and labour productivity, optimise costs of production, increase value addition and sustain profitability. Browns Agriculture is thus in a strong win win partnership to uplift Sri Lanka's agriculture sector through mechanisation and infusion of new technology, where avenues to increase food production is also an urgent imperative.

AgStar PLC

AgStar PLC did well to achieve a 43% growth in Group Turnover, from Rs. 2,306 Mn in 2015/16 to Rs. 3,301 Mn in the year under review, in an extremely challenging year. However, the ad hoc regulatory changes that affected various business segments during the year, exerted tremendous pressure on our bottom line and the Group registered a disappointing loss of Rs. 22 Mn during the year

Product diversification will be a key strategic imperative for the division whilst cost leadership would be the main strategic brand positioning for AgStar. The Company will also look to expand its market presence by broad-basing global distribution channels and by widening the existing product line-up to help tap into both mainstream and niche markets in the coming years.

Maturata Plantations Limited

Maturata Plantations Ltd comprising a total forest extent of 1,162.57 hectares has 961.53 hectares of commercial timber and 201.04 hectares of fuelwood on the 19 estates under the Company's purview. The estates are

Management Discussion & Analysis

Agriculture & Plantation

distributed in two geographical regions, with 11 estates situated in Nuwara Eliya and 8 estates situated in the Deniyaya-Akuressa region. Of the 8 estates in Deniyaya-Akuressa region, 5 estates bordering the Sinharaja Forest Reserve act as a buffer zone to the Sinharaja Forest. In addition to the planted commercial timber areas, there are a number of natural forest patches on these estates.

The year under review saw the Company record a turnover of Rs. 2,096.6 Mn and an operational profit of Rs. 333.2 Mn and a Net Profit After Tax of Rs. 2.8 Mn after the gain in fair value of biological assets. The gain recognised on change in fair value of biological assets amounted to Rs. 124.9 Mn.

The Company is engaged in continuous commercial timber planting on its unproductive lands and plans are also underway to plant 300,000 Eucalyptus grandis plants on degraded tea lands in the upcountry estates as commercial timber, and to plant Albiziamolucana on Deniyaya Estates as commercial timber and for the conservation of stream reservations in the near future.

Creating a scalable platform for growth in both tea and rubber are amongst the Company's key priorities for the future. The Company will also look at aggressive crop diversification strategies to reduce the over-reliance on traditional crops and strengthen resilience against environmental threats.

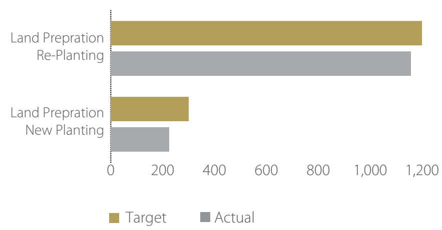
Gal Oya Plantations (Pvt) Limited

Performance

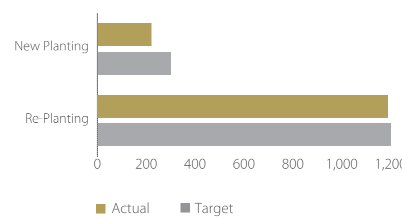
The year under review was a challenging one for the industry and for all three points of our value chain - plantation, milling as well as selling of sugar, due to a sharp rise in input costs. The amount of cane crushed and sugar produced thus declined during the year by 28 % and 29% respectively.

Plantation

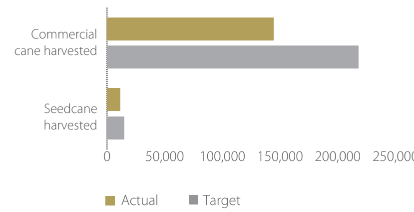
Land Preparation (Ha)



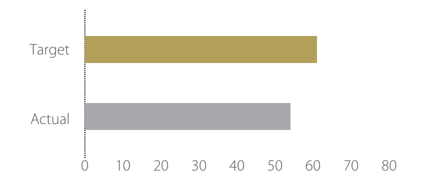
Planting (Ha)



Harvesting (MT)



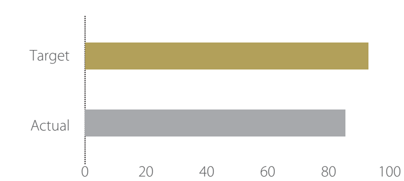
Yield (MT/Ha)



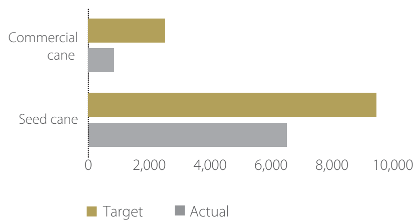
The yield and the quantity harvested during the year also decreased due to the ageing and death of plants, disease amongst plants and reduced harvesting by farmers due to a short supply of labour. In addition, a shortage of fertilizer and weedicides, due to new regulations by the Government which banned certain weedicides and limited the import of fertilizer, also impacted cane yields during the year. Furthermore, inadequate water supply and water lodging in some lands and poor ratoon management by some farmers also contributed to the drop in yields during the year under review.

Agronomy

Planting (Ha)

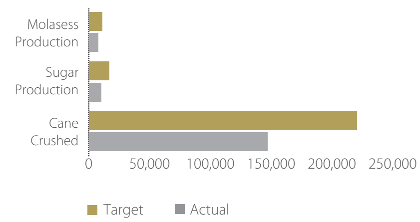


Harvesting (Ha)



Factory

Production (MT)



We were able to crush 146,753 MT of cane and produce 10,236 MT of sugar during the year although an insufficient cane supply caused the production to reduce over the previous year. The low harvest and high production costs thus resulted in reduced revenue for Galoya Plantations during the year under review.

The Company initiated projects in line with the Group's Triple Bottom Line strategy for sustained growth. For one, it invested Rs. 800 Mn in a new distillery plant with a capacity to distill 21.5 Kilo Litres Per day. The construction was completed in January 2017 and the distillery is expected to become operational in the year ahead after obtaining license for its commercial operation. The Group expects it to produce 500,000 litres per month contributing a gross revenue Rs. 250 Mn per month.

The Company also plans to expand its 2 MW power generation plant in Galoya to a 10 MW one at an investment of Rs. 2.5 Bn, and to sell the excess electricity to the national grid.

Furthermore, the Company also began a project to produce Organic Fertilizer by converting all waste from the sugar factory and distillery. The project work is currently underway and intends to produce 7000 MT of organic fertiliser upon completion in August 2017.

CO_2 is a by-product of the distillery and the Company plans to make an investment of Rs. 250 Mn during the year to begin the groundwork to enable a process of extraction of this CO_2 from within the distillery premises. The infrastructure requirements for this process are to be completed by end 2017 and the process of extraction is to be outsourced thereafter once the distillery operations commence.

We look at the year ahead with optimism and expect the industry environment to be more conducive and for the sustainable initiatives that the Company has launched to yield dividends. The Company possesses significant strengths; such as a land extent of 5,200 ha allocated exclusively for Sugar cane; knowledge and expertise of farmers who count more than 50 years of experience; access to irrigation facilities and infrastructure facilities, and direct coordination with the Sugarcane Research Institute on seed cane, and research and knowledge and experience of other staff. These factors find the Company well poised to harness a market in which the supply remains insufficient to meet the demand for its product of sugar.

Accordingly, the Company has identified the following priorities to improve performance in the year ahead;

- new planting of 1,500 ha.
- increase cultivation by the outgrowers.
- increase yields by planting high yield varieties and by minimising the affect of pest and disease attacks.
- increase sugar recovery by increasing the efficiency of the sugar factory.
- reduce the input cost by reducing wastage and increasing efficient/correct agricultural and operational practices.
- continue to harness all raw materials/by - products for value creation and establish the necessary infrastructure towards this end.

Management Discussion & Analysis

Leisure

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Leisure
http://lolc.com/leisure

23%

Gross Income

Rs. 295 Mn.

52%

Total Assets

Rs. 41.00 Bn.

LOLC is among the few players in the country to offer a fully fledged Leisure, Travel and Entertainment proposition with resorts in iconic locations of the country, and some landmark ventures in the Maldives

LOLC Group's investments in the Leisure sector, which are clustered under Browns Investments, constitutes four actively operational resorts at iconic locations across the country and two other projects at various stages of development and scheduled to come on board over the next 12 to 24 months; to augment the value proposition of the Group's portfolio. The projects in progress include two properties located on the Southern coast.

Sri Lanka

The Group's revenue generating resorts in Sri Lanka at present include 'The Eden Resort & Spa, Beruwala', 'Dickwella Resort & Spa, Dickwella', 'The Paradise Resort & Spa, Dambulla', and 'The Calm Resort & Spa, Passikudah'; all of which performed well during the year under review. Sri Lanka's Tourism industry is predominantly targeted by key tour operators from Western Europe, China and supported by key sub-continental players. During the year the Group made inroads into these markets by establishing agreements with several key tour operators in order to increase occupancy levels. The sector also benefitted from the many synergies of being part of LOLC Group as the Group's in-house travel agencies and destination management companies made significant contributions to increased occupancy levels during the year under review.

Significant (year-on-year) increase in occupancy levels at all four properties:

	2016	2017
Eden	68%	80%
Dickwella	27%	48%
The Calm	18%	28%
Paradise	57%	62%

Accolades during the year

- Gold award received at the National Business Excellence Awards 2016 in the Hospitality sector by Eden Resort & Spa
- Paradise Resort & Spa received an outstanding score from Booking.com for consistently receiving glowing guest reviews and an index score of 8.2

Guest reviews on websites are today a critical factor in encouraging/discouraging tourists to properties around the world. As much as 80% of tourists are estimated to read online

Management Discussion & Analysis

Leisure

guest reviews in their decision making. It is thus noteworthy that three out of our four properties recorded a milestone by being ranked either first or second amongst the properties in their respective regions.

The five star property Eden Resort & Spa, attracted considerable number of tourists from Europe as well as from the emerging markets of China and India. Eden also enjoyed being able to accommodate most of the world's largest tour operators under one roof and was hence able to secure its highest occupancy ratio ever of 80%. It is significant that Eden Resort & Spa was crowned the best in the Hospitality & Tourism Sector of Sri Lanka for the second successive year by the National Business Excellence Awards (NBEA) 2016 when it won Gold in the Hospitality & Tourism Sector category. We are heartened by this award for business excellence in the Hospitality sector at the NBEA as it is one of the most closely contested and coveted awards.

Dickwella Resort & Spa also made progress in expanding its visibility by being listed in several brochures of Eastern and Western European tour operators. The resort continues to work with an Italian operator and partners German and many other European and Asian operators who supported higher occupancy rates compared to the previous year.

The Paradise Resort & Spa, the luxury resort situated in the heart of the Cultural Triangle in Dambulla has been recognised for its exceptional service by Booking.com, a global leader in online booking accommodations. The hotel received an outstanding score for consistently receiving glowing reviews, based on months of remarkable guest experiences. Hotels evaluated by guest reviews on Booking.com are those which receive an overall score of 8.0 and above. The Paradise Resort & Spa received a notable 8.2 index score in 2016.

Occupancy rates also increased at The Paradise Resort & Spa and The Calm Resort & Spa. The Calm, located in still a relatively unknown location on the world tourism map, was able to attract five major tour operators during the year.

Projects in Progress

Sheraton Turtle Beach Resort & Spa in Kosgoda, this 172 roomed 5 Star resort hotel is part of the prestigious international Starwood chain of hotels and is to be opened in the latter part of 2017. The entry of this renowned international hotel brand will enhance both the value of the Group and Sri Lanka's tourism potential.

Riverina Hotel is a 400 roomed five-star resort under construction on the Golden Mile in Beruwela. In November 2016, the Group signed a momentous agreement with Club Med S A S - France, bringing in the world's most prestigious club resort operator to Sri Lanka. This would see the Riverina Resort, scheduled to be opened in 2019, branded as the First Club Med Resort in Sri Lanka. The establishment of the globally-reputed Club Med brand in Sri Lanka opens a new chapter in the country's higher value tourism prospects. Under the terms of the agreement, Club Med will brand, market and manage the property as one of its many exotic Club Med destinations attracting affluent tourists from Europe and Asia to Sri Lanka. This development will further the industry's aspirations to promote the island as a magnet for high spending tourists while simultaneously creating a significant number of direct and indirect employment opportunities. Club Méd S A S is a French company specialising in operating Club Resorts at a number of exotic destinations around the world.

As a tourism destination, Sri Lanka has a rich and diverse offering spanning nature, culture, history, religion, adventure and eco-tourism that brims with still untapped potential. Since the conclusion of the war, it is today one of the safest destinations in the world. At the same time, several challenges such as a dearth of skilled professionals exacerbated by the intensifying demand; a lack of a level playing field in the implementation of regulations and competition from other countries in the region are among the challenges that the industry faces. LOLC has forged strategic partnerships across its business sectors and several in its Leisure sector and these collaborations with international brands reflect and have augmented the Group's strong growth potential in this sector.

Overseas Investments

Continuing on our thrust to expand the Group's presence outside Sri Lanka, the Group made strides to further consolidate its position in the Maldives through a unique and pioneering initiative. It acquired 50-year lease-hold rights for two neighbouring lagoons and reclaimed land masses creating three independent islands. These three islands created by the LOLC Group employing the world's second largest dredging company, amount to a land extent of 75 acres. Work is currently underway to construct one five star and two four star properties with a total of 470 rooms, which are scheduled for completion in 2018/19. The Group also broke new ground in this venture by initiating the first Joint Venture project with an overseas entity for a resort project in a third party country by a Sri Lankan Company. Considering the scale of the proposed development and its future operation, LOLC entered into a 50:50 JV with China Machinery Engineering Corporation (CMEC), a state owned Chinese entity, on this venture.

Following the Group's acquisition of the most valuable and the largest real estate in the city of Malé, the location of the famed Nasandhuara Palace, LOLC commenced construction in 2017 of an ultra-modern mixed development project comprising a 135-roomed hotel, a high end retail shopping mall and 118 apartments which is due for completion in November 2018.

Two other investments in the Maldives, the Bodufinolhu in South Ari Atoll will see the construction of a 100 roomed Four star resort whilst Bodufaru in the Raa Atoll will see the development of a 60 roomed Five star resort.

Travel

Ceylon Roots (Pvt) Limited

Ceylon Roots, the 'Destination Management Company' of the Group, achieved commendable growth with a 62% increase in revenue over the previous year. China and India continued to be its largest source markets in terms of revenue as well as the number of tour packages, although European tourists were the main contributors to profitability. The performance was supported by the Company's success in promoting the concept of Sport Tourism in Sri Lanka with a focus on Cricket, Rugby and Hockey tours to the country.

The year under review saw the Company launch an online Business-to-Business (B2B) platform with a focus on promoting the Group's leisure brands in Sri Lanka and the Maldives. This platform will act as an easy travel guide, equipped with a host of useful travel related information and quick tips for both first-time or even repeat clients to Sri Lanka and the Maldives, who make bookings through Brown's Tour Operator and travel agency services.

The Group also expanded its presence in China with the establishment of new service offices in Central China – in Sheng Shu, enabling easier access to major cities like Beijing, Cummin and Shanghai. Browns Tours also opened its own office in Nanjing as representative offices in Beijing and Shenzhen.

BG Air Services (Pvt) Limited

BG Air Services (Pvt) Ltd, which is the outbound and air ticketing arm of the Group performed well during the year under review. The Company increased its footprint in the tourism industry with the addition of new tour packages and by reaching new cities and countries in line with current travel trends. The Company also opened new branch in Kandy during the year to meet a growing demand.

Excel World Entertainment Park

Excel World Entertainment Park, located in the heart of Colombo, continued to be a unique location for family entertainment. Enhancements to our portfolio of product and service offerings during the year under review helped to increase the number of visitors. The new additions included new bowling alleys and gaming machines, pro-karts, paint ball, climbing wall, mini-football and 7D cinema. The Keg Pub & Restaurant, an 'A' grade restaurant in Colombo, grew in popularity and continued to attract many customers during weekdays as well as weekends, and has become a sought after place in Colombo. The food court, which offers a wide range of cuisine, also saw a growth in dining customers throughout the year. Revenue during the year increased by more than 39% over the previous year to Rs. 326 Mn while Operating Profits more than doubled to over Rs 74 Mn. Profits Before Tax grew reached Rs. 69160,225 compared with a loss during the previous year.

The Group took a significant step when it entered into a joint venture agreement with a Hong Kong based Investment Company to construct a USD 70 Mn complex comprising a life style shopping mall and family entertainment centre. Phase One Construction is to begin in November 2017 and be completed by June 2019. The second phase of the project, which will be embarked on at a later date, will include the construction of a block of serviced apartments and an office complex.

Management Discussion & Analysis

Renewable Energy

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Renewable Energy
http://lolc.com/renewable-energy

66%

Revenue
Rs. **0.36** Bn.

08%

Total Assets
Rs. **3.10** Bn.

In keeping with the Group's Triple Bottom Line focus and the nation's growth agenda, the Group ventured into renewable energy and during the year launched the country's first privately owned Solar Power Generation facility.

The year under review saw the Group venture into renewable energy generation with the commissioning of Sri Lanka's first privately owned Solar power plant- "Saga Solar Power (Pvt) Ltd" with a capacity of 10 MW. The utility-scale power project located in Buruthakanda in Hambantota is expected to add 19 GWh of clean energy to the national grid annually for over 20 years. At its full capacity the plant can contribute 19,000 MWh to the national grid and generate enough electricity for approximately 10,000 homes.

The Government has a vision to increase the share of renewable energy in Sri Lanka's electricity generation to 60% by 2020, from 50% in 2014 and by 5% in 2025 and thereafter, to meet the total energy requirement by 2030, thus reducing the Carbon Footprint significantly. The energy mix today is dominated by hydro power (accounting for 38%) and coal (by 34%) underscoring the need to increase the share of sustainable energy generation. The production of renewable energy is hence a Triple Bottom Line initiative of LOLC Group, in line with the nation's objectives, which offers significant potential for expansion.

Management Discussion & Analysis

Construction

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Construction
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65%

Turnover
Rs. **19.91** Bn.

17%

Net Assets
Rs. **4.25** Bn.

12%

Total Assets
Rs. **20.74** Bn.

The LOLC Group is active in the Construction sector through its investments in Sierra Construction, one of Sri Lanka's leading construction companies.

The LOLC Group ventured into the construction industry with the acquisition of Sierra Construction Limited in 2010. With its core business activity in construction, Sierra Construction has a highly diversified portfolio of operations and is one of the largest and high profile companies in the country's construction sector. Its wide portfolio of activity includes civil engineering and piling, irrigation, telecommunications, roads and bridges, water supply and sewerage. Sierra has also made investments into related areas such as the supply of ready mixed concrete, asphalt mix and the manufacture of power cables and PVC pipes. It has also forward integrated with investments in property development, design and architectural services.

Rapid growth in large scale infrastructure initiated by the Government of Sri Lanka, such as road networks and water supply projects during the last few years and private sector investment in sectors such as tourism and education provided an ideal environment for the expansion of the construction industry. The country's infrastructure development efforts have also received the support of international funding agencies such as the ADB, World Bank and JBIC.

In this landscape, Sierra Construction saw its revenue grow by 71% while Profit After Tax grew by 284% to reach Rs. 1.08 Bn. The Water, Roads, Civil Engineering and Telecom business segments of the Company contributed the highest to the Company's revenue during the year.

The Company's civil projects encompassed the design & construction of Riverina Hotel Project – Beruwala, Samudra Beach – Kosgoda, Everest Apartments Building-Softlogic Colombo 5 and Multimodial Centre in Makubura.

Road construction projects exceeding Rs. 1 Bn in value during the year included the 'Construction Improvement of 7 Islands Road Project' (Ha.Dhidhoo, Hdh.Hanimaadhoo, Hdh. Kulhudhfushi, Dh.Kudahuvandhoo, GA.Villingili, Gdh. Thinadhoo, Thaa Vilifushi), 'Implementation of Contract for Construction of Sidewalk' at Seven Islands of the Republic of Maldives and 'Maldives Reclamation Project in 3 Islands', while water supply projects that exceed Rs 1 Bn in value included the supply and laying of HDPE/DI Pipes for a Distribution Network in Kaduwela, Homagama, Padukka & Seethawaka

The Company took several strategic initiatives to further expand and to sustain growth for the long term in a high potential market. We launched a new company in the Republic of Maldives for competitiveness when bidding against foreign contractors in Sri Lanka.

Management Discussion & Analysis

Construction

The overseas subsidiaries established in the past few years are providing an ideal platform for exploration of new markets and opportunities. The Company will use the Sierra India subsidiary to explore the Indian Telecommunication infrastructure market whil the subsidiary in Qatar and Myanmar will facilitate our exploration of the telecommunication infrastructure market in Qatar. The Group achieved USD 30.6 Mn turnover during the year 2016/17 which is a 167% growth compared to the previous year. The highest turnover of 26.0 Mn. USD during the year came from the Republic of Maldives.

Moreover, the Company also harnessed the benefits of its presence in the value chain by establishing crusher plants, ready mix concrete supply plants and asphalt plants to reduce costs of input and also brought in technologically advanced piling machines to the piling sector.

The Sierra brand name in the industry and its guarantee of quality, combined with its presence across the spectrum in construction and related areas, the range of machinery and the engineering expertise of long serving staff are key competitive advantages that position the Company well for sustained growth and leadership in the Construction industry.

Manufacturing & Trading

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Manufacturing & Trading
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Management Discussion & Analysis

Manufacturing & Trading

21%

Gross Income
Rs. **18.57** Bn.

95%

PBT
Rs. **2.19** Bn.

11%

Total Assets
Rs. **31.63** Bn.

The sector includes the Group's own manufacturing plant which produces RADCO branded radiators and the authorized agencies for a wide range of leading global brands.

Battery Division

The Browns Battery Division continued to maintain its market leadership despite heavy competition from low priced battery imports during the year.

It was encouraging that the Government increased taxes on imported batteries through its 2016 budget as a measure to protect local manufacturers and improve local employment opportunities. However, low priced batteries continued to enter the market as there were no other barriers to entry.

The year under review saw the Company introduce a new range of maintenance free batteries and motorcycle batteries. It is also noteworthy that sales of Lucas batteries doubled during the year under review and the Company plans to further grow sales of this brand in the year ahead.

The Division also launched the marketing of tyres, including Passenger Car Tyres (PCR), Truck and Bus Tyres (TBR) and Motor Cycle and three-wheeler tyres, under different brands. The division would look to leverage on the well established battery distribution channel to distribute its range of tyres as well as launch a new range of tyres in the year ahead.

The Company is also engaged in evaluating opportunities to venture into the sale of power storing equipment such as backup batteries and solar powered batteries

General Trading Division

The market for tools and machinery was flooded with low-priced imports from China in the year under review and the market inclined towards low-priced tools for reasons of affordability amid the rising cost of living. The sales for branded machinery such as those sold by this Division thus declined. However, Browns continued to lead the market in the branded market. It was the leader in branded power tools with the Makita and Makita MT brands while the Talin brand marketed by Browns was the market leader in grinding wheels and enjoyed significant market share. Eclipse branded engineering tools were the preferred choice in the market.

The year under review saw the Division make changes to its sales mix, and expand its distribution model with the appointment of new distributors to ensure its products reach the length and breadth of the country. This Division will continue to evaluate its product mix and expand its product range to provide its customers with affordable, quality products.

Pharmaceuticals Division

The Browns Pharmaceutical Division comprises of the Veterinary and Human Pharmaceutical operations.

Browns Pharmaceuticals began as a Veterinary Pharmaceutical Units over 27 years ago. Our veterinary products primarily cater to the Poultry, Pet Animal, Dairy and Aqua segments and includes well established international brands such as Zagro Singapore, MSD Animal Health - Netherlands, Stallen South Asia, Timab/ Tunifeed Tunisia, Mars Incorporated India, AMR Global, Malaysia and Agro Top Israel. Vet Pharma business continues to be the highest contributor to margins within the Pharma division with Poultry category contributing 73% to the Vet Pharma profitability followed by Pet Animal accounting for 17%, Dairy for 5% and Aqua contributing 1%.

The Division follows general strategies of market penetration and new product and market development. The year under review saw the Division diversify into new business sectors and introduce several new products into the market under its Vet Pharma line, while strengthening its existing portfolio. It took a significant step during the year by introducing dairy machinery to the market. These include portable milking machines, chaff cutters, drinking water bowls, milking cans and mini hillers, with island-wide service agents to cover all geographical regions. This Division also hopes to introduce new brands into its portfolio under these product categories and reach untapped markets in the country. The plans include the introduction of two new distributors to cover the areas of Galle, Matara, Hambantota, Nuwara Eliya and Badulla. The Company will also pursue a strategy of becoming a total solutions provider to farming communities for their requirements for veterinary products . Further, one of the main objectives for the next financial year include increasing the contribution by the Dairy and Pet Animal segments .

The Human Pharma unit was established during the last financial year and constitutes two units, Pharmaceuticals and Devices. The Pharmaceutical unit consists of two major agencies, namely Pharmatec Pakistan and Marksans India for whom Browns markets more than 40 products for different segments such as Cardiovascular, Respiratory, Oncology, Anti-Infective, GI related products, Orthopedics and Psychiatric.

The Devices Unit represents two major suppliers - Intec Inco, China and Sumitomo Chemical, Japan. Products supplied under the range include Dengue Rapid Test kits and Mosquito Repellent Nets. Browns will also explore distribution of medical equipment and devices, as well as the local manufacture of pharmaceuticals line with the Government's efforts to promote manufacturing in Sri Lanka.

The Nutraceutical business, which was a new addition to this Division in the 2016/2017 financial year, represents four agencies with a very competitive product range and will look to expand its brand and product portfolio in line with the Company's strategy to diversify and expand to leverage new market opportunities.

Home and Office Solutions Division

The Home Sector which is branded as 'Browns Deals' began migration to an online based business model from the 'brick and mortar' model of having intensive branch presence to reach the market. Web based businesses are on a rising trend and the Home Solutions business line, marketed under 'Browns Deals' has now become a household name. The Company also supported the marketing activities by opening several 'Browns Deals' branches during the year in Kandy, Galle and Pettah. The Home Solutions business follows the cost-leadership strategy and provides maximum benefits to its customers by cutting down institutional margins and passing on that benefit to customers. The Home Solutions business will continue to follow a cost leadership strategy, continuously evaluating new products in order to satisfy growing customer needs and increasing competition. Web-based purchase options will also be made available the following year.

The Office Solutions line of business plans to introduce a secondary brand for office solutions products, while evaluating other new products which can be added to its portfolio.

Integrated Business Solutions

Integrated Business Solutions (IBS) unit of Browns focusses on 'Business-to-Business' services such as Business Equipment, Commercial & Domestic Air Conditioning solutions and Rental Solutions. The Division was adversely affected by several economic conditions of the country, especially the appreciation of the US Dollar during the year. It is thus commendable that IBS was able to achieve a 13% growth in revenue and a 5% growth in Gross profits and remained among one of the top three players in the BED market, supplying leading brands such as Sharp, Scan Coin, Giesecke & Devrient, Vivtec, Oce, Pitney Bowes as well as its own brands of BG and Doculine; despite this challenging environment. This Division also initiated a series of restructuring efforts in the year under review to increase productivity and to realign the Division to meet future challenges.

Doculine, the rental solutions provider within IBS continued to grow its top-line while maintaining the market leadership position during the year under review. Sharp, which has been the flagship brand of IBS, fared well amid steep competition, and sales of the Sharp brand Multi-Functional Printers (MFP) grew by 6% despite competition.

Management Discussion & Analysis

Manufacturing & Trading

The IBS division will focus on enhancing service levels by adding the latest technology, and will also invest in a n a new service software system in the year ahead.

Power Systems Division

Adverse weather conditions including a drought, which began during the year under review and continued into the next, resulted in the country anticipating a shortage in electricity supply due to hydro power being the main source of power generation in Sri Lanka. The expectations of power cuts across the country thus saw a sharp rise in the demand for generators which resulted in an increase in revenue for the Company. However, at the same time significant competition prevailed in the industry.

In line with a growing trend and the need for sustainable energy as well as sustainable markets, Browns is currently exploring the supply of renewable energy solutions to Sri Lanka in partnership with world renowned suppliers of renewable energy .

Heavy Machinery Division

The construction industry is seen as a growth sector, with several development projects planned across the country. The Heavy Machinery Division will introduce a wider range of machinery, strategically positioning itself to meet the growing demands of the construction industry in the country.

Browns Thermal Engineering (Pvt) Limited

Browns Thermal Engineering (Pvt) Ltd, the radiator manufacturing business of the Browns Group counting more than fifty years of experience in manufacturing radiators, is the only large-scale radiator manufacturer in Sri Lanka and today holds market leadership for brass and copper radiators.

The demand for brass and copper radiators have been impacted by substitutes of aluminium plastic radiators. In this backdrop of declining demand, the Division began realigning its business strategy to add aluminium and plastic radiators to its product range, which was hitherto being tested on a small scale. The Division also took steps to introduce a new range of products which include Brake liners, A/C Evaporators and Shock absorbers. Our manufacturing facility received ISO 9001:2015 standards in May 2017. The year under review also saw the launch of a fully-fledged workshop and a service-stop in the heart of Colombo, as a one-stop location for all radiator and cooling equipment needs.

The Division will also look to penetrate the industrial radiator market by improving product quality of oil cooler and heat exchanger segments. The Company will also infuse the factory with the latest machinery in the year ahead and explore the options to establish an aluminium plastic radiator manufacturing plant in Sri Lanka.

Moreover, new service points will be opened in key strategic locations across the country to enhance our footprint across the island. It is currently also evaluating an option to establish a franchise workshop in the Maldives to serve its generator market there.

Ajax Engineering (Pvt) Limited

The construction industry in post war Sri Lanka has seen a boom led by sectors such as Leisure, Healthcare and Housing development. This growth in the industry also attracted International contractors, especially from China and India which resulted in a severe competitive pressure on local contractors. As a measure to overcome this competition and expand its product possibilities, Ajax developed a second line product portfolio extruded in China. Branded as "Evinca", this new product has gained momentum in its appeal to new project developers and offers much potential for growth. Ajax Engineering in its 30 year history, also commissioned its first overseas project in the Maldives over Rs. 350 Mn in value, as part of the backward integration strategy of the Browns Group.

The Company will focus on the high growth of Healthcare and Leisure sector related construction industry in the year ahead, combined with other construction projects and on enhancing our overseas presence.

Creations Wooden Fabricators (Pvt) Limited

Our subsidiary Creations Wooden Fabricators (Pvt) Ltd, offers a total solution in the wood industry with a focus on the hotel trade.

Sri Lanka's tourism industry has been a fast growing one, experiencing a boom in international and local investments and a construction of hotels and resorts in the post war environment. Creations Wooden Fabricators, as part of the backward integration strategy of the Browns Group will harness the many opportunities presented by the Group's leisure projects. The key value creation factors of the Company which includes industry specialisation, the use of the latest in technology, the best timber and highly skilled employees at its Meegoda factory position us to cater to luxury housing projects and high value houses. The Company also hopes to take its expertise to the international market in the near future.

Overseas Expansion

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Overseas Expansion
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Management Discussion & Analysis

Overseas Expansion

32%

Gross Income

Rs. **9.05** Bn.

7%

PBT

Rs. **2.59** Bn.

705%

Total Assets

Rs. **300.63** Bn.

Since the Group's maiden foray into Cambodia with its successful Microfinance model, it has expanded to Myanmar, and recently into Pakistan, while also further strengthening its presence in Cambodia.

PRASAC

The year under review saw LOLC International Private Limited (a wholly-owned subsidiary of LOLC Group, and The Bank of East Asia, Limited ("BEA") acquire majority interest in PRASAC Microfinance Institution Limited ("PRASAC") from Belgian Investment Company for Developing Countries SA ("BIO"), Dragon Capital Group Limited ("Dragon Capital") and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO). Under the new ownership structure, LOLC International holds 70%, while BEA holds 21% and 9% share is held by P S Co., Ltd.

Since its inception in 1995, PRASAC has evolved and grown rapidly to be the largest Microfinance Institution (MFI) in Cambodia today; with an asset base of USD 1.4 Bn, a portfolio of US Dollar 1.1 Bn and over 350,000 borrowers. PRASAC also has approximately 600,000 depositors with a deposit base of over USD 700 Mn.

PRASAC has a far-reaching impact at a national level, through its business which comprises mainly individual loans made available through its network of 181 branches spread across all 25 provinces in Cambodia, by more than 6,400 employees, to customers in mostly rural communities. Its strong platform for growth will see PRASAC diversify its business and also look to transform into a licensed commercial bank in the near future.

LOLC (Cambodia) Plc.

LOLC Cambodia achieved an outstanding performance during the year with steady growth in profitability. The Company consolidated its position as the country's 4th largest MFI in terms of total assets and gross loan portfolio, with total assets of USD 275 Mn and a gross loan portfolio of USD 240 Mn while being the 3rd most profitable MFI in Cambodia. The deposit balance too increased significantly to USD 30 Mn.

LOLC Cambodia continued its quest for diversification and was able to create new vistas of opportunities by launching leasing during the 1st quarter of 2017. The Company also continued to invest in its social and manufactured capital during the year. It expanded its branch network to 75 during the year, covering all 25 provinces, while the number of employees increased to 1,964.

A rise in income levels in Cambodia spurred a demand for larger loans which resulted in the average loan size of loans disbursed by LOLC Cambodia surpassing the USD 1,000 mark. The Company hence developed new products such as loans for home improvement and purchase of tractors. Continuing in line with the social objectives of our business, we launched two loan products during the year, to provide water and sanitation to the estimated 25% of Cambodian households who do not have access to clean water.

The year under review saw the microfinance sector in Cambodia experience a shift with a slowdown in portfolio growth due to fears of over-indebtedness. This slowdown in growth did not trigger a sector-wide crisis. Although industry PAR is relatively high, its overall level remains modest. It is important that the industry understands the limited nature of over-indebtedness in Cambodia to ensure sustained growth in the MFI sector.

As it augments its internal processes with the digitialisation and the migration to a new Group wide MIS, LOLC Cambodia looks ahead with renewed optimism to explore the many opportunities it foresees, well supported by the newly launched Leasing products.

LOLC Myanmar Microfinance Company Limited

LOLC Myanmar Microfinance Company completed its most significant year since its incorporation in 2013; by completing the recovery of all brought forward losses to record a profit of over USD 400,000, a noteworthy achievement in just four years since incorporation. The Company continued to consolidate its presence in the Yangon & Bago Regions and Mon State by increasing its branch network by 9, to 20 branches during the year.

The maturity of the portfolios at the initial branches set up in the Yangon Region saw customer demand move beyond the 3rd cycle of Group Loans, prompting the Company to introduce an individual loans scheme during the year which resulted in a quantum growth in its Loan portfolio. An agreement with the USAID through which the latter provided a loan portfolio guarantee for facilities granted to the Agricultural value chain gave LOLC Myanmar the confidence to launch an individual loan scheme. This product is also expected to bring in greater efficiency due to the higher value of the loan and by eliminating the need for our field staff to visit designated customer centres to collect rental payments as individual customers visit the branches to make their repayments.

The company was able to procure its 1st loan from a Development Financial Institution (DFI) in September 2016, due to the confidence the DFI's have in LOLC Group in Sri Lanka and Cambodia.

Moreover, the Company was also able to obtain Technical Assistance with Financial Support to prepare a five year business plan and strengthen its internal audit and Risk Management processes.

In line with Group's strategies of driving its financial sector through technology, LOLC Myanmar took an initial step with the offer of SMS alerts for customers, on deposits and withdrawals to and from their Savings Accounts, reminders for rental payments and to request as well as obtain mini statements and receipts.

With the strength of a funding pipeline in place, LOLC Myanmar looks to the year ahead with much vigour and enthusiasm, with the objective to double its profitability in the year ahead and sustain profitability into the future.

Pak Oman Microfinance Bank Limited

LOLC continues to look for potential markets in the Asian region to expand its acclaimed microfinance business model. As a result, the LOLC Group inked a historic joint venture with Pak Oman Microfinance Bank Limited with a view to introduce its uniquely effective microfinance business model to the people of Pakistan.

Pakistan is an exciting market for LOLC with a population of approximately 200 Mn with very low penetration in Microfinance products.

Pak Oman Microfinance Bank which was established in May 2006 is a joint venture between the Ministry of Finance and Ministry of Commerce of Sultanate of Oman and Pak Oman Investment Company Limited. In February this year, the LOLC Group signed a landmark joint venture agreement with Pak Oman Microfinance Bank Limited and acquired a 50.1% majority stake of the company. Through its new partnership with LOLC, Pak Oman Microfinance Bank hopes to capitalise on the speciality of LOLC's distinctive Microfinance model which keeps transforming and enabling Micro businesses to become Small and Medium level enterprises through sustainable industrialisation. Pakistan is a market which brims with much potential, and LOLC is excited about this opportunity to offer diverse portfolio of products to the people of Pakistan through its successful model of Microfinancing.

Management Discussion & Analysis

Other Strategic Investments

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Other Strategic Investments
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18%

ITC Business Revenue
Rs. 0.778 Bn.

58%

Healthcare Business
Rs. 0.485 Bn.

12%

Seylan Bank Share of Profits
Rs. 1.410 Bn.

The Group's other Strategic Investments include Information Technology, Healthcare and Banking.

Group ICT Review

LOLC's ICT Sector comprises of Group ICT and LOLC Technologies. Group ICT plays a critical role as the provider of efficient and effective IT solutions to all businesses and sectors of the LOLC Group. The external customer arm of the ICT sector, branded as 'LOLC Technologies', provides strategic partnership to external clients by leveraging the latest in global IT development to offer end to end solutions for their value chains.

LOLC Technologies continued to be the only conglomerates' ICT Unit in Sri Lanka to be certified by all three ISO standards; namely, in Service Delivery (ISO 20000), Information Security (ISO 2700) and Service Quality (ISO 9001).

IT is today a critical success factor for most businesses. It plays a pivotal role at LOLC given its diversity, size and nature, the range of businesses and the geographic spread of its activities. It is also an important differentiator and a competitive advantage for the LOLC Group's businesses.

The ICT Sector's Revenue contribution during the year amounted to Rs. 778 Mn while Profit before Tax reached Rs. 143 Mn.

The information communication technology provided to the LOLC Group of Companies during the year continued to be driven by two overarching strategies for the Group, namely "Mobile 1st" and "Cloud 1st". The Mobile 1st strategy looks to implement a mobile based solution wherever possible (rather than traditional desktop architecture), as a route to a plethora of quantum advances in the different value chains. These include enhancing employee productivity and mobility, to customer convenience, expanding the Group's reach and opening of new vistas in customer service to name a few. In line with our "mobile first" strategy we have deployed over thousands of mobiles for the sales force including marketing and sales executives.

The Group's rapid expansion and the accompanying expansion of its technological footprint, has prompted the need for faster deployment and integration of new application systems. Group ICT thus embarked on a project to introduce middleware technologies to bring service oriented architecture to ICT architecture. Middleware technologies will enable us to increase the speed of application integration, increase security and reduce risk, standardise architecture, reduce complexity of ICT infrastructure and increase the Go to Market.

Simultaneously with the implementation of the middleware, we also changed the technology architecture to Service Oriented Architecture (SOA), converting most of the Group's application interfaces to standardise on Open and REST Application Programing Interfaces (API's).

Management Discussion & Analysis

Other Strategic Investments

Meanwhile, Information and Cyber Security and productivity enhancements across the Group also continue to be priorities of Group ICT, and these initiatives are ongoing. During the year the Group rationalised applications which are being used across the Group to improve efficiency. Group ICT's business focused strategy execution not only delivers technology driven projects but drives business value throughout the many diversified sectors of the Group. Most of the IT initiatives implemented within the Group has enabled Group subsidiaries to leverage state-of-the-art technology and realise high business value and ROI. Some cost effective ICT initiatives have contributed to significant savings, to the Group annually. The significant Group-wide IT initiatives during the year are as follows:

- Implementation of a comprehensive Human Resource Management and Information System (HRMS) which consolidated the HR systems of all direct subsidiaries encompassing 5,300 employees under a single, uniform online platform. The first phase of the project was completed during the year under review while its next phase is to be completed in the year ahead.

- Implementation of MS O365 bringing the entire Group into the single platform for communication and collaboration together with increasing office productivity.

The Sector will continue to drive value and look to change paradigms of how and what is possible across the different sectors, and for all our stakeholders led by customers and employees. Plans for the year ahead include the implementation of a Middleware architecture to enable the organisation to digitally integrate services faster and to ensure security of information. This technology to technology system would expedite the integration of newly acquired entities compared to the traditional methods.

Sector	System	Status
Group wide	Finance Workflow	Completed the first phase of project and commenced next stage.
	Financial Consolidation	To be completed in the next financial year
	Human Resource Management System	Completed implementation of Phase I which included the Modules for Time & Attendance, HR Profile & Info Management, Leave Management, Kiosk for all, and Payroll for all Group Companies and the second phase is to be completed next year with total implementation due for completion by 1st January 2018.
	Employee Productivity Tools - Microsoft Office 365	Group standardisation through the Microsoft Office 365 suite rollout was completed within 4 Months, migrating more than 5,000 users to the platform successfully.
Financial Services	Core - Banking Systems	Many enhancements were carried out to bring efficiency improvements especially in the back office services, with the integration of CEFT for payments to vendors as well as loan disbursements and increased online service.
Plantations	Field to Factory Automation Through Digitisation enabling Real Time information to management, from field to factory through automation and digitisation; also facilitating reduction of pilferage and increasing efficiency.	Following the success of the pilot project rollout began at all estates.
	Plantation Back office ERP Implementation which will centralise and consolidate some aspects of operations, facilitating increases in efficiency and reduction of costs.	Project was initiated and due to be completed in the next financial year.

Sector	System	Status
Trading	Sales Force Automation	Successfully implemented for Browns Exide and is to be rolled out into other divisions within the next financial year.
	On-line Channel	Project was initiated and due to be to completed in the first quarter of the next financial year.
Health Care	Hospital Systems submodules were implemented to bring efficiency to the operations	E-medical records implementation KOT implementation
Insurance – Life	System for New Life Takaful Project	Implementation was completed during the year
	Payment Gateway to increase customer convenience.	Mobile Payment Gateways such as VISA/MASTER/AMEX/MCash /eZCash were introduced during the year.
Insurance – General	Claims Management for faster and Direct settlements	Completed integration with CEFTS and SLIPS

LOLC Technologies Limited

LOLC Technologies (LOTECH), the Group's IT solutions provider for external customers is today the number one cloud-based Enterprise Financial Managements (EPM) solutions provider in Sri Lanka for Oracle EPM Suite; well supported by the partnership with Oracle. Our continuous investments have helped us become a trusted partner in delivering Cloud solutions. As part of this the LOTECH team implemented the 1st Financial Consolidation cloud Project in Asia Pacific Region. Experience in handling cloud based solutions and project management and business sector principals continue to be vital elements in the successes achieved by our project teams.

LOTECH focusses on establishing strategic value and measures of success, and invests in providing a comprehensive Business Management Platforms (Data Warehouse and Business Intelligence solutions) in order to transform the way a client's business is run. We have established exclusive partnership with Huron Asia, to provide a variety of solutions that provide analytical agility and user autonomy. We are also the exclusive partner for ACL, the globally leading product for Data Analytics, Governance Risk and Compliance.

Browns Hospitals

Browns Hospital, Ragama, the maiden venture in Healthcare by Browns Group which commenced operations in February 2015, completed its second year of operations during the year under review. Built with an investment of more than Rs 2 Bn, on a 179 perch property the hospital is strategically located in Ragama to serve the Colombo North and North East markets and has a capacity of 60 beds.

The hospital in Ragama performed well and continued to make strides in its endeavour to establish itself as the only ultra-modern general hospital in the Gampaha district. The number of in-patients as well as the number of consultants who signed up at the Hospital, increased during the year. The Hospital also launched a Dialysis Unit in February 2017. The surgical sector recorded sharp growth prompting the Hospital to order new equipment to meet the rising demand and to offer its patients state-of-the-art technology and services.

The Hospital also received ISO 9001:2015 quality management certification from the Sri Lanka Standards Institution, making it the first hospital to receive this certification.

Buoyed by the success of its maiden venture, Browns Hospitals acquired properties in Kurunegala, Jaffna and in Negombo to expand and establish new hospitals. The plans include the establishment of 50-bed secondary care hospitals with investments of Rs. 500-600 Mn per hospital. A model of lower bed count hospital has become popular over the higher-bed capacity hospitals due to the reduction in average stay at hospitals; with average stays reducing from the 8-10 days from a few years ago, to average stays of 1-3 days. The hospitals to be constructed will complement the secondary care institute in Ragama and will be operated as a referral to the main hospital.

An ageing population, lifestyle factors and an increase in purchasing power are expected to be key socio-economic trends which will spur a demand for healthcare in Sri Lanka. An increase in the proportion of the aged population of Sri Lanka is expected to alter the overall disease profile of the country and consequently affect the volume and type of services required. Browns Hospitals is thus preparing to meet the growing need for quality healthcare in the country.

Management Discussion & Analysis

Other Strategic Investments

Seylan Bank

During the year which saw a steady rise in market interest rates, Seylan Bank achieved year on year growth of approximately 22% (December) on both its lending and deposit portfolios despite pressures faced by some of its significant client segments. It is also commendable that this growth was achieved while reducing the Bank's NPA ratio. Its CASA ratio stood at 32.52% despite the shift witnessed towards higher yielding products lured by rising rates but it is also noteworthy that a significant portion of this CASA is in stable longer term products. The Bank achieved its highest profits to date with Profits After Tax growing by 4.69% to reach Rs. 4.01 Bn while the Group Profit After Tax recorded a year on year growth of 3.83% to reach Rs. 4.03 Bn for the year ended 31st December 2016.

Seylan Bank's Return on Assets (ROA) stood at 1.23% and Return on Equity (ROE) at 15.18%. The Cost to Income/Efficiency Ratio increased to 62.35% in 2016 compared to 61.20% in 2015, due to an increase in staff salary costs and additional investment on branch relocations and refurbishments (cost to income ratio excluding VAT and NBT in 2016 stood at 54.75%, in comparison with 53.41% in 2015).

The Bank's deposit campaigns conducted across the island helped to increase the total deposit base to Rs. 273.46 Bn. in a very competitive market. The Bank's multiple range of deposit products with diverse value added features, targeting a wide spectrum of customer segments from infants to senior citizens, contributed to this growth. In its deposit drive in 2016, the Bank's low cost CASA deposits accounted for 15.24% (Rs. 7.459 Bn.) of the deposits mobilised during the year. The CASA to total deposits ratio stood at 32.52% in 2016 despite the shift witnessed from low cost deposits towards the higher yielding fixed deposits during the year, due to the widening of the difference between interest rates on savings deposits and term deposits. Deposits stood at Rs. 273.46 Bn. as at 31st December 2016, compared to Rs. 224.53 Bn. at the end of 2015, while Deposits funded 76.81% of total assets in 2016. The low cost deposits grew by 9.16% and stood at Rs. 88,927 Mn. as at 31st December 2016.

Supported by the growth in deposits, net loans and advances outpaced deposit growth to grow by approximately 22.22% to Rs. 236.02 Bn. as at 31st December 2016, which was marginally lower than the growth of 24.61% in 2015. The lower growth momentum in 2016 reflected the business climate in a very competitive market for loans and deposits which prevailed and was reflected largely in term loans (37.18%). Pawning advances grew marginally. Credit growth was largely driven by the SME and corporate sector. The Bank will continue to focus on increasing its market share in the corporate sector, as well as increasing business volumes through the branch network.

The Bank continued to maintain a healthy Capital Adequacy and a liquidity position. The Core Capital Adequacy Ratio in 2016 was of 10.74% with a Total Capital Adequacy Ratio of 13.18% which are above the mandatory levels. With the introduction of new global regulatory standard – Basel III, Banks will require increased capital requirements with an aim to enhance the quality, quantity and transparency of the capital base and improve the loss absorbing capacity. The Bank has already taken measures to adhere to Basel III requirements on liquidity and capital coverage.

2016 marked the last year of the five-year strategic plan launched by the Bank in 2012. It is significant that Seylan Bank, during this period has doubled itself in size, while taking large strides in branch expansion and refurbishment, brand equity value, enhancing customer service, new product offerings and IT infrastructure. The team also succeeded in embedding a 'change and improvement' mindset into the organisation, so that continuous improvement and sustainable change has become the norm.

While we adopted a largely internal focus on aspects such as process improvement, staff morale and brand equity until 2015, in 2016 the Bank began to focus on growth and expansion. This is a reflection of the fact that we achieved our strategic imperatives year-on-year and augmented our platform to compete on equal terms with industry leaders.

Placed on a firm platform for sustained growth and expansion, the key determinant of the Bank's future strategies and operational focus would be increasing shareholder value. Accordingly, ROA and ROE will be key benchmarks of our performance.

'Aspiration 2020', the Bank's strategic plan for 2017-2020 will focus on harnessing the benefits of the digital revolution that is sweeping across the industry and channelling the resultant efficiencies to enhance the value the Bank creates for its customers. Enhancing the value, we create for customers will be a key to achieving the ROA, ROE, brand equity and Market capitalisation that the Bank targets.

PickMe

This technology-based venture was launched in March 2015, as the pioneering taxi-hailing app in Sri Lanka and has since revolutionised the industry in 2 years of operations. The app is currently available in Sinhala, Tamil and English for Android, iOS and Windows Phone software, and offers three-wheelers, cars, nano-cabs and vans in delivering a versatile experience to customers. PickMe mirrors LOLC Group's dedication to innovation and agility in adapting superior technological solutions, leading to an exciting partnership in mobile platforms. The Company saw an increase in its Gross Revenue by a staggering 297% over the last financial year from Rs. 16.8Mn to reach 66.5%, while PBT grew by 35% reflecting impressive growth for a start-up operation. PickMe also holds the largest organised taxi fleet in Sri Lanka, rapidly gaining popularity as a trusted brand and as at the end of FY2016, held a total of 6509 three-wheelers, 600 cars, 4279 nano-cabs and 463 vans, growing their total fleet by 233% over the year.

Sustainability Report

Our People

LOLC Group's meteoric rise to become Sri Lanka's most profitable listed entity and one of the largest conglomerates, in just a span of 37 years is a result of the talents, commitment and dynamism of its people. Given the highly competitive nature of the financial services industry we believe that our people have been the key differentiator. It is also heartening to note the satisfaction levels of our employees, as reflected in the retention ratios is high, with retention at senior positions being the highest among corporates whilst at other levels.

LOLC has a unique culture across the Group which encourages minimum hierarchy; valuing professionalism over rank or stifling practices. An open door policy enables any employee to approach another employee including Directors. The culture also ensures greater transparency in our processors and procedures. A service orientation, integrity and loyalty are hallmarks of the culture which we have fostered over the years and a key to the competitive edge we have gained.

One of the notable features of the LOLC Group is the high level of female representation at senior management and executive levels. As much as 16% of the Group Corporate management and 22% of Senior Management are women.

The Group's HR function is a centralised "shared service" for the entire Group. The success of this model has been a key strength which enables consistency in adherence to service standards, and HR best practices and learning in addition to the sense of togetherness that it creates across the many companies and locations of the Group's diverse portfolio.

LOLC has a unique culture across the Group which encourages minimum hierarchy; valuing professionalism over rank or stifling practices.

The year under review saw Group HR focus on the implementation of a comprehensive Human Resource Management and Information system (HRIS) which consolidated the HR systems of all direct subsidiaries encompassing 5,300 employees under a single, uniform, online platform. The first phase of the project was completed during the year under review while its next phase is to be completed in the year ahead with all three modules scheduled to be on board by mid of next year. The automation will increase efficiency and productivity and also enable a significant reduction in paper usage across the Group.

Training and Development and a Culture of Continuous Learning

Employees being our most valuable asset, one of the critical strategic imperatives of the Group is to enhance the value of that asset. Training and Development, promoting education and a culture of continuous learning hence remained focus areas of our HR initiatives during the year as well. During the year, we invested more than Rs. 89 Mn in 118,669 man-hours on training our people, conducting a total of 1,216 programmes. A total of 76 employees were given opportunity for overseas training during the year. The Company also continued with its management development programme during the year to groom leaders for the future.

Sustainability Report

A key training initiative during the year was an overseas programme for 100 Managers from across Group Companies, at the Frankfurt Business School in Germany, which was supported by funding from the Group's funding partners as an extension of their funding arrangement. The training conducted in two separate batches included classroom sessions as well as exposure field visits in Germany, and was well received by all its participants. Training Assistance also included a local training conducted by the Frankfurt School focussing on Executives and Senior Executives of the Group. Moreover, the Group has arranged for participants of the 1st and 2nd batches who are trained in Frankfurt to share the knowledge they gained with colleagues across the Group.

A priority area in the training agenda for the year under review was the restructuring of the Group's newest acquisition BRAC Finance. The Company required a change in its culture from that of a NGO to have a more commercially oriented one. Group HR hence carried out a number of productivity improvement initiatives including capacity building and leadership training programmes and training in Microfinance. 12 employees benefitted from overseas exposure and a familiarisation tour in Cambodia.

Locally, BRAC conducted an induction programme for newly joined microfinance Credit Officers, a Leadership programme and Open Office Training programme for Service Centre Managers and an OBT programme for the Finance Team.

Moreover, the Group also empowered BRAC's 300 female cadre by providing a motorbike each, facilitating ease of travel and to reduce time they spend for commuting on public transport. This measure has not only motivated them but has also been a confidence booster. Training efforts are also ongoing to train BRAC staff to evaluate higher loans for customers.

Strategic priorities

As much as 63% of the LOLC Group's employees are below the age of 30 years –the category known as Generation Y (Gen Y) and they are the future leaders of our Company and the nation, who will define how business is done. The Company is thus focussed on creating an environment which is conducive to tapping into their energy and creativity. At the same time, a high percentage of Gen Y has sprung several challenges and a need for us to understand and address the differences between the Generation X and Generation Y (Gen Y) employees of our workforce. Gen Y are found to look for more instantaneous rewards and faster career progression, use technology as a primary form of communication and require different opportunities for informal engagement. These factors contribute to the low retention rates amongst this age group in the industry. Research has found Generation Y employees to be continuous learners, team players, collaborators, diverse, optimistic, achievement-oriented, socially conscious and highly educated, auguring well for dynamism and fresh perspectives for the future of our organisation. One of the factors that the Group identified among the Millennials was the importance they placed on their designation in a Company. Our HR development strategies for the future will hence focus on ways to meet these issues and enhance the engagement with the Gen Y amongst us. For instance, the Group initiated a process of reviewing and restructuring the Group's HR tiers which may include a change in designations where appropriate. This initiative being carried out with the support of consultants, will benchmark with local as well as international best practices and is to be implemented in the year ahead. The initiative will also support the Group's current recruitment policy for certain designations, to recruit freshers and train rather than recruit individuals with experience who are already established in the industry.

Employee interaction within the Group is encouraged via formal and informal channels. Some of the informal interactions during the year included the Annual Dinner Dance, the Kiddies Party, a musical evening and religious ceremonies such as a Pirith ceremony and a Seela Viyaparaya.

Managing and recognising performance

LOLC's Performance Management system has been developed to incorporate an enlightened approach to goal based performance appraisals across executive and management grades in the Company. Employees are appraised on KPI's agreed on at the beginning of the year and Bi-annual Performance Appraisals are carried out on all staff. The appraisal is a confidential process between the employee and the Supervising Officer. Any shortcomings in performance is identified and analysed, with training needs identified to address those shortcomings.

The high performers were recognised and felicitated via the following events during the year:

- Pillars of Success by LOMC
- LOLC Insurance Annual Sales Convention
- LOLC Service Awards
- Branch Performance Awards - CLC

HR Policies

All HR policies of the Group are well documented and made available in the portal for any employee to access. New recruits are briefed on all the key policies at the time of induction. The Group also has a Grievance Redress Policy which clearly defines and explains the procedures to be followed when faced with harassment; and "harassment" includes all forms of harassment including sexual harassment. In addition, Exit Interviews, branch visits by the HR team and Employee Climate surveys are important tools used by our HR team to understand the working environment, employee issues and to minimise employee grievances. "Employee voice" is actively encouraged, heard and recognised across the Group.

HR policies are also periodically reviewed to identify any possible policy gaps and new areas for inclusion.

These include the freedom to organise themselves and gather together, regular meetings to handle employee grievances and immediate relief and assistance for such grievances where necessary, practicing the principle of Collective Bargaining by all employees and Trade Unions with employees having the option to accept or reject conditions offered by the Company. No industrial disputes across the Group during the period under review clearly establishes the fact that LOLC has a strong and harmonious relationship between Management and staff.

Regular community level meetings are followed up by management group reviews to ensure that the human rights regime on our plantations is exemplary and free from abuse of any kind.

Sustainability Report

Society

A diverse portfolio means that we have a diverse network of stakeholders in a multitude of locations. They range from farmers and budding entrepreneurs in the rural hinterlands across the country, to the urban and semi urban consumers, travellers from across the seas and entrepreneurs overseas to international funding agencies and investors who continue to partner us.

LOLC Group's core area of business has been the financial empowerment of rural farmers, women and small entrepreneurs offering them opportunities to turn their aspirations to reality. The Group's involvement extends beyond financial support to help value chain creation by providing strong market linkages for these entrepreneurs. Social value generation is thus integral to our business model. It has meant that we appreciate the importance of a win-win sustainable approach in business and has fostered empathy and understanding of the needs of the larger community spurring us to create value with a triple bottom line focus. The contribution we thus make towards the country's developmental goals is one which we hold high and is intrinsic to this Triple Bottom Line approach to enterprise that we have adopted. In addition to the social upliftment that is integrated into our business models we also look to uplift society in numerous other ways.

LOLC Care

"LOLC Care", launched in 2009, is the Group's initiative which translates its vision for sustainability and spearheads and overlooks the Group's strategic social and environmental responsibility initiatives. A spirit of caring is fostered throughout the organisation and translated into action via the implementation of projects which are initiated at corporate as well as at the individual company level by the many entities that make up the Group.

Financial support to deserving students from LOMC who felicitated over 750 top-achieving Grade 5 Scholars

The 'Isuru Diriya Sisu Upahara Scholarship' is the Group subsidiary LOMC's most significant CSR project, held annually to felicitate the children of LOMC customers who achieved top marks at the national Grade 5 scholarship examination conducted by the Department of Education. In November this year LOMC concluded its 7th annual 'Isuru Diriya Sisu Upahara Scholarship Awards Ceremony' at a gala event held at the BMICH Colombo.

A total of 797 students covering all districts in the country were awarded scholarships as well as cash prizes and gifts of stationery, books, sports items and school shoes. During the official ceremony held at the BMICH, 251 students were awarded with scholarships to support their first steps into secondary school while the gifts and scholarships of the balance 546 students were delivered to their homes. Similar to previous years, the selection criteria for the Sisu Upahara Scholarship programme continues to be well structured and transparent extending the scholarships to deserving students based on both merit and financial need.

SAPSA Sisu Nena Pahana Programme

As part of the ongoing Memorandum of Understanding (MoU) between the Brown's Agriculture Division and the Farm Machinery Training Centre (FMTC), the Company continued the 'SAPSA Sisu Nena Pahana' programme; a special initiative to educate students of agriculture on the proper use of farm machinery. These programmes are also win win in nature and add further value to our service offering, and lays the foundation for a sustained relationship with our key customers - reflecting LOLC's Groups sustainable approach in business.

Infrastructure development and community support initiatives

Eden, the Group's Five Star resort in Beruwela donated a fully furnished school building comprising 4 class-rooms to the Moragalla school located in its neighbourhood village. This contribution has enabled the school to accommodate an additional 160 students to the school and the Hotel's initiative is very much appreciated and the hotel has received many accolades from the community.

Further, Paradise Resort in Dambulla, through its welfare contribution, donated a house to a needy family in the vicinity.

Social Upliftment of Worker Communities on our estates

This is an ongoing capacity building initiative by Maturata Plantations to provide estate worker communities with housing and basic community infrastructure to improve their quality of life. During the year, with the assistance of the Plantation Human Development Trust and the Ministry of Estate Infrastructure Development, the Company commenced the construction of two creches at LDA and Diyanilla Divisions of the Liddesdale Estate, and built 15 new houses under the New Life Housing Continuation Programme at the Maha Uva Estate. Another 44 houses were built at the Gonapitiya Estate, in a project funded by NHDA.

Additionally, 10% of the cost of production is set aside annually for welfare activities for plantation worker communities, specifically to provide medical assistance to the workers, their families and neighbouring communities. As part of this initiative, a series of health camps were held during the year at High Forest, Mahauwa, Mahakudagalla and Bramley Estates, offering free health screening facilities to a total of over 2,000 participants.

Gal Oya Plantations consists of 7,659 hectares of plantation land with approximately 5,200 hectares of cultivatable extent allotted among 4,400 families. Given the large number of communities depending on the business, the Company continues to extend its support to ensure the socioeconomic wellbeing of these communities. These initiatives include regular interventions for the upkeep of community infrastructure, improvement of community health and sanitation standards, and support of religious and cultural activities that the community engages in.

The Company also owns and operates a fully equipped RO water purification plant, with an installed capacity of 100,000 liters per day. Chemical testing and monitoring of the plant is done daily by the Gal Oya staff and is verified by experts at the National Water Supply and Drainage Board (NWSDB) to ensure water quality is maintained in accordance with NWSDB parameters. Commissioned at a cost of Rs. 15 Mn, the plant currently provides clean drinking water for over 1,000 families who lack access to clean drinking water. Clean drinking water is a dire need for these communities, given the high incidence of CKD (Chronic Kidney Disease) in the area.

Other contributions by Gal Oya plantations included

- Providing drinking water to temples and the community of the surrounding area
- Development of roads in the area where sugarcane cultivation is available
- Development of canals in the area where sugarcane cultivation is available

Farmer education

The Group's Veterinary Pharmaceuticals Division conducts ongoing educational programmes for farmers across Sri Lanka to create awareness regarding modern farming practices. These include the latest trends in the broiler and layer industries, chronic farm animal diseases, methods on increasing productivity and the prevention of disease. During the year, two such programmes were held and were well attended, with over 50 participants at each programme.

A third programme was conducted in partnership with Nevil Farm and supported by Zagro, a company specialising in avian biological products. The programme, which met the participation of over 100 farmers, is one of a series of monthly educational programmes aimed at reaching farmers across the country.

Health Camps

Browns Hospitals conducted over 10 wellness forums and health camps in the Gampaha region. A free medical clinic for the participants was conducted by the doctors of Browns Hospitals and supported by theBrowns Hospitals nursing staff. The following medical tests were performed at the clinic: vision tests, urinary tests and blood sugar tests, blood pressure measuring and BMI assessments. The residents were also offered free consultations with the Medical Officers who were present.

Blood Donation Campaigns

Several blood donation campaigns were organised by the Group head office to contribute to the national blood bank.

Flood relief

The Group also reached out to those affected by the floods in 2016. Some of the Group companies cancelled several dansal programs which were planned, and contributed instead to the flood-stricken communities.

Branding integrated social engagement

The Browns Group sponsored the St. Thomas College, Mount Lavinia rugby season for the year 2016.

Browns Exide continued to sponsor the Fox Hill Supercross, strengthening the longstanding relationship the brand has had with the Sri Lanka Military Academy (SLMA) and accredited racing bodies for nearly a decade.

Sustainability Report

Sustaining our natural capital

Our efforts to enhance the value of our natural capital is two pronged. We strive to minimise our environmental footprint on the one hand, while we also proactively seek ways in which we can contribute to the sustainability of natural capital. Two of the proactive initiatives which we have taken on to espouse and implement for the next few years ahead is Reforestation and the development of Renewable Energy.

We also believe that commitment to environmental sustainability must begin at home with us. The Group hence initiated several programmes to increase awareness and promote the adoption of sustainable practices amongst the Group staff during the year. A Group-wide competition encompassing all districts, titled 'Rewarding you for Sustainability' was one such initiative carried us with the objective of promoting active involvement of the staff. Ten lucky winners were rewarded at an awards presentation held at the LOLC Head Office, and the winners were also appointed as Ambassadors to take the message of Sustainability to the various regions and divisions.

Furthermore, all new employees joining the LOLC Group are educated about the Group's sustainable energy efforts at the staff induction programmes.

A sustainability integrated business model

The Group's Micro Financing and SME sectors empower and support the economic progression of a significant segment of Sri Lanka's population. A larger share of this clientele is engaged in agriculture or agri related enterprises. The weather patterns, the quality of the soil and other natural factors are hence key determinants of the success of these enterprises and in turn, the sustainability of our profitability. Moreover, agricultural machinery and other agri inputs also constitute a considerable portion of the Group's trading business and are hence dependent on the performance of Sri Lanka's agricultural sector. And more directly, for our plantations -the natural environment is their key resource. Thus, in addition to environmental preservation being in sync with our values, it also makes business sense to us and is of strategic importance to the sustainability of our profitability.

Meeting the challenge of deforestation :

The LOLC Group's sustainability agenda commenced the year under review with a bold initiative to address a growing threat faced by Sri Lanka - deforestation. Having recognised the threats Sri Lanka faces due to deforestation, as proven by the expansion of the country's dry zone into wet zone areas the Group began by launching a tree planting campaign themed "Ratak Surakinna, Gasak Sitawanna – "Plant a tree and Preserve the Country". All employees of all Group companies participated in this programme with much enthusiasm and energy during the first working week of 2017 by planting a tree in their office premises, home garden or in a nearby public place such as a school or a park. In addition to inculcating a good habit of tree planting, this programme aims to ensure that the staff members nurture the plant until it grows to a tree. LOLC aims to plant 2,000 trees in 2017 and hopes to continue with its tree planting effort annually to enhance the forest cover, island wide. The Group also plans to reward and recognise the commitment of Group companies and staff members to this campaign over a period of time.

The Group's long term objectives in its commitment to meet the challenge of deforestation, includes taking on stewardship to grow and nurture patches of forest in identified areas where it will look at working closely with neighboring schools and the Group's branches and resort properties to take on the responsibility to nurture these forest patches and expand them where possible.

Developing renewable energy

The need for conservation of energy and sources of renewable energy in the world has been made more urgent today than ever. The need is that much greater and immediate for countries such as Sri Lanka whose high dependence on oil imports continues to burden the balance of payments. Renewable energy is also of critical importance due to the favourable impact on the environment vis a vis the detrimental effect of green house gas emissions from other forms of energy. LOLC's previous initiatives to produce alternate sources of renewable energy which have been described in our previous reports include solar power generation for rural homes in 2003, renewable fuel wood plantations which now make a contribution to the company's profits and the environment, and three mini hydro power generating schemes commissioned in 2003, 2006 and 2014. During the year the Group made strides in renewable energy generation and these are summarised below.

In addition the Group also plans to launch some innovative products with a view to promote Renewable Energy among its vast customer base.

Initiated Sri Lanka's first privately owned Solar Power Plant

During the year the under review, the Group ventured into renewable energy generation with the commissioning of Sri Lanka's first privately owned solar power plant- "Saga Solar Power (PVT) Ltd." with a capacity to generate 10 MW. The utility-scale power project located in Buruthankanda in Hambantota is expected to add 19 GWh of clean energy to the national grid annually for over 20 years. At its full capacity the plant can contribute 19,000 MWh to the national grid and generate enough electricity for approximately 10,000 homes. The production of renewable energy is hence a Triple Bottom Line initiative in line with the nation's objectives which offers significant potential for expansion.

Putting our sugar cane waste to productive use with the manufacture of organic fertilizer

The Gal Oya sugarcane plantation invested Rs. 100 Mn during the year to establish an organic fertilizer plant which is expected to produce 7000 MT of organic fertilizer by converting all waste from the sugar factory and the distillery.

Upgrading of our co-generation power plant

In 2015, our plantations subsidiary –Gal Oya Plantations commenced the generation of its own electricity requirement within the factory by reusing the steam which is used for factory operations. This steam plant currently generates 2 MW reducing our dependence on the national grid. During the year the Group committed an investment of Rs. 2.5 Bn to upgrade this plant to generate 10 MW. Upon completion of the enhancements the Company intends to sell the excess power to the national grid.

Minimising our carbon footprint

CO_2 extraction project – 10T / day

CO_2 is a by product of the distillery and the Company made an investment of Rs. 250 Mn during the year to begin the ground work to enable a process of extraction of this CO_2 from within its distillery premises. The infrastructure requirements for this process are to be completed by end 2017 and the process of extraction is to be outsourced once the distillery operations commence.

Solar power for our branch network

The Group also ensures that all its new branches are installed with solar panels to eliminate or atleast reduce dependence on the national grid for their power requirements

Waste Management

Material Waste

Paper remains necessary to our operations and is the single largest material consumed across the Group. We continue to examine the paper use in each business unit to identify how we can reduce the volume of material we print, wherever practically possible. The technology enhancements each year facilitate paper reduction. For example the implementation of the new centralised HR management software, would reduce paper used for employee records in the year ahead.

Effluents

All wastewater generated as a part of the day-to-day operations of Browns Hospitals is first treated at the in-house wastewater treatment plant prior to its release to the environment. Meanwhile, clinical waste is collected by a Central Environmental Authority (CEA) licensed infectious/clinical waste management firm, which ensures the safe collection and proper disposal of infectious waste. All bio-medical waste is segregated from municipal waste, and is collected at a separate biomedical waste storage chamber to prevent adour generation and spill runoffs during the handling process.

Wastewater

Being a highly water-intensive process, AgStar PLC's rice milling plant consumes large volumes of water on a daily basis, and reducing the water footprint remains a key concern for the Company. Hence, all water used during the milling process is first filtered through the CEA approved in-house water treatment plant prior to its release to the environment. Of the water treated on a daily basis, over 90% is released back to the environment.

Clean Air

Gal Oya Plantations' main crop which is sugarcane, is a C4 type plant, which during photosynthesis promotes the efficient operation of the Calvin-Benson cycle and minimises photorespiration, thereby extracting more carbon dioxide from a given amount of air than other plants. Moreover, sugarcane is a C4 plant that grows throughout the year and also helps prevent water loss in dry climates.

Recycling

The Browns Battery division recycles all components of used lead batteries. The closed-loop cycle of the lead battery allows almost 99% of the used automotive battery unit to be recycled, which means a typical new lead battery contains 60% to 80% recycled lead and plastic. All used lead batteries collected by Browns dealers and distributors are fully recycled at the in-house recycling unit. All components so recycled are then reused in the manufacturing process. Broadly, the recycling process generates plastic, which is recycled and reused for the manufacture of battery casings and lead, which in turn is used in the production of new lead plates and other parts needed for the manufacture of new batteries. The Sulfuric Acid in the battery is neutralised with an industrial compound similar to household baking soda which turns the acid into water. The water is treated, cleaned and tested to ensure that it meets clean water standards before being released into the public sewer system.

Sustainability Report

Biodiversity Conservation

As a part of the efforts to increase the forest cover surrounding the estates, Maturata Plantations, carried out targeted conservation and habitat enrichment activities, aimed at preserving the waterways and tributaries in the up-country montane forests and low-country tropical rain forests. Meanwhile, the Company has implemented an ongoing replanting programme to grow commercial timber and other commercially viable crops, in order to promote better land management practices, while terracing, mulching, weeding and growing of Maanaa grass, aimed to prevent soil erosion on degraded tea lands.

The Group's commitment to the UNGC Principles

The LOLC Group is a signatory to the United Nations' Global Compact (UNGC's) established code of principles. The Group is thus guided by the 10 principles concerning human rights, labour, environment and anti corruption promulgated by the UNGC, and the solid framework they provide is espoused by LOLC and its subsidiaries in every facet of their many activities. Some of the ways in which we practice these principles are communicated in this sustainability review as well as elsewhere in this Annual Report such as the Governance Report.

The Ten Principles of UNGC

Human Rights

- **Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

- **Principle 2:** make sure that they are not complicit in human rights abuses.

Labour

- **Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

- **Principle 4:** the elimination of all forms of forced and compulsory labour;

- **Principle 5:** the effective abolition of child labour; and

- **Principle 6:** the elimination of discrimination in respect of employment and occupation.

Environment

- **Principle 7:** Businesses should support a precautionary approach to environmental challenges;

- **Principle 8:** undertake initiatives to promote greater environmental responsibility; and

- Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- **Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

The Board of Directors

Mr. I C Nanayakkara

Mr. W D K Jayawardena

Deshamanya M D D Pieris

Dr. R A Fernando

Mrs. K U Amarasinghe

Mr. H Nishio

Mr. H Yamaguchi

The Board of Directors

Ishara Nanayakkara

Mr. Ishara Nanayakkara is a prominent entrepreneur serving on the Boards of many corporates and conglomerates in the region. He initially ventured into the arena of financial services with a strategic investment in Lanka ORIX Leasing Company PLC and was appointed to the Board in 2002. Today, he is the Deputy Chairman of LOLC and the Executive Deputy Chairman of LOLC Finance PLC, holding directorships in many of its subsidiaries and associate companies.

Backed by over a decade of professional experience in the industry, Mr. Nanayakkara holds the role of Chairman of Commercial Leasing & Finance PLC, one of Sri Lanka's leading financial service providers for over 28 years, as well as LOLC Life Assurance Limited. He is also Deputy Chairman of Seylan Bank PLC, a premier commercial bank in the country. His vision to cater to the entire value chain of the finance sector manifested in the development of Microfinance, Islamic Finance, factoring through LOLC Factors, LOLC Life & General Insurance Companies and stock broking through LOLC Securities Ltd.

Leveraging LOLC Group's expertise in the SME sector, the expansion into the Micro Sector was spearheaded by Mr. Nanayakkara, who is the Chairman of their Micro Credit Companies: LOLC Micro Credit Ltd, the only private sector microfinance institution in the country with foreign equity, and BRAC Lanka Finance PLC. He also holds a directorship at PRASAC, the largest microfinance Company in Cambodia. Mr. Nanayakkara's interest in microfinance lead to the inauguration of LOLC Myanmar Microfinance Company Ltd, a green field investment in Myanmar in which he was the founding Chairman, and currently serves as a Director. His proficiency in Microfinance in the region is further demonstrated by his involvement at strategic level in LOLC Cambodia Ltd (Previously known as Thaneakea Phum Ltd); the 5th largest microfinance company in Cambodia. He was also recently appointed as a director in LOLC International Private Limited & LOLC Private Limited.

Mr. Nanayakkara's motivation to expand into various growth peripheries is further illustrated through his role as the Executive Chairman of Browns Investments PLC. Through various strategic investments, he is committed to catalyzing development in the growth sectors of the Sri Lankan economy. Mr Nanayakkara's involvement in the Boards of Agstar Fertilizers PLC, Associated Battery Manufacturers (Cey) Ltd and Sierra Constructions Ltd, reflects this business philosophy.

Endorsing his entrepreneurial spirit, Mr. Ishara Nanayakkara received the prestigious 'Young Entrepreneur of the Year' Award at the Asia Pacific Entrepreneurship Awards (APEA) in 2012. He holds a diploma in Business Accounting from Australia.

Kapila Jayawardena

Kapila Jayawardena holds a MBA in Financial Management and is a fellow member of the Institute of Bankers and an Associate Member of the Institute of Cost and Executive Accountants, London. He served as Country Head and CEO (Sri Lanka and Maldives) of Citibank NA from 1998 to 2007.

With his varied experience in the fields of Investment Banking, Banking Operations, Audit, Relationship Management, Corporate Finance, Corporate Banking and Treasury Management, Mr. Jayawardena served in the following Boards/ Committees:

- Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/04
- President of the American Chamber of Commerce in Sri Lanka in 2006/2007
- Member of the Financial Sector Reforms Committee (FSRC)
- Member of the National Council of Economic Development (NCED)
- Board Member of the United States - Sri Lanka Fulbright Commission.

Kapila Jayawardena joined LOLC in the year 2007 as the Group Managing Director/CEO and is the Chairman of the following companies and is also on the Boards of the subsidiaries of the LOLC Group.

Chairman

Eden Hotel Lanka PLC

LOLC General Insurance Ltd

LOLC Securities Ltd

Palm Garden Hotels PLC

Browns Capital PLC

Director

LOLC Micro Credit Ltd

BRAC Lanka Finance PLC

Commercial Leasing & Finance PLC

Brown & Company PLC

Riverina Resorts (Pvt) Ltd

Browns Capital PLC

LOLC International (Pvt) Ltd

Browns Investments PLC

Seylan Bank PLC

Deshamanya M D D Pieris

Deshamanya M. D. D. Pieris is a graduate of the University of Ceylon (Peradeniya); Fellow of the Chartered Management Institute, UK and has been conferred the Degree of Doctor of Letters (Honoris Causa) by the University of Colombo and the title of Honorary Senior Fellow by the Postgraduate Institute of Medicine and Distinguished Fellow of the Institute of National Security of Studies –Sri Lanka.

Deshamanya Pieris is an illustrious retired civil servant, who in the course of his distinguished career in the public service has held several important posts, including that of Secretary to the Prime Minister; Secretary, Ministry of Public Administration, Provincial Councils and Home Affairs; Secretary, Ministry of Agriculture, Food and Co-operatives; Secretary, Ministry of Education and Higher Education and Chairman and Director General of Broadcasting.

He has also acted on several occasions in addition to his duties, in the posts of Secretary to the Ministry of Defense and External Affairs and Secretary to the Ministry of Trade and Shipping.

He has at various times been the Chairman of the National Institute of Education, Chairman – Board of Management of the Sri Lanka Institute of Development Administration; and Chairman of the Agrarian Research and Training Institute.

He has also served on the Governing Councils or Board of Management of several Universities and Postgraduate Institutes, including those of the Universities of Colombo, Kelaniya, Moratuwa and the Buddhist and Pali University.

He has been a Director of Peoples' Bank, People's Merchant Bank PLC and a member of the Rural Credit Advisory Committee of the Central Bank.

He has served as a member of the National Salaries Commission and as a member of the Presidential Commission on Finance and Banking, and has headed three Presidential Committees on proposal for gem mining in Kalu Ganga; on the Survey Department and Foreign Service.

Within the LOLC Group, he has also served as Director on the Board of LOLC Finance PLC, as well as some subsidiaries of the LOLC Group. He currently chairs the Risk Management Committee, the Audit Committee and the Corporate Governance Committee of LOLC, and is a member of the Talent Development and Remuneration Committee.

Currently, he also serves as Chairman of the Board of Management of the Institute of Information Technology, Member of the Board of the Mercantile Merchant Bank, and MMBL Money Transfer (Pvt) Ltd. He serves on the Board of Mountain Hawk Express (Pvt) Ltd, a Hayleys Group company, who is the licensee for The U.S. Federal Express Corporation.

Deshamanya Pieris serves as a Director of the Governing Board of the Regional Centre for Strategic Studies; a member of the Board of Lakshman Kadirgamar Foundation; a member of the Academic Affairs Board for the Postgraduate Programmes of the Sri Lanka Institute of Development Administration, and a member of the Board of the Management of the SANASA University Campus.

He has also been appointed by the University Grants Commission as a member of the Board of Management of the Institute of Indigenous Medicine of the University of Colombo, and re-appointed to the Board of Management of the School of Computing of the University of Colombo.

Mr. Pieris lectures periodically at the Regional Centre for Strategic Studies; the Kotelawala Defense University; the Bandaranaike International Diplomatic Training Institute; the Defense Services command and Staff College, and the Sri Lanka Institute of Development Administration.

He has, on invitation delivered four convocation addresses at the Open University; the University of Ruhuna; the University of Sri Jayawardanapura; and the University of Colombo. He has also delivered three Orations; namely the Lalith Athulathmudali Memorial Oration; the Sir Ponnambalam Arunachalam Memorial Oration; and the Vidyajothi Professor V. K. Samaranayake Memorial Oration.

He has published his memories of his experience in the Public Service of Sri Lanka in a book entitled "In the Pursuit of Governance".

Dr. Ravi Fernando

Dr. Ravi Fernando is a BLUE OCEAN STRATEGIST WITH A SUSTAINABILITY MIND SET. He is an Alumni of the University of Cambridge having completed the Climate Leadership Programme in 2007, a Post Graduate Certificate in Sustainable Business at Cambridge University in 2008 and a Master of Studies in Sustainability Leadership at Cambridge University in 2014. He was a Wolfson College alumni at Cambridge University. He holds a Doctor of Business Administration Degree from the European University in Geneva 2016.

He also holds a MBA from the University of Colombo and is a Fellow of the Chartered Institute of Marketing (UK). He holds a Diploma in International Management and completed the Advanced Management Program at the INSEAD Business school in (France).

He was the United Nations Global Compact Focal point for Sri Lanka 2003-2010 and was the founder of the UN Global Compact Sri Lanka network in 2010 and is a Director of UNGC Sri Lanka Board. He is Chairman/CEO of Global Strategic Corporate Sustainability Pvt.Ltd which currently operates in Vietnam, Sri Lanka and China. He also serves as a Director on the Boards of Aitken Spence Plantations Limited, Ceylon Asset Management Ltd and Habitat for Humanity.

His career with multi-nationals spanned 1981-2003, Unilever, Sterling health International, Smithkline Beecham International covering Africa, Middle East and Asia in CEO/Managing Director, Business Development and Marketing Management positions between 1981-2007. He

The Board of Directors

was the first CEO SLINTEC (Sri Lanka Institute of Nanotechnology) 2008-2010 and was a member of the National Task Force on Development of the 5 year Science and Technology strategy 2010.

In Academia, he was a visiting faculty member of the INSEAD Advanced Management Program from 2005-2010 teaching the subject 'Strategic Corporate Sustainability'. He is an Executive in Residence at the INSEAD Social Innovation centre since September 2010 to date. He is also on the visiting faculty of the Deusto Business School (Bilbao) and Univiersitat of Pompeu Fabra (Barcelona) in Spain and University of Colombo MBA teaching 'Strategic Corporate Sustainability'. BABSON College published three Case studies on his work experiences in Kenya and Vietnam in the GVV series in 2012-14 and was involved in over 7-8 Case studies at the INSEAD business school between 2006-2010.

In November 2015 he published 'Strategic Corporate Sustainability – 7 Imperatives for Sustainable business' (Partridge: Penguin Random House), based on his work at Cambridge University.

In September 2007 he won a "Global Strategy Leadership award" at the World Strategy Summit for his work on Ethical branding in the Apparel and Tea sectors receiving the award from Prof Renee Mauborgne of INSEAD business school.

Mrs. Kalsha Amarasinghe

Kalsha Amarasinghe holds an Honours Degree in Economics. She serves on the Boards of Lanka ORIX Leasing Company PLC, LOLC Finance PLC, Commercial Leasing & Finance PLC, LOLC Micro Credit Ltd, LOLC Life Assurance Limited, Palm Garden Hotels PLC, Riverina Resorts (Pvt) Ltd and Eden Hotel Lanka PLC. She also serves as a Director on the Boards of Browns Investments PLC, Browns Capital PLC and Brown & Co. PLC.

Hiroshi Nishio

Mr. Hiroshi Nishio joined ORIX Corporation in 1991. He served as head of various overseas operations including Malaysia and the USA. After serving as General Manager of ORIX Real Estate Corporation, he was appointed President & CEO of ORIX Asset Management Corporation in January 2013.

In January 2014, he was made an Executive Officer and was appointed a Deputy Head of Global Business Headquarters of ORIX Corporation.

Harukazu Yamaguchi

Mr. Yamaguchi joined ORIX Corporation in 1990. He served as head of various overseas operations including Indonesia and Thailand. After being a Chairman & CEO of ORIX Auto Leasing (Thailand) Co., Ltd. in April 2008, Mr. Yamaguchi was appointed a President of Thai ORIX Leasing Co., Ltd. in January 2010.

In February 2011, He was appointed an Executive Vice President of Global Business Headquarters, ORIX Corporation.

In January, 2016, he was made an Executive Officer and was appointed a Deputy Head of Global Business Headquarters of ORIX Corporation.

Corporate Management Team

Sharmini Wickremasekera
Chief Risk Officer - LOLC Group

Solomon Jesudason
Chief Officer - Marketing Operations - LOLC

Graham Lawrence
Group Head of Corporate Sales & Social Media

Ravi Tissera
Director/Chief Executive Officer - LOLC Micro Credit Limited

Gayani de Silva
Chief Officer - Customer Relationship Management, LOLC

Krishan Thilekaratne
Director/Chief Executive Officer, Commercial Leasing & Finance PLC and Valuation Unit

Ashan Nissanka
Director/Chief Executive Officer - LOLC Finance PLC

Rohana Kumara
Chief Executive Officer - BRAC Lanka Finance PLC

Kithsiri Gunawardena
Chief Operating Officer - LOLC
Chief Legal Officer - LOLC Group

Corporate Management Team

Anura L. Dharmaprema
Corporate Executive Officer - Recoveries, LOLC

Brindley de Zylva
Chairman LOLC Cambodia PLC
Managing Director LOLC Myanmar Microfinance Company Limited

Rohan Perera
General Manager/Group Treasurer - LOLC Group

Sunjeevani Kotakadeniya
Chief Financial Officer - LOLC Group

Jayantha Kelegama
Chief Credit Officer - LOLC Group

Eksath Wijeratne
Group General Manager - Browns Hotels & Resorts
Executive Director - Millennium Development Pvt Ltd/Excel Restaurants Pvt Ltd (EXCELWORLD)

Pradeep Uluwaduge
Chief Human Resources Officer - LOLC Group

Conrad Dias
Chief Information Officer - LOLC Group
Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd/LOLC Technologies Limited

Gunendra Jayasena
Chief Administration Officer - LOLC Group

Susaan Bandara
Chief Officer - Marketing Communications - LOLC Group

Dharini Fernando
Chief Operating Officer – LOLC General Insurance Limited

Tilak Selviah
Director/COO - Leisure Sector, Browns Investments PLC,
Director/General Manager-Browns Hotels and Resorts

R.A.C. Jayemanne
Consultant Director - Project Development Browns Hotels and Resorts

Sriyan Gurusinghe
Managing Director/Chief Executive Officer - LOLC Securities Limited

Nilanga Wickramasinghe
Chief Operating Officer - LOLC Insurance

Isaac Devshanker
Chief Executive Officer-LOLC Factors Limited
General Manager, Metro Region - LOLC

Corporate Management Team

Sharmini Wickremasekera
CISA, CRISC
Chief Risk Officer - LOLC Group

Joined in 1983 and has 33 years of experience in Finance, Accounting, Credit, Internal Auditing, Information Systems Auditing and Governance, Enterprise-wide Risk Management, Business Continuity Management and Business Process Reengineering. She is a member and a past president of ISACA Sri Lanka Chapter. Led the processes of ERM at LOLC and the ISACA SL Chapter to a level of gaining global recognition.

Solomon Jesudason
Chief Officer - Marketing Operations - LOLC

Joined in 1988 and counts over 29 years of experience in the Leasing Industry in Finance and Marketing Operations. Currently responsible for the Customer Servicing Operations, which includes Application Processing for Finance Leases, Hire Purchases, Loans, LC Facilities, Insurance, Savings, FD Operations, RMV Operations, Working Capital and Microfinance Products.

Graham Lawrence
Group Head of Corporate Sales & Social Media

Joined in 1992. Counts over 29 years of experience in the Financial Services Sector. Began his career as a Banker and has evolved to general management having covered Marketing, Credit and Recovery of Diverse Financial Products, including Leasing and Factoring. Also serves on the Board of LOLC Factors Ltd.

R D Tissera
Director/Chief Executive Officer - LOLC Micro Credit Limited

Ravi Tissera joined the LOLC Group in 1993 and is a Development Finance Specialist. He introduced microfinance to the LOLC Group which has now expanded outside Sri Lanka in Myanmar, Cambodia and Pakistan. Mr. Tissera has obtained his Post Graduate Diploma in Marketing and is a member of the Chartered Institute of Marketing UK. He has followed Strategic Leadership Training in Microfinance at Harvard Business School. He is the Director / Chief Executive Officer of LOLC Micro Credit Limited and he serves as a Director in LOLC Myanmar Microfinance Company Limited, LOLC Cambodia PLC., LOLC Micro Investments Ltd and Sundaya Lanka (Pvt) Ltd.

Gayani de Silva
Attorney-at-Law, MBA (Sri J)
Chief Officer - Customer Relationship Management, LOLC

Joined LOLC in 1994 and counts over 20 years' experience in financial services, covering areas of credit, marketing strategy, value chain management, corporate restructuring, strategic planning, marketing and corporate communication, business development, strategic tie-ups, SME and development finance portfolio management, customer relationship management, call centre management, sales funnel management, productivity and process management, corporate social responsibility and corporate sustainability.

Krishan Thilekaratne
Director/Chief Executive Officer, Commercial Leasing & Finance PLC and Valuation Unit

Mr. Thilakaratne is the Director/CEO of Commercial Leasing & Finance PLC. He is also the Head of Islamic Finance Business of LOLC Group. Mr. Thilakaratne also serves as a Director of Commercial Insurance Brokers (Pvt) Ltd, which is the market leader in Insurance Brokering in Sri Lanka. Previously he held the positions of CEO of Lanka ORIX Factors and CEO, Auto Finance of the LOLC Group. He conceptualised the introduction of Islamic Finance to LOLC Group in 2007. He is an Associate Member of Institute Bankers of Sri Lanka (AIB) and joined the LOLC Group in 1995.

Ashan Nissanka
Director/Chief Executive Officer - LOLC Finance PLC

Mr. Nissanka counts over 23 years of experience in the Banking and Finance sector having commenced his career in 1993 with Seylan Bank PLC prior to joining LOLC Group in 1998 and having held the responsibilities of Strategic Marketing Planning, Development and Management of the Retail Channels for LOLC Finance PLC, LOLC Micro Credit Ltd, and LOLC Insurance Ltd.

He possesses an MBA from Edith Cowan University, Australia, a Graduate Diploma from Chartered Institute of Marketing – UK (CIM) as well as a member of Sri Lanka Institute of Marketing (SLIM) and member of the Institute of Certified Management Accountants Australia (CMA).

He currently serves as a Member of the Council of Management of the Finance Houses Association of Sri Lanka, Board of Director of the Leasing Association of Sri Lanka and Deputy Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Limited.

Rohana Kumara
MBA,CIM (UK)
Chief Executive Officer - BRAC Lanka Finance PLC

Joined in 1998. Counts over 23 years of experience in Banking, Credit Management, Strategy Development, Marketing and Microfinancing.

Kithsiri Gunawardena
Attorney-at-Law, Postgraduate Diploma in Marketing Management (PIM, Sri Jayawardenapura.)
Chief Operating Officer - LOLC, Chief Legal Officer - LOLC Group

Joined LOLC in 2004 and counts over 26 years of experience as a Lawyer. He has held a number of important positions in the State, including the office of State Counsel attached to the

Attorney General's Department, the Office of Director – Legal & Enforcement of the Securities and Exchange Commission of Sri Lanka and the Insurance Board of Sri Lanka and was involved in setting up the Consumer Affairs Authority as its first Director General. He serves on the Boards of a number of local and overseas subsidiaries within the LOLC Group.

Anura L. Dharmaprema

Corporate Executive Officer – Recoveries, LOLC

Joined in 1998. Counts over 26 years of experience in Recoveries in the Financial Services Industry. Previously a Senior Collections Manager of a leading finance company. Anura has been appointed as a Director of LOLC Services Ltd.

Brindley de Zylva

Chairman - LOLC Cambodia PLC,
Managing Director - LOLC Myanmar Microfinance Company Limited

Counts over 30 years experience in the Non-Banking Financial Services Sector and is a Fellow of the Sri Lanka Institute of Credit Management. He joined the LOLC Group in 2003 as the Managing Director and CEO of LOLC Finance PLC. In October 2015 he took over as the Chairman of LOLC Cambodia PLC & Managing Director of LOLC Myanmar Microfinance Company Limited, two Microfinance Institutions of the LOLC Group operating in the Mekong Region.

Rohan Perera

MBA, Edith University of Perth, Australia
General Manager/Group Treasurer - LOLC Group

Joined in 2007. Counts over 33 years of experience concentrated on Banking and Corporate Treasuries with expertise in Treasury Management including Strategic Risk Management, ALM and Cash Management. Competent in operational management with capacity in handling financing of high value projects. Starting his career as a Banker and particularly in its Treasuries; from thereon moved to Corporate Treasuries. Pioneered the concept of Corporate Treasuries in Sri Lanka. Involved in setting up of the Corporate Treasurers' Association as its Founder President.

Sunjeevani Kotakadeniya

FCMA (UK), CGMA (USA), MBA (Col.)
Chief Financial Officer - LOLC Group

Joined LOLC in 2005 and carries responsibility for the Group's finance function. Her 30 years of working history covers extensive exposure to Financial and General management practices including strategic planning, fund management and administration, IT management, Treasury management, New business set up, process re-engineering. Change management, ERP implementation and project management. Her experience covers industries of financial services, insurance, leisure and plantation sectors. Sunjeevani has been appointed as Director of several subsidiaries within the LOLC Group. She is a Member of the Statutory Accounting Standards Committee, Sri Lanka.

Jayantha Kelegama

BA (Hons.) - University of Delhi
Chief Credit Officer - LOLC Group

Joined in 2005. Counts over 18 years of experience in Leasing, Asset Financing, Credit Risk Management and Banking. Jayantha has been appointed as a Director of identified subsidiaries within the LOLC Group.

Eksath Wijeratne

FCHSGA - IHM
Group General Manager - Browns Hotels & Resorts
Executive Director - Millennium Development Pvt Ltd/Excel Restaurants Pvt Ltd (EXCELWORLD)

Fellow Member of CHSGA and Member of Institute of Hospitality. Counts over 25 years of experience in the hospitality industry; served many leading hoteling establishments in Sri Lanka in senior positions. Has executed several hotel refurbishment projects. Qualified trainer in ISO and HACCP Standards training; also a qualified SATS trainer in Hotel operations. Contributed in numerous ways to boost up and develop the professional careers of young and upcoming hoteliers in Sri Lanka. Former Board Member of the Sri Lanka Institute of Tourism and Hotel Management. Also served as the President of the Ceylon Hotel School Graduates Association. Vice President of the Bentota-Beruwela Hoteliers Association. Currently overlooks the operations of operating Hotels under BHR.

Pradeep S. Uluwaduge

LL.B (Honours), LL.M (University of Colombo), PGD in HRM (UK)
Attorney-at-Law, Notary Public
Chief Human Resources Officer - LOLC Group

Joined LOLC in 2010. Counts over 15 years of experience as an Attorney at Law & HR Professional. Has wide range of experience both local and overseas as an HR professional.

He is a life member of Bar Association of Sri Lanka (BASL), Professional member of Singapore Human Resource Institute (SHRI), Associate member of the eminent Singapore Academy of Law (SAL) and currently serving as the council member for National Chamber of Commerce. Has presented and published many academic research papers on various conferences both local and overseas.

Conrad Dias

FCMA (UK), CGMA (USA), FCMA (Sri Lanka), FBCS (UK), MBA (University of Leicester)
Chief Information Officer - LOLC Group,
Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd, /LOLC Technologies Limited

Joined in 2006. Experienced professional in Information Technology, Software Engineering, Project Management, Strategic and Investment Planning, Finance Management, Corporate Restructuring and Unit Trust & Fund Management. Possesses domain expertise in sectors such as Trading, Banking and Finance, Asset Management and Manufacturing.

Corporate Management Team

Gunendra Jayasena

Chief Administration Officer - LOLC Group

Joined in 2007. Counts over 24 years of experience in Manufacturing, Administration and Plantation Management. Gunendra has been appointed as a Director in several subsidiaries within the LOLC Group.

Susaan Bandara

Dip. MCIM (UK)

Chief Officer - Marketing Communications - LOLC Group

Counts over 10 years of service at LOLC and over 25 years' experience in servicing Private Sector, Banking and Non- Banking Financial Institutions. Areas of expertise cover Sales and Marketing, Distribution Management, Market Analysis, Marketing Communications with multiple stakeholder groups, Business Development in Overseas Markets, Strengthening Brand Equities, Credit Management and Recoveries, Strategic Marketing Planning, Entrepreneur Development Programmes, Customer Relationship Management, Corporate Social Responsibility and Sustainability.

Dharini Fernando

Chief Operating Officer - LOLC General Insurance Limited

Joined in December 2010. Counts nearly 20 years' experience and has worked with a number of leading multinational insurance companies in varying roles at senior management level. Has wide local and international exposure and experience in both Life and General insurances, especially in the areas of Reinsurance, Property, General Accident and Health and Casualty (Liability) lines of business. She has also been closely involved in the implementation of insurance systems in multinational companies.

Tilak Selviah

FIH (UK), FCTH (UK)

Director/COO - Leisure Sector, Browns Investments PLC, Director/General Manager - Browns Hotels and Resorts

Joined LOLC in 2010 and counts over 30 years experience in Corporate Senior Leisure Management. Previously served as Director-Operations and Administration of a leading Blue chip conglomerate hotel chain Company for many years. Was responsible for initiating and commissioning several large scale hotel projects. Professional hotelier with a vast experience in all aspects of Hotel Management and project implementation.

R.A.C. Jayemanne

CHA (USA); DipHM (USA)

Consultant Director - Project Development Browns Hotels and Resorts

Hailing from a management accounting background, he counts over four decades of experience in a myriad of industries such as leisure, shipping, imports, exports, travel, transport, merchant banking, ship services, estate management and garment manufacture. Over 3 decades of such experience has been in senior management positions predominantly in the leisure sector, much of it with 5 star properties managed by international hotel chains.

He serves on the Board of Directors of Sri Lanka Institute of Tourism and Hospitality Management and is a member of the Committee of Management of the Hotels Association of Sri Lanka.

Sriyan Gurusinghe

ICMQ (UK)

Managing Director/Chief Executive Officer - LOLC Securities Limited

Joined in 2011. Counts over 24 years of experience in stock brokering. Previously Director/General Manager at Ceylinco Stock Brokers for 14 years. He has served as a President of the Colombo Stock Brokers' Association.

Nilanga Wickramasinghe

PGDipMgt, CIAM, LUTCF(USA), Dip LIM(USA), CMSLIM, MCPM, Chartered Insurance Agency Manager

Chief Operating Officer - LOLC Insurance

Joined LOLC in 2015 to head the Insurance Operations of the Group. Possesses a career span of 28 years in Service Marketing covering Leisure, Specialised Banking and over 21 years of Life & Non-Life Insurance Management. Extensive exposure to Strategic Business Management, Sales & Marketing, Distribution Management, Total Performance Management, Channel Development, Bancassurance and Product Development together with Training & Development in large scale business organisations both in private and public sectors in Sri Lanka. He is a Certified Moderator for LIMRA USA and Life Underwriters Training Council, MII/USA.

Isaac Devshanker

Chief Executive Officer-LOLC Factors Limited General Manager, Metro Region - LOLC

Joined LOLC in 1999 and counts over 20 years of experience in the Financial Services sector. His early career days were with Asian Finance Limited and later joined LOLC Group representing corporate and SME sector. Subsequently he handled a wider scope of functions, which included the development of new markets/ products such as specialised lending as well as new regional developments in the Metropolitan areas of greater Colombo. He also headed the Small and Medium enterprise Business Unit and was instrumental in introducing some of the unique products of the Company.

Currently he serves as the CEO of LOLC Factors Ltd which entails all operational functions, client servicing, marketing initiatives and total management of LOFAC as well as holding the General Manager position in the Metropolitan Branch Network.

Operational Management Team

Nihal Weerapana
DGM, Recovery - Commercial Leasing & Finance PLC

Jithendra Gunatileka
Head of Finance Operations - LOLC

Mehra Mendis
DGM, Fleet Management Services - LOLC

Chrishanthi Emmanuel
Director, LOLC Corporate Services (Pvt) Limited

Sujeewa Vidanapathirana
DGM, Business Development - LOLC General Insurance Limited

Jude Anthony
DGM, Branch Network - Commercial Leasing & Finance PLC

Montini Warnakula
Head of SME Business Unit
DGM, Western II & North Western Regions - LOLC

Chandana Jayanath
Chief Operating Officer, Recoveries - LOLC

Roshani Weerasekera
Head of Liability Management - LOLC Finance PLC

Operational Management Team

Sanjaya Kalidasa
DGM, Treasury - LOLC

Sudarshini de Almeida
AGM, Marketing Operations - LOLC

Mallika Abeykoon
AGM, Finance - LOLC

Nishanthi Kariyawasam
DGM, Finance Corporate - LOLC
Head of Finance - Commercial Leasing & Finance PLC

Enoka Jayampathy
Head of Tax Management and Compliance – LOLC

Bahirathan Shanmugalingam
AGM, Finance - LOLC

Chumley Ranatunge
AGM, Recoveries - LOLC

Preethimali Soosaithasan
DGM, Operations - LOLC Factors Ltd

Yanik Fernando
DGM, Eastern & Uva Regions - LOLC

Shantha Rodrigo
DGM, Central Region - LOLC

Deepamalie Abhayawardane
DGM - Commercial Factors

Sudath Premaratne
AGM, Recoveries - LOLC

Upul Samarasinghe
AGM, Credit - Commercial Leasing & Finance PLC

Lal Abeyratne
AGM, Factoring - Commercial Leasing & Finance PLC

Pradeep Madurusinghe
AGM, Negombo Region - Commercial Leasing & Finance PLC

Indunil Herath
DGM, Sabaragamuwa & Central II – LOLC

Gamini Jayaweera
DGM, Northern & North Central Regions - LOLC

Sanjaya Samarasekera
AGM, Credit Risk Management - LOLC

Operational Management Team

Nalaka Mohotti
DGM, Southern Region - LOLC

Shashika Dias
AGM, Legal - LOLC

Amarasi Gunasekera
AGM, Strategic Business Research & Development - LOLC

Hasala Thilekaratne
DGM, Southern II & Western II Regions - LOLC

Jayantha Dharmapriya
AGM, Legal - LOLC

Gayantha Weerakoon
DGM, Enterprise Risk Management - LOLC

Tharanga Indrapala
AGM, Operations - Commercial Leasing & Finance PLC

Mohan Thilakawardena
AGM, Underwriting & Operations - LOLC General Insurance Ltd

Indika Ariyawansa
AGM, Credit Risk Management - LOLC

Shiraz Refai
DGM, Al-Falaah Islamic Business Unit

Navindra Amadoru
AGM, Administration - LOLC

Dulip Samaraweera
AGM, Strategic Business Research & Development - LOLC

Sanakan Thamotharampillai
Chief Financial Officer - Browns Group

Imraz Iqbal
Head of Finance - LOLC Finance PLC

Heshan Ferdinand
DGM, Claims - LOLC General Insurance Ltd

Rohana Chandrasiri
AGM, Branches - LOLC Securities Ltd

Manish Rodrigo
AGM, Sales - LOLC Securities Ltd

Nadika Opatha
Head of Corporate Sales - LOLC Life Insurance Ltd

Operational Management Team

Wasantha Batagoda
DGM, Legal & Strategic Business - LOLC

Adrian Jansz
Head of Sales & Marketing - Browns Hotels and Resorts

Manjula Kumarasinghe
Chief Operating Officer, Sales & Marketing - LOLC Securities Ltd

Suresh Amarasekera
Head of Business Solutions, Lending - LOLC Technologies Ltd

Chinthaka Jayasinghe
Head of Business Solutions, Banking - LOLC Technologies Ltd

Thisan Samarasinghe
Head of Software Engineering - LOLC Technologies Ltd

Lasantha Peiris
Head of IT Operations - LOLC Technologies Ltd

Parakum Pathirana
Head of IT Security & Compliance - LOLC Technologies Ltd

Ramesh Kariyawasam
Head of Operations - LOLC Motors Ltd

Susantha Bandara
Resident Manager, The Calm Resort and Spa

Danesh Abeyrathna
Chief Operating Officer, Gal Oya Plantations Ltd.

Suneth Jayamanne
Head of IT – Leisure & Health Care Sector – LOLC Technologies Ltd.

Charith Jagoda
Assistant General Manager – Microfinance – LOLC Micro Credit Limited

Thomas Ponniah
Assistant General Manager/Branch Head – Head Office Branch - LOLC Finance PLC

Prasanna Karandagolla
Assistant General Manager – Microfinance – Commercial Leasing and Finance PLC

Report of the Board of Directors

The Board of Directors takes pleasure in presenting this Annual Report for the financial year to 31st March 2017.

Principal activities

As the holding company of a diversified conglomerate, the Company's principal activities are now monitoring and managing the Groups' investments and providing centralised services to its subsidiaries and associates.

The Board of Directors

The Board of Directors for the year under review comprise the following :

Rajah Mahinda Nanayakkara
Non Executive Chairperson
(Deceased 22nd March, 2017)

Ishara Chinthaka Nanayakkara
Executive Deputy Chairman
also alternate to R M Nanayakkara

Waduthantri Dharshan Kapila Jayawardena
Managing Director / Group CEO

Mrs. Kalsha Upeka Amarasinghe
Executive Director

Deshamanya Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Dr. Ravindra Ajith Fernando
Independent Director

Harukazu Yamaguchi
Non Executive Director

Hiroshi Nishio
Non Executive Director

Keiji Okuno
Non Executive Alternate Director to H Nishio

K Ishinabe
Non Executive Alternate Director to H Yamaguchi
(appointed with effect from 17th April 2017)

Takehisa Kaneda
Non Executive Alternate Director to H Yamaguchi
(resigned with effect from 17th April 2017)

The Directors profiles can be found on pages 82 to 84.

Board sub committees

The Board has appointed the following sub committees:

- The Audit Committee
- The Talent Development and Remuneration Committee
- The Integrated Risk Management Committee
- The Corporate Governance Committee
- The Related Party Transactions Review Committee

These Committees function within their respective regulatory guideline or Board approved Terms of Reference, and are further aided by pre-approved agendas which ensure all essential items are covered, while being flexible enough to encourage Committee members to raise any other issues they feel merit attention.

The Board has empowered the Sub Committees to call for additional information and also to invite key management personnel to provide further details, or to discuss recommended courses of action. This assures the Board that operational, risk, governance or regulatory related matters are given the in-depth discussion they require and the optimal solutions found. As Committee meeting minutes are tabled at Board meetings, the entire Board is kept aware of the discussions at Sub Committees and can contribute when and where necessary.

The reports of the respective Committees are included in this Report. The composition of these committees are as prescribed by the relevant regulation (where applicable) or as deemed most appropriate for effective functioning of the Committee.

Directors meetings

Board meetings are held bi-monthly. At each meeting the Directors review a presentation which covers the performance of the significant subsidiaries and sectors within the Group . Over the past few years, the Group has diversified and while the finance sector remains the most significant, the Board is also kept informed of developments in the other sectors, including changes in statute or regulations and how they could impact the group. Regular Board papers reporting on performance and compliance are reviewed and discussed together with special board papers which cover non routine matters .

Directors interests in contracts

The Directors have made the declarations required by the Companies Act No. 7 of 2007. These have been noted by the Board, recorded in the Minutes and entered into the Interest Register which is maintained by the Company.

Directors remuneration

The remuneration is disclosed on page 252. The Report of the Talent Development and Remuneration Committee is on page 105.

Directors shareholdings

Directors shareholdings are as given below

	2017		2016	
	No. of Shares	%	No. of Shares	%
R M Nanayakkara (deceased)	172,492,292	36.30%	172,492,292	36.30%
I C Nanayakkara (Director & Alternate to Mr. R M Nanayakkara)	59,895,500	12.60%	59,895,500	12.60%
W D K Jayawardena	-	-	-	-
Mrs. K U Amarasinghe	23,760,000	5.00%	23,760,000	5.00%
M D D Pieris	-	-	-	-
Dr. R A Fernando	12,600	0.003%	12,600	0.003%
H Yamaguchi	-	-	-	-
H Nishio	-	-	-	-
K Okuno (Alternate to Mr. H Nishio)	-	-	-	-
K Ishinabe (Alternate to Mr. H Yamaguchi from 17th April 2017)	-	-	-	-
T Kaneda(Alternate to Mr. H Yamaguchi until 17th April 2017)	-	-	-	-

Re-election of directors

In accordance with Article 88 (i) of the Company's Articles of Association, Mrs. K U Amarasinghe and H Nishio retire by rotation and being eligible seek re-election as directors. The Board recommends their re-election.

Deshamanya Dharmasiri Pieris is over the age of 70 years and will be retiring, as required. The Company has received a letter from a shareholder, communicating his intention to move a resolution at the Annual General Meeting for the re-appointment of Mr Peiris, as provided for in the Companies Act No. 7 of 2007. The Board recommends his re-election.

Compliance with laws and regulations

The Company is compliant with the Listing Rules of the Colombo Stock Exchange, including the rules relating to Corporate Governance.

Corporate Governance

The Board believes that good corporate governance benefits all stakeholders. The Report of the Corporate Governance Committee can be found on page 107, and the Corporate Governance Report is on pages 102 to 104.

Internal Controls

The Enterprise Risk Management Division regularly reviews procedures, practices and policies and submits reports to the Audit Committee or the Integrated Risk Management Committee as appropriate. Any deficiencies or weaknesses detected are discussed with the relevant operational staff to ensure that the gravity of the position is understood by all and to expedite remedial action. Decisions made are followed up at subsequent Committee or Board meetings. The Risk Management Report is on pages 110 to 112.

Review of business

The Company's performance and that of its subsidiaries are reviewed in detail in the other sections of this Annual Report.

Going concern

During the year, the Directors reviewed the interim financials and the year end financials. They have also regularly reviewed operations, and the environment within which the Company is operating, including the macro environment, potential risks and resource allocation.

Based on information received, the Directors are of the opinion that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

Financial Statements

The Financial statements together with the Notes thereon, found on pages 118 to 278, are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 of 2007.

Auditors

The Auditors, M/s Ernst and Young retire, and offer themselves for re-appointment. The Board recommends their re-appointment for the year 2017/2018 at a fee to be decided upon by the Board.

The fees paid to the auditors are disclosed in the notes to the Accounts on page 167.

As far as the Directors are aware, the Auditors do not have any other relationship with the Company or any of its subsidiaries nor do they have any interest in contracts with the Company or any of its subsidiaries.

In accordance with good governance initiatives, audit partner rotation has been practiced.

Report of the Board of Directors

The Report of the Auditors is given on page 117.

Responsibility statements

The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 115. The Directors' statement on responsibility for financial reporting appears on page 116.

Significant Accounting Policies

The significant accounting policies adopted when preparing these financial statements and any changes thereof if applicable are given on pages 130 to 161.

Statutory Payments

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for. Further, all management fees and payments to related parties for the year under review have been reflected in the accounts. Details are given in Note No. 42 and 49 of pages 244 and 251.

Post Balance Sheet Events

There have been no post balance sheet events that need reporting.

Shareholding structure

The Company has issued 475,200,000 shares. The shareholding structure is given on pages 302 to 303, together with the 20 largest shareholders. During the year, the share price ranged from Rs. 59.00 to Rs. 93.00. As at the end of trading on 31st March, 2017, the share price was Rs. 61.00.

Notice of Meeting

The notice of Meeting is found on page 308. If you are unable to be present, please complete and return the Form of Proxy (page 311).

On behalf of the board of Directors

Ishara Nanayakkara
Deputy Chairman

Kapila Jayawardene
Managing Director/Group CEO

Board and Board Sub Committees

Director	Classification	Board	Audit Committee	Remuneration Committee	Corporate Governance Committee	Integrated Risk Management Committee	Related Party Transactions Review Committee
R M Nanayakkara (Deceased on 22.03.2017)	Non –Executive	√ *					
I C Nanayakkara	Executive	√					
W D K Jayawardena	Executive	√			√	√	√
Mrs. K U Amarasinghe	Executive	√			√		√
Deshamanya M D D Pieris	Independent	√	√ **	√	√ **	√ **	√ **
Dr. R A Fernando	Independent	√	√	√ **	√		
H Yamaguchi	Non –Executive	√					
H Nishio	Non –Executive	√					

* - Chairman of the Board

** - Chairman of the Committee

Corporate Governance Report

Acknowledging that good governance benefits all stakeholders, the Board of Directors endorse the principles of corporate governance. The Board endeavors to ensure that awareness, implementation and monitoring is facilitated, in order to ensure that good governance is embedded in all aspects of performance and compliance.

Given below is the level of compliance against the respective governance requirements;

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	Corporate Governance	
7.10	Statement confirming that as at the date of the annual report the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.
7.10.1	Non-executive Directors a. The Board of Directors of a listed entity shall include at least : two non executive directors; or such number of non executive directors equivalent to one third of the total number of directors whichever is higher	Four of the seven Directors are non-executive Directors. The names of the non-executive directors are set out in the Report of the Board of Directors on page 98.
7.10.2	Independent Directors a. Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	One third of the Non-Executive Directors are Independent Directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	All Non -Executive Directors have submitted their declarations
7.10.3	Directors disclosures a. The Board shall make a determination annually as to the independence or non-independence of each director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	Deshamanaya M D D Pieris and Dr. R A Fernando are the independent directors. The Board has determined that by virtue of their professionalism, skill and expertise, these two directors are independent.
	b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis of its determination in the annual report	Deshamanaya M D D Pieris and Dr. R A Fernando have served as Directors for over 9 years. However, they meet all the other criteria of independent directors.
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	The profiles of the Directors can be found on pages 82 to 84.
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemised in paragraphs (a), (b) and (c) above.	The Company complies with this requirement, in the event a new director is appointed to the Board.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10.5	Remuneration Committee b. Composition The remuneration committee shall comprise; - of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Talent Development and Remenuration Committee (TD & R) comprises two non-executive independent directors, and is chaired by a Non-Executive Independent Director.
	b. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The TD & R Committee periodically reviews Board remuneration and makes recommendations to the Board. The Committee report is on page 105.
	b. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The TD & R Committee comprises the Independent Directors Deshamanaya M D D Pieris and Dr. R A Fernando. The Committee is also guided by the Board approved Remuneration Policy. The aggregate remuneration paid to executive and non-executive directors is disclosed in the Notes to the Financials.
7.10.6	Audit Committee b. Composition The audit committee shall comprise; - of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors. The Chairman or one member of the committee should be a Member of a recognised professional accounting body.	The Committee comprises two Non-Executive directors, both of them are Independent. The Committee is chaired by a Non-Executive Independent Director.

Corporate Governance Report

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	b. Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee is guided by a board approved Audit Committee Charter which includes the functions listed here.
	c. Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The Committee comprises the Independent Directors Deshamanya M D D Pieris and Dr. R A Fernando. Deshamanya M D D Pieris serves as the Committee Chairman. The Committee has made this determination. Please refer the committee report. Please refer the Committee report on page 108.

Report of the Talent Development and Remuneration Committee

The Talent Development and Remuneration Committee ("TDRC") comprises the following:

Dr R A Fernando
(Committee Chairman)

Deshamanya M D D Pieris

Talent attraction , development and retention remain key concerns. The Committee has invited the Chief HR Officer to attend all meetings , so that discussion on these areas can be informed, and result in decisions that can be implemented for the benefit of the Group.

To optimise the Group's opportunities in talent attraction, , the Committee has reviewed the recruitment methods and also the resource pool from which recruitment takes place, and suggested improvements.

While employee retention is not a challenge (the employee retention ratio of the Group remains high) the Committee takes into account the role these long standing employees (especially senior management officers) play in the Group's growth and progress. The Committee believes that these employees should be remunerated appropriately, and to that end they discuss remuneration benchmarks and salary surveys with the CHRO.

The TDRC places much emphasis on training. The Committee believes that it is important to be up to date with trends, customer needs and also risks, in order to continue to grow. As the Group increasingly expands outside Sri Lanka, the Committee encourages the provision of overseas training and exposure. This will enhance the existing skillsets of employees and expand their experience and knowledge. It will also encourage new thinking and fresh ideas. Further, these training opportunities will serve to motivate these employees. The Committee is of the view that as the group grows and diversifies, it will benefit from having employees who are multi skilled, can serve cross functionally and can also work with a regional outlook.

The Committee met twice during the year.

Dr R A Fernando
Chairman - Talent Development and Remuneration Committee

Report of the Integrated Risk Management Committee

The Integrated Risk Management Committee ("IRMC") is a requirement of the Central Bank of Sri Lanka ("CBSL"), and this Committee was appointed at the time the Company was licensed by the CBSL to do leasing.

After the Company relinquished its leasing license, the Board reviewed the IRMC. As its name suggests, the Committee reviews all aspects of risks faced by the Company and their significance, their impact and sometimes even their methods of mitigation are thrown into sharper focus when these risks are viewed holistically, or in an integrated manner. For this reason, even though this Committee is no longer a regulatory requirement, the Committee continues to function.

The Company has put in place a system to facilitate reporting of identified and/ or potential risks, broken into traditional classifications such as market, financial, reputational etc. As the holding Company of a diversified conglomerate, the Company on occasion needs to be aware of issues within its subsidiaries too. Growth in technology has resulted in an entire area where risks are not only critical but also dynamic, changing with great rapidity and therefore IT risks are also reviewed.

The Committee functions under its original mandate, and this dictates the composition of the committee and also the range of reports which are submitted. Potential risks, broken into traditional classifications such as market risk, financial risk, credit risk and other operational risks are reported on. In addition, as Group companies are engaged in a multiplicity of operations, risks applicable to sectors are also reviewed and reported on. The analyses are wide ranging, and take into consideration both micro and macro environments, and both local and global trends and implications. In this way, the Management can alert the Committee to risks posed not only to group companies but also to investments made by the holding company, including investments overseas. Thus the Committee seeks to both widen the scrutiny of the risk profile and also enlarge the scope of the reviews.

Minutes of these meetings are tabled at Board Meetings, thereby enabling the Board as a whole to be kept informed.

Another benefit of retaining this Committee is that it facilitates exchange of information, not only within the Group but also across sectors. Thus, if the Committee becomes aware of a potential risk in a sector, it can make recommendations to the Board of the company heading that sector.

The Committee comprises the following:

Deshamanya M D D Pieris
Committee Chairman

W D K Jayewardene

the Chief Risk Officer

the Chief Financial Officer

the Chief Credit Officer

the GM Treasury

the Chief Information Officer

the Head of IT Security and Compliance

the Chief Legal Officer

the Head of Human Resources

the CEO Recoveries

Mrs K U Amarasinghe attends by invitation.

The Committee met 4 times during the year.

Deshamanya M D D Pieris
Chairman - Integrated Risk Management Committee

Report of the Corporate **Governance Committee**

The Committee comprises the following:

Deshamanya M D D Pieris
(Committee Chairman)

Dr R A Fernando.

Mrs K U Amarasinghe

W D K Jayawardena

This Committee is not a statutory committee, but was established in 2007 as part of a stated intention to strengthen corporate governance. To this end, a pre-approved agenda has been agreed on, which ensures that a wide range of matters are discussed.

At its meetings the Committee reviews governance requirements, their applicability and effect on the Company and compliance levels with existing governance requirements. Any matters which it feels need more detailed, or more specialised discussion are refereed to other relevant sub committees or to the Board.

In its role of supporting effective Board functioning , the Committee reviewed the information being provided to the Board , and agreed on measures to be taken to ensure that information flow is comprehensive , with benchmarks provided but sufficient flexibility to allow important issues to be highlighted .

The Committee's scope is wide and far reaching, and accordingly, it reviews the Company's corporate responsibility to all significant stakeholders and also the Group's efforts towards corporate sustainability. While more detailed discussion takes place during the Audit and Risk Management Committee meetings, this Committee also broadly reviews significant issues such as any possible conflict of interest and disaster recovery.

The Committee met twice during the year.

Deshamanya M D D Pieris
Chairman - Corporate Governance Committee

Report of the Audit Committee

The Audit Committee comprises the following:

Deshamanya M D D Pieris
(Committee Chairman)

Dr R A Fernando

The Committee assists the Board with overseeing the financial reporting system of the Company and the Group. For this, the Committee reviews the internal processes and procedures, verifies the adequacy of controls and seeks confirmation that the compilation and reporting of financial information is comprehensive, accurate and timely. To facilitate this review, the Committee invites the Managing Director, the Executive Director, the CFO and the CRO to be present at these Committee meetings. The Committee also seeks confirmation from the management that the Company is in compliance with applicable accounting standards and other regulatory requirements.

The Committee reviews the Company's quarterly financial statements, and also the accounting policies used in the formulation of those statements. Where deemed necessary, the External Auditors are also invited to meetings. In line with accepted governance practices, the Committee on occasion meets with the Auditors without the executive officers being present.

The Committee has put in place a framework of meetings and agenda items which ensure that critical issues are reviewed regularly, while being flexible enough to schedule additional meetings, or incorporate other agenda items. Pending issues discussed are reviewed at the next succeeding meeting, to clarify progress and ensure continuity and closure. The corrective/ proactive measures agreed to are also reviewed, to ascertain their practicality and effectiveness.

The Committee also reviews reports submitted by the Enterprise Risk Management Division. These reports cover operational issues, processes and controls, including IT issues. At these meetings, the Chief HR Officer, the Chief Information Officer and the Head of IT Security and Compliance are also invited to be present. The Officer overseeing the risk or deficiency identified in the report under discussion is also invited. This ensures that the discussion is comprehensive and well informed, and the corrective measures selected are practical and have the commitment of the management.

Minutes of the Meetings of the Audit Committee are tabled at the meetings of the Board. This facilitates a flow of information to the Board, and enables further discussion, if thought necessary on any issue or proposed solution.

The Committee met four times during the financial year 2016/17.

The Committee has reviewed and recommended to the Board the fees to be paid to the External Auditors.

Having given consideration to the independence of the External Auditors, the Audit Committee is satisfied that the Auditors, M/s Ernst and Young are independent. This determination is based on the following:

a period of service - Ernst and Young were appointed Auditors , with shareholder approval, in June, 2008 ;

b fees and services - neither the fees paid nor the non-audit services rendered are of sufficient quantum to impair their independence .

In accordance with best practices, Audit Partner rotation has been exercised.

Accordingly, the Audit Committee has recommended to the Board of Directors that Messrs Ernst and Young be reappointed as Auditors for the financial year ending 31st March, 2018. The reappointment of the Audit Firm and the authorising of the Board to negotiate its fee will be subject to the approval of the shareholders at the Annual General Meeting to be held on 20th September, 2017.

Deshamanya M D D Peiris
Chairman - Audit Committee.

Report of the Related Party Transactions Review Committee

The Related Party Transactions Review Committee ("RPTR") comprises the following:

Deshamanya M D D Pieris
(Committee Chairman)

W D K Jayawardena

Mrs. K U Amarasinghe

The Committee was appointed in September 2015, in early compliance of a requirement of the Listing Rules of the Colombo Stock Exchange. The Committee reviewed its mandate, in terms of these requirements, and worked with the management to identify the processes and reports necessary to enable the Committee to carry out its functions.

The Committee meets regularly. To further ensure meaningful discussion, key officers of the Company such as the Chief Financial Officer and the Chief Risk Officer are invited to attend meetings. Minutes of Committee Meetings are tabled at the Meetings of the Board and in this way the Committee ensures that the Board is kept informed of its comments / observations .

The Committee has satisfied itself that there is a viable process to identify and report on related party transactions. It has also reviewed such transactions and been satisfied that they are being done at market rates and conditions and/ or with all relevant approvals.

The Committee met four times during the year under review.

Deshamanya M D D Pieris
Chairman - Related Party Transactions Review Committee

Enterprise Risk Management

The Risk Management –The Group view

LOLC is a conglomerate which has its foot print in many service and industrial sectors.

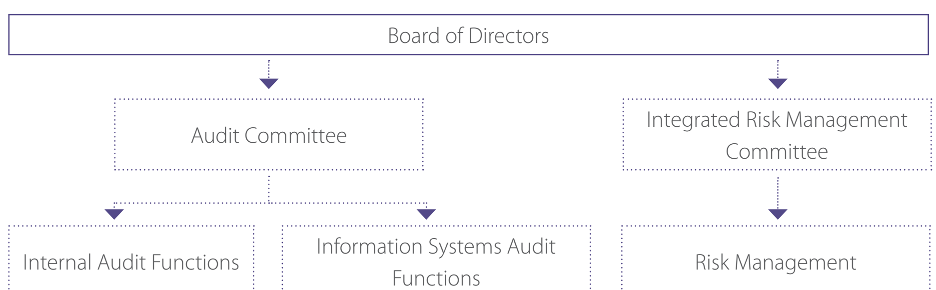
It is essential that Risk governance structures cascades down to all sectors which have a significant impact at group level. This objective requires to have a bird's eye view of the entire group and identify entities and entity clusters which are material & significant for the overall performance of the group. In line with the current level of operations the following sectors are identified as significant and Risk governance structures are formulated considering the same

Risk Management at LOLC is a group level centralised function. The risk governance mechanisms adapted for each sector is formulated considering the regulatory requirements unique to each sector & the level of complexity of the operations. We are rolling out the Risk Governance structures retaining a uniformity as it gives us an opportunity to replicate risk management and related process across any entity in the group with minimum lead time by cutting down on the time spent on the learning cycle and knowledge transfer. This allows us to utilise our resources effectively and efficiently. Rolling out risk management processes at different sectors is a phased out project and the level of maturity of the risk governance mechanisms are at different levels of maturity across the group. With the finance sector which is the most regulated leading the way.

Risk Management is an organisation wide effort driven by the board of management via the Integrated Risk Management Committee and the Audit Committee. Enterprise Risk Management (ERM) is a centralised function at group level and risk officers are appointed for each sector. This structure is replicated at holding company level and financial sectors. Risk Management and Audit at LOLC is given full independence with reporting line to the Deputy Chairman of LOLC Group. A similar reporting structure is adopted for other entities as well.

Being one- the common approach to risk management

Enterprise Risk Management at LOLC is a synergy between Risk Management, Internal Audit and Information Audit functions. The Risk Management function identify perceived risks, which are probable to materialise and impact the achievement of our strategic and tactical objectives. Identified risks are analysed for the extent of the expected impact along with risk mitigation strategies. The Integrated risk management committee decides on the appropriate action to be taken in consultation with the risk owners. The effectiveness and the reliability of the risk mitigation mechanisms/ internal controls are reviewed by the internal audit and reported to the board of management via the Audit Committee. This ensures that the risks are managed with in the risk appetite of the organisation. These core functions are complimented by streamlined and well defined processes in Risk Management and Audit. The corporate whistle blower hotline and the customer feedback line adds value to the processes by integrating staff and customers to



the Risk management and audit culture. As a further strengthening of our risk management initiatives dedicated audit teams are deployed in each sectors identified above which ensures a constant flow of reliable information to the center.

Enterprise Risk Management at LOLC is a responsibility which is bestowed upon all employees from ground level to management. In line with our vision in risk management "Building an organisational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values", we engage constantly with various sector organisation to enhance the knowledge of the ground level staff on risk management and audit. This derives from our firm belief that empowering employees to identify risks and initiate the correct risk response cultivate the correct risk culture within the organisation. The Enterprise risk management department conduct structured and well formulated training in co-ordination with the human resource department to enhance staff awareness and knowledge on risk and risk response. This is a continuous engagement at the induction level and later at functional level. In addition, Enterprise Risk Management department engages with other stake holders in consultative capacity for major amendments to business processes and services and for the introduction of new product and services to ensure that adequate level of internal controls are embedded in such initiatives. In the year under review ERM had contributed with 141 man hours of such consultative services.

The organisational level policies are segregated in to two major categories which are group level and unique to organisations. The group level policies are adopted across the organisations which helps us to maintain uniformity across the group and allows as to truly act as one group. Organisational level policies are unique to an entity and are based on their core business and support services functional requirements. Enterprise risk management possesses a pool of diverse skills and knowledge employees covering all sectors of operations which enable us to deploy the optimal resources based on the area of expertise. Continuous update of knowledge & skills is a vital success factor in effective risk management we ensure that our risk and audit teams are kept up to date with the emerging challenges the group faces with constant trainings using both external and internal resources.

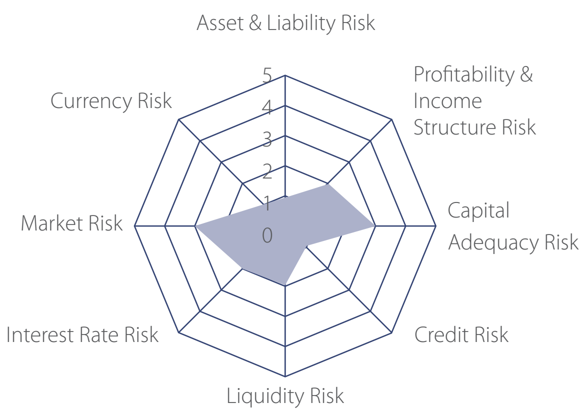
Risk Profile

The following is based on the perceived risk and is a high level categorisation of risk used only for the illustration purposes of this report .

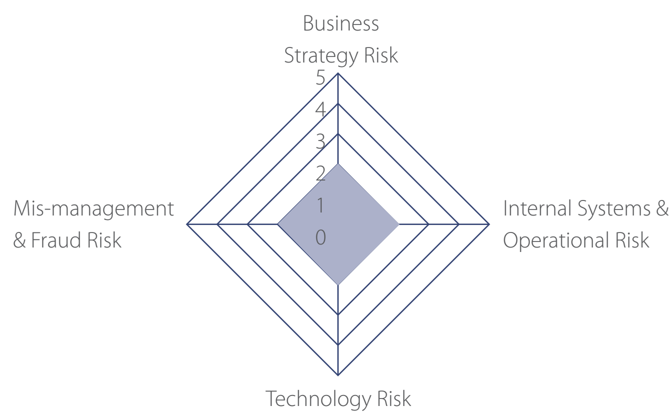
Risk Levels	Risk Score
Very High	5
High	4
Medium	3
Low	2
Very Low	1

Enterprise Risk Management

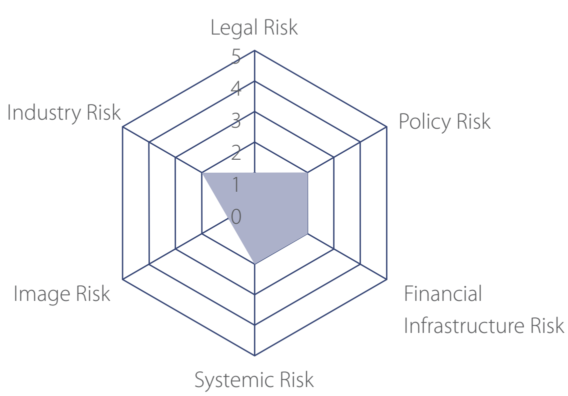
Financial Risks



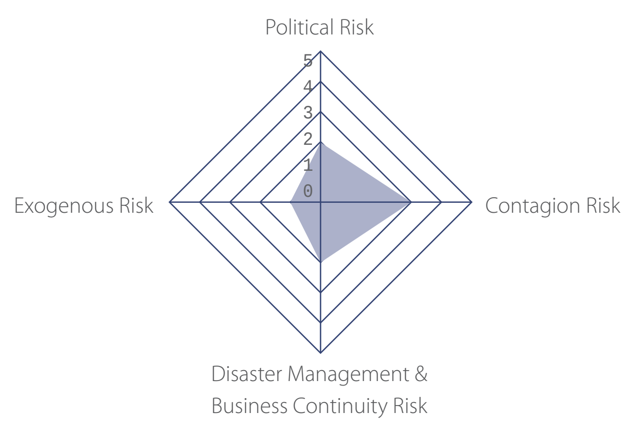
Operational Risks



Business Risks



Event Risks



Financial Information

Financial Calendar

1st Quarter Results 2016/2017 released on	15th August 2016
2nd Quarter Results 2016/2017 released on	15th November 2016
3rd Quarter Results 2016/2017 released on	15th February 2017
4th Quarter Results 2016/2017 released on	31st May 2017
Annual Report for 2016/2017 released in	August 2017
38th Annual General Meeting in	September 2017

Proposed Financial Calendar 2017/18

1st Quarter Results 2017/2018 will be released on	15th August 2017
2nd Quarter Results 2017/2018 will be released on	15th November 2017
3rd Quarter Results 2017/2018 will be released on	15th February 2018
4th Quarter Results 2017/2018 will be released on	31st May 2018
Annual Report for 2017/2018 will be released in	August 2018
39th Annual General Meeting in	September 2018

Chief Executive Officer's and Chief Financial Officer's Responsibility Statement

The Financial Statements are prepared in compliance with the Sri Lanka Accounting Standards issued by The Institute of Chartered Accountants of Sri Lanka and the requirements of the Companies Act No. 07 of 2007 and any other applicable statutes to the extent applicable to the Company.

There are no departures from the prescribed accounting standards in their adoption. The accounting policies used in the preparation of the Financial Statements are appropriate and are consistently applied.

The Board of Directors and the management of your Company accept responsibility for the integrity and objectivity of these Financial Statements. The estimates and judgements relating to the Financial Statements were made on a prudent and reasonable basis, in order that the Financial Statements reflect in a true and fair manner, the form and substance of transactions and reasonably present the Company's state of affairs. To ensure this, the Company has taken proper and sufficient care in installing a system of internal controls and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognised in weighing the assurances provided by any system of internal controls and accounting.

The Financial Statements were audited by Ernst & Young, Chartered Accountants, the Company's External Auditors. The Audit Committee of your Company meets periodically with the Internal Auditors and the External Auditors to review the manner in which these auditors are performing their responsibilities and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matter of substance.

It is also declared and confirmed that the Company has complied with and ensured compliance by the Auditor with the guidelines for the audit of listed companies where mandatory compliance is required. It is further confirmed that all the other guidelines have been complied with.

Kapila Jayawardena
Group Managing Director/CEO

Sunjeevani Kotakadeniya
Chief Financial Officer

LOLC Group
18 July 2017

Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2017 are prepared and presented in conformity with the requirements of the Sri Lanka Accounting Standards, the Regulations and Directions of the Central Bank of Sri Lanka, the Listing Rules of the Colombo Stock Exchange, the Finance Leasing Act No. 56 of 2000 and the Companies Act No. 07 of 2007.

They believe that the Financial Statements present a true and fair view of the state of the affairs of the Company and of the Group as at the end of the financial year.

The Directors also accept responsibility for the integrity and accuracy of the Financial Statements presented and confirm that appropriate accounting policies have been selected and applied consistently and reasonable and prudent judgment has been exercised so as to accurately report transactions.

The Directors have taken reasonable steps to safeguard the assets of the Company, to prevent, deter and detect fraud, and to ensure the integrity, accuracy and safeguarding of operational and financial records.

The Directors confirm that to the best of their knowledge, all statutory payments due in respect of the Company and its subsidiaries as at the Balance Sheet date have been paid for, or where relevant, provided for.

The Directors believe that the Company is in a position to continue its operations in the foreseeable future. Accordingly, the Financial Statements are prepared on the basis that the Company is a going concern.

The External Auditors, Ernst & Young, were provided with the opportunity to make appropriate inspections of financial records, minutes and other documents to enable them to form an opinion of the Financial Statements. The Independent Auditor's Report is set out on page 117.

Kapila Jayawardena
Group Managing Director/
Chief Executive Officer

18 July 2017

Independent Auditors' Report

Building a better working world

Ernst & Young
Chartered Accountants
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Tax : +94 11 5578180
eysl@lk.ey.com
ey.com

TO THE SHAREHOLDERS OF LANKA ORIX LEASING COMPANY PLC

Report on the Financial Statements

We have audited the accompanying financial statements of Lanka ORIX Leasing Company PLC, (the "Company"), and the consolidated financial statements of the Company and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 auditors consider 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 statement of financial position of the Group as at 31 March 2017, 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 section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

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

b) In our opinion:
   - we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,
   - the financial statements of the Company give a true and fair view of its statement of financial position as at 31 March 2017, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards, and
   - 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.

Ernst & Young

18 July 2017
Colombo

Statement of Financial Position

		Group		Company	
As at 31 March		2017	2016	2017	2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Cash in hand and favourable bank balances	17.1	**54,215,239**	13,725,794	**460,015**	63,407
Trading assets - fair value through profit or loss	18	**3,649,561**	2,397,547	**453,204**	420,126
Investment securities	19	**55,379,321**	60,951,440	**348,508**	684,543
Finance lease receivables, hire purchases and operating leases	20	**51,886,989**	51,666,748	**4,422**	8,920
Advances and other loans	21	**366,809,378**	161,116,017	**785,112**	1,774,112
Insurance premium receivables	22	**1,080,758**	801,165	**-**	-
Inventories	23	**4,070,523**	3,645,281	**364,029**	462,760
Current tax assets	24	**1,404,425**	1,011,854	**131,566**	178,334
Trade and other current assets	25	**14,979,118**	10,480,953	**26,262,577**	16,524,924
Prepaid lease rentals on leasehold properties	26	**741,279**	742,535	**-**	-
Investment properties	27	**9,750,928**	9,073,216	**376,600**	353,000
Biological assets;					
Consumable biological assets	28	**2,984,091**	6,150,990	**-**	-
Bearer biological assets	29	**1,151,494**	4,811,353	**-**	-
Investments in group of companies;					
Subsidiary companies	30	**-**	-	**61,670,676**	42,615,931
Associates	31	**15,764,522**	16,493,637	**4,314,001**	7,816,377
Deferred tax assets	32.1	**1,492,249**	490,243	**-**	80
Intangible assets	33	**13,299,451**	2,482,046	**203,084**	210,021
Property, plant and equipment	34	**42,265,514**	33,553,739	**6,633,567**	4,381,379
Total assets		**640,924,840**	379,594,558	**102,007,361**	75,493,914

		Group		Company	
As at 31 March		2017	2016	2017	2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	17.2	**7,365,332**	9,302,310	**1,691,299**	3,354,589
Trading liabilities	35	**65,287**	17,859	**1,252**	-
Deposits liabilities	36	**211,128,007**	74,165,732	**-**	-
Interest bearing borrowings	37	**286,749,284**	205,774,163	**51,006,998**	35,014,816
Insurance provision - life	38.1	**2,048,422**	1,519,563	**-**	-
Insurance provision - general	38.2	**2,729,985**	2,136,529	**-**	-
Current tax payables	39	**3,636,203**	2,084,537	**623,434**	322,774
Trade and other payables	40	**17,682,263**	11,572,669	**1,238,204**	1,115,435
Deferred tax liabilities	32.3	**4,492,485**	3,930,668	**219,926**	-
Deferred income	41	**235,833**	651,021	**-**	-
Retirement benefit obligations	42	**2,175,902**	2,063,282	**234,548**	184,863
Total liabilities		**538,309,003**	313,218,333	**55,015,661**	39,992,477
Equity					
Stated capital	43	**475,200**	475,200	**475,200**	475,200
Reserves	44	**8,932,444**	5,436,196	**3,377,627**	1,653,318
Retained earnings	45	**49,442,054**	31,786,984	**43,138,873**	33,372,919
Equity attributable to shareholders of the Company		**58,849,698**	37,698,380	**46,991,700**	35,501,437
Non-controlling interests		**43,766,139**	28,677,845	**-**	-
Total equity		**102,615,837**	66,376,225	**46,991,700**	35,501,437
Total liabilities & equity		**640,924,840**	379,594,558	**102,007,361**	75,493,914

The accounting policies and notes as setout in pages 130 to 278 form an integral part of these financial statements.

I certify that these Financial Statements have been prepared and are presented in compliance with the requirements of the Companies Act, No.07 of 2007.

Figures in brackets indicate deductions.

Mrs. S.S. Kotakadeniya
Chief Financial Officer

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

Mr. I.C. Nanayakkara
Deputy Chairman

Mr. W.D.K. Jayawardena
Group Managing Director / CEO

18 July 2017, Rajagiriya (Greater Colombo)

Statement of Profit or Loss

		Group		Company	
For the year ended 31 March		2017	2016	2017	2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
					Reclassified
Gross income	4	91,715,284	66,765,048	20,265,814	7,762,465
Interest Income	4.1	54,573,085	38,654,652	3,832,011	1,883,911
Interest expenses	6	(33,159,212)	(18,850,392)	(5,270,261)	(3,191,053)
Net interest income		21,413,873	19,804,260	(1,438,250)	(1,307,142)
Revenue	4.2	23,441,032	20,228,126	-	-
Cost of sales		(14,112,059)	(12,702,851)	-	-
Gross profit		9,328,973	7,525,275	-	-
Income	4.3	7,687,454	6,751,926	3,967,725	3,002,073
Other income/(expenses)	5	6,013,713	1,130,344	12,466,078	2,876,481
Profit before operating expenses		44,444,013	35,211,805	14,995,553	4,571,412
Operating expenses					
Direct expenses excluding finance expenses	7	(7,199,759)	(5,163,640)	(131,098)	(63,377)
Personnel expenses	8	(12,617,864)	(10,309,111)	(1,896,478)	(1,701,796)
Net impairment loss on financial assets	9	(4,279,678)	(2,978,061)	4,908	1,811
Depreciation and amortisation	10	(1,869,791)	(1,577,846)	(436,931)	(360,747)
Other operating expenses	11	(8,520,149)	(6,470,433)	(2,386,584)	(1,612,371)
Results from operating activities	12	9,956,772	8,712,714	10,149,370	834,932
Share of profits of equity accounted investees, net of tax	13.1	3,827,962	3,094,237	-	-
Results on acquisition and divestment of Group investments	14	10,594,331	50,963	-	-
Profit before income tax expense		24,379,065	11,857,914	10,149,370	834,932
Income tax expense	15	(3,458,453)	(2,526,527)	(372,071)	(146,152)
Profit for the year		20,920,612	9,331,387	9,777,299	688,780
Profit attributable to;					
Equity holders of the Company		17,157,762	8,518,690	9,777,299	688,780
Non-controlling interests		3,762,850	812,697	-	-
		20,920,612	9,331,387	9,777,299	688,780

The accounting policies and notes as setout in pages 130 to 278 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Comprehensive Income

		Group		Company	
For the year ended 31 March		2017	2016	2017	2016
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Profit for the year		20,920,612	9,331,387	9,777,299	688,780
Other comprehensive income					
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:					
Revaluation surplus of property, plant and equipment					
Revaluation of property, plant and equipment		3,174,493	1,960,991	1,890,592	-
Related tax	15.8	(59,807)	(137,435)	(34,258)	-
Defined benefit plan actuarial gains / (losses)					
Re-measurement of defined benefit liabilities	42	35,918	520,882	(11,345)	18,939
Related tax	15.8	(7,576)	(40,655)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	314,947	147,842	-	-
Net other comprehensive income not to be reclassified to income statement in subsequent periods		3,457,975	2,451,625	1,844,989	18,939
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :					
Available for sale financial instruments					
Net change in fair value of available-for-sale financial assets		(159,712)	(624,567)	(132,025)	(101,931)
Foreign currency translation differences for foreign operations					
Exchange gain from translation of foreign operations		531,729	800,325	-	-
Transfer of translation reserve on disposed foreign associate		(777,589)	-	-	-
Fair value differences on cash flow hedges					
Net movement in cash flow hedges		(106,741)	416,017	-	(719)
Related tax	15.8	(16,996)	(71,299)	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	688,830	(965,125)	-	-
Net other comprehensive income to be reclassified to income statement in subsequent periods		159,521	(444,649)	(132,025)	(102,650)
Total other comprehensive income/ (expense) for the year, net of tax		3,617,496	2,006,976	1,712,964	(83,711)
Total comprehensive income for the year, net of tax		24,538,108	11,338,363	11,490,263	605,069
Total comprehensive income attributable to;					
Equity holders of the Company		20,253,969	8,689,716	11,490,263	605,069
Non-controlling interests		4,284,139	2,648,647	-	-
		24,538,108	11,338,363	11,490,263	605,069
Basic earnings per share	16.1	36.11	17.93	20.58	1.45

The accounting policies and notes as setout in pages 130 to 278 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

Company	Note	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Fair Value Reserve on AFS
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April 2015		475,200	1,300,116	719	266,963
Total comprehensive income for the period					
Profit for the year		-	-	-	-
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-	-	-	(101,931)
Transfer to revaluation reserve		-	(16,830)	-	-
Net movement of cash flow hedges		-	-	(719)	-
Re-measurement of defined benefit liabilities	15.8	-	-	-	-
Total comprehensive income for the period		-	(16,830)	(719)	(101,931)
Balance as at 31 March 2016		475,200	1,283,286	-	165,032
Total comprehensive income for the period					
Profit for the year		-	-	-	-
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		-	-	-	(132,025)
Revaluation of property, plant and equipment		-	1,890,592	-	-
Deferred tax on revaluation		-	(34,258)	-	-
Re-measurement of defined benefit liabilities	15.8	-	-	-	-
Total comprehensive income for the period		-	1,856,334	-	(132,025)
Balance as at 31 March 2017		475,200	3,139,620	-	33,007

The accounting policies and notes as setout in pages 130 to 278 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Equity attributable to the shareholders of the Company

Future Taxation Reserve	Retained Earnings	Total
Rs.'000	Rs.'000	Rs.'000
205,000	32,648,370	34,896,368
-	688,780	688,780
-	-	(101,931)
-	16,830	-
-	-	(719)
-	18,939	18,939
-	724,549	605,069
205,000	33,372,919	35,501,437
-	9,777,299	9,777,299
-	-	(132,025)
-	-	1,890,592
-	-	(34,258)
-	(11,345)	(11,345)
-	9,765,954	11,490,263
205,000	43,138,873	46,991,700

Statement of Changes in Equity

Group	Note	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	Cash Flow Hedge Reserve Rs. '000
Balance as at 01 April 2015		475,200	2,932,414	(102,894)
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income				
Net change in fair value of available-for-sale financial assets		-	-	-
Revaluation of property, plant and equipment		-	483,317	
Deferred tax on revaluation	15.8	-	(17,614)	-
Foreign currency translation differences for foreign operations		-	-	-
Net movement of cash flow hedges		-	-	378,174
Deferred tax on cash flow hedges	15.8	-	-	(57,039)
Re-measurement of defined benefit liabilities	42	-	-	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	-	61,548	-
Total other comprehensive income for the period		-	527,251	321,135
Total comprehensive income for the period		-	527,251	321,135
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends paid during the period		-	-	-
Dividend forfeited during the period		-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-
Transactions due to changes in group holding				
Non-controlling interests recognised on acquisition of subsidiaries		-	-	-
NCI contribution for subsidiary share issues		-	-	-
Acquisition of non-controlling interests		-	-	-
Changes in ownership interests in subsidiaries that do not result in a change in control		-	-	-
Total transactions due to changes in group holding		-	-	-
Total transactions with owners directly recorded in the Equity		-	-	-
Other movements in equity				
Depreciation transfer on revaluation		-	(25,480)	-
Net transfers to statutory reserve fund		-	-	-
Share issue cost of subsidiary companies		-	-	-
Total other movements		-	(25,480)	-
Balance as at 31 March 2016		475,200	3,434,185	218,241

Fair Value Reserve on AFS	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
244,963	327,120	205,000	1,697,783	22,454,099	28,233,685	27,853,620	56,087,305
-	-	-	-	8,518,690	8,518,690	812,697	9,331,387
(594,628)	-	-	-	-	(594,628)	(29,939)	(624,567)
-	-	-	-	-	483,317	1,477,674	1,960,991
-	-	-	-	-	(17,614)	(119,821)	(137,435)
-	603,423	-	-	-	603,423	196,902	800,325
-	-	-	-	-	378,174	37,843	416,017
-	-	-	-	-	(57,039)	(14,260)	(71,299)
-	-	-	-	55,248	55,248	465,634	520,882
-	-	-	-	(4,480)	(4,480)	(36,175)	(40,655)
(755,700)	(766)	-	-	19,543	(675,375)	(141,908)	(817,283)
(1,350,328)	602,657	-	-	70,311	171,026	1,835,950	2,006,976
(1,350,328)	602,657	-	-	8,589,001	8,689,716	2,648,647	11,338,363
-	-	-	-	-	-	(208,150)	(208,150)
-	-	-	-	3,676	3,676	33	3,709
-	-	-	-	3,676	3,676	(208,117)	(204,441)
-	-	-	-	-	-	354,484	354,484
-	-	-	-	-	-	245,000	245,000
-	-	-	-	881,930	881,930	(2,278,070)	(1,396,140)
-	-	-	-	(110,168)	(110,168)	64,322	(45,846)
-	-	-	-	771,762	771,762	(1,614,264)	(842,502)
-	-	-	-	775,438	775,438	(1,822,381)	(1,046,943)
-	-	-	-	25,480	-	-	-
-	-	-	56,575	(56,575)	-	-	-
-	-	-	-	(459)	(459)	(2,041)	(2,500)
-	-	-	56,575	(31,554)	(459)	(2,041)	(2,500)
(1,105,365)	929,777	205,000	1,754,358	31,786,984	37,698,380	28,677,845	66,376,225

Statement of Changes in Equity

Group	Note	Stated Capital Rs. '000	Revaluation Reserve Rs. '000	Cash Flow Hedge Reserve Rs. '000
Balance as at 01 April 2016		475,200	3,434,185	218,241
Total comprehensive income for the period				
Profit for the period		-	-	-
Other comprehensive income				
Net change in fair value of available-for-sale financial assets		-	-	-
Revaluation of property, plant and equipment		-	2,951,502	-
Deferred tax on revaluation	15.8	-	(48,485)	-
Foreign currency translation differences for foreign operations		-	-	-
Net movement of cash flow hedges		-	-	(83,034)
Deferred tax on cash flow hedges		-	-	(16,851)
Re-measurement of defined benefit liabilities	42	-	-	-
Deferred tax on re-measurement of defined benefit liabilities	15.8	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	13.2	-	274,999	-
Transfer of translation reserve on disposed foreign associate	31.5	-	-	-
Total other comprehensive income for the period		-	3,178,016	(99,885)
Total comprehensive income for the period		-	3,178,016	(99,885)
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends paid during the period		-	-	-
Total contribution by / (distributions to) owners of the Company		-	-	-
Transactions due to changes in group holding				
Non-controlling interests recognised on acquisition of subsidiaries	30.6.10	-	-	-
NCI contribution for subsidiary share issues	30.8	-	-	-
Acquisition of non-controlling interests	30.9	-	-	-
Disposal of subsidiaries	30.7.6	-	-	-
Changes in ownership interests that do not result in a change in control		-	-	-
Total transactions due to changes in group holding		-	-	-
Total transactions with owners directly recorded in the Equity		-	-	-
Other movements in equity				
Depreciation transfer on revaluation		-	(10,592)	-
Net transfers to statutory reserve fund		-	-	-
Total other movements		-	(10,592)	-
Balance as at 31 March 2017		475,200	6,601,609	118,356

The accounting policies and notes as setout in pages 130 to 278 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Fair Value Reserve on AFS	Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
(1,105,365)	**929,777**	**205,000**	**1,754,358**	**31,786,984**	**37,698,380**	**28,677,845**	**66,376,225**
-	-	-	-	17,157,762	17,157,762	3,762,850	20,920,612
(161,994)	-	-	-	-	(161,994)	2,282	(159,712)
-	-	-	-	-	2,951,502	222,991	3,174,493
-	-	-	-	-	(48,485)	(11,322)	(59,807)
-	315,848	-	-	-	315,848	215,881	531,729
-	-	-	-	-	(83,034)	(23,707)	(106,741)
-	-	-	-	-	(16,851)	(145)	(16,996)
-	-	-	-	(13,245)	(13,245)	49,163	35,918
-	-	-	-	(1,135)	(1,135)	(6,441)	(7,576)
372,143	276,498	-	-	7,550	931,190	72,587	1,003,777
-	(777,589)	-	-	-	(777,589)	-	(777,589)
210,149	(185,243)	-	-	(6,830)	3,096,207	521,289	3,617,496
210,149	(185,243)	-	-	17,150,932	20,253,969	4,284,139	24,538,108
-	-	-	-	-	-	(237,209)	(237,209)
-	-	-	-	-	-	(237,209)	(237,209)
-	-	-	-	-	-	(2,066,662)	(2,066,662)
-	-	-	-	-	-	19,847,015	19,847,015
-	-	-	-	859,218	859,218	(1,627,691)	(768,473)
-	-	-	-	-	-	(4,769,503)	(4,769,503)
-	-	-	-	38,131	38,131	(341,795)	(303,664)
-	-	-	-	897,349	897,349	11,041,364	11,938,713
-	-	-	-	897,349	897,349	10,804,155	11,701,504
-	-	-	-	10,592	-	-	-
-	-	-	403,803	(403,803)	-	-	-
-	-	-	403,803	(393,211)	-	-	-
(895,216)	**744,534**	**205,000**	**2,158,161**	**49,442,054**	**58,849,698**	**43,766,139**	**102,615,837**

Statement of Cash Flow

		Group		Company	
For the year ended 31 March	Note	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax expense		24,379,065	11,857,914	10,149,370	834,932
Adjustment for:					
(Gain) / loss on sale of property, plant and equipment	5.1	(40,942)	(135,156)	(59,256)	(116,939)
Depreciation and amortisation	10	1,869,791	1,577,846	436,931	360,747
Insurance provision		1,122,315	1,285,583	-	-
Change in fair value of forward contracts	5.1	28,699	(108,825)	-	-
Provision for gratuity	42.1	345,491	351,302	57,219	14,978
Net impairment (loss) / reversal on financial assets	9	4,279,678	2,978,061	(4,918)	(1,811)
Provision for fall/(increase) in value of investments	5.1	(161,794)	99,615	(32,691)	89,959
Investment Income		(4,656,964)	(1,809,205)	(309,111)	(287,397)
Net finance costs		34,390,845	20,098,345	5,270,261	3,191,053
(Profit)/loss on sale of quoted and non-quoted shares	5.1	21,448	(130,108)	(12,011)	1,654
Foreign exchange gain / (loss)	5.1	(38,925)	80,402	-	-
Share of profits of equity accounted investees	13.1	(3,827,962)	(3,094,237)	-	-
Results on acquisition and divestment of Group investments	14 / 30.11	(10,594,331)	(50,963)	(9,099,508)	-
(Gain)/ Loss in fair value of consumer biological assets	28.1	(214,816)	194,354	-	-
Change in fair value of investment properties	27	(855,409)	(135,120)	(23,600)	(9,000)
Amortisation of deferred income	41	(85,169)	(34,610)	-	-
Provision/ (reversal) for slow moving inventories	23.1	(53,448)	(88,519)	-	-
Allowance for trade and other receivables	25.1.1	215,963	83,181	-	-
Transaction cost on acquisition of subsidiaries		303,970	-	-	-
Loss on disposal of subsidiaries		-	4,864	-	-
Operating profit before working capital changes		46,427,505	33,024,724	6,372,686	4,078,176
Working capital changes					
Increase/(decrease) in trade and other payables		2,761,464	3,984,128	384,311	(1,144,775)
(Increase)/decrease in investment in leases, hire purchase and others		(831,876)	(11,194,861)	4,499	(7,237)
(Increase)/decrease in investment in advances and other loans		(37,216,615)	(64,705,539)	993,918	(462,041)
(Increase)/decrease in premium receivables		(279,593)	(199,066)	-	-
(Increase)/decrease in inventories		(786,796)	(1,723,090)	98,731	(452,510)
(Increase)/decrease in trade and other receivables		(2,896,195)	(1,612,642)	(9,928,268)	(11,092,217)
Increase/(decrease) in customer deposits		29,344,211	23,578,493	-	-
Cash generated from operations		36,522,105	(18,847,853)	(2,074,123)	(9,080,604)
Finance cost paid		(34,862,108)	(19,835,244)	(5,219,512)	(3,275,596)
Income tax and economic service charge paid		(2,092,543)	(1,612,220)	(41,713)	(1,525)
Defined benefit plan costs paid	42	(236,596)	(284,887)	(7,534)	(4,630)
Net cash from/(used in) operating activities		(669,142)	(40,580,204)	(7,342,882)	(12,362,355)

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(19,004,747)	(189,881)
Net cash and cash equivalents on acquisition of subsidiary	30.6.11	5,246,189	(393,826)	-	-
Disposal of associates	31.5	-	1,103,230	-	-
Net cash and cash equivalents received on disposal of subsidiary	30.7.7	4,932,153	4,740	-	-
Investment in equity accounted investees	31.6	(1,331,015)	(276,539)	-	(166,172)
Acquisition of PPE / Investment properties		(7,290,473)	(5,424,129)	(879,320)	(1,209,031)
Acquisition / (disposal) of intangible assets	33.5	(219,758)	(176,861)	6,937	(70,000)
Net additions to trading assets		(1,111,668)	(1,260,613)	11,624	(2,573)
Net additions to investment securities		6,147,413	(42,693,744)	336,035	2,816
Proceeds from the disposal of PPE / Investment properties		198,249	465,137	215,046	343,610
Investment income received		4,587,406	1,809,205	-	-
Dividend received		608,826	479,514	240,193	101,660
Net additions of biological assets		(276,609)	(280,964)	-	-
Prepayment of lease rentals		19,749	(408,683)	-	-
Proceeds from sale of associates		-	-	12,601,885	-
Net cash flow from investing activities		11,510,462	(47,053,533)	(6,472,347)	(1,189,571)
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash proceeds from short term borrowings		16,684,717	21,850,963	16,944,239	8,023,432
Principal repayment under finance lease liabilities	37.2.2	(773,220)	(307,777)	(80,344)	(119,511)
Proceeds from long term borrowings		35,132,089	87,200,910	1,007,081	5,415,716
Repayments of long term borrowings	37.3	(38,423,865)	(22,218,903)	(1,855,849)	(1,823,826)
Issue / (repayment) of debentures		(18,459)	5,000,000	(140,000)	(1,110,000)
Dividends paid to non-controlling interests		(237,209)	(208,150)	-	-
Receipt of deferred income	41	142,508	77,976	-	-
NCI contribution to subsidiary share issues	30.8	19,847,015	245,000	-	-
Share issue cost of subsidiaries		-	(2,500)	-	-
Acquisition of non-controlling interests	30.9	(768,473)	(1,396,140)	-	-
Net cash generated from financing activities		31,585,103	90,241,379	15,875,127	10,385,811
Net increase/(decrease) in cash and cash equivalents during the year		42,426,423	2,607,642	2,059,898	(3,166,115)
Cash and cash equivalents at the beginning of the year		4,423,484	1,815,842	(3,291,182)	(125,067)
Cash and cash equivalents at the end of the year		46,849,907	4,423,484	(1,231,284)	(3,291,182)
Analysis of cash and cash equivalents at the end of the year	17				
Cash in hand and favourable bank balances		54,215,239	13,725,794	460,015	63,407
Unfavourable bank balances used for cash management purposes		(7,365,332)	(9,302,310)	(1,691,299)	(3,354,589)
		46,849,907	4,423,484	(1,231,284)	(3,291,182)

The accounting policies and notes as setout in pages 130 to 278 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

1.1 General

Lanka ORIX Leasing Company PLC ('the Company') is a public quoted company incorporated on 14 March 1980 and domiciled in Sri Lanka. The address of the Company's registered office is No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is situated at the same place.

The Consolidated Financial Statements of the Group as at and for the year ended 31st March 2017 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates.

The Group is primarily involved in providing diversified financial solutions to a wide variety of customer segments and also engaged in diversified activities such as manufacturing, trading, leisure, plantations, real estate development, construction and power & energy etc.

Ordinary shares of the Company are listed on the main board of the Colombo Stock Exchange (CSE).

1.2 Principal activities and nature of operations

Lanka ORIX Leasing Company PLC, the Group's holding Company, manages a portfolio of investments consisting of a range of diverse business operations, which together constitute the LOLC Group, and provides function based services to its subsidiaries and associates.

Description of the nature of operations and principle activities of the subsidiaries and associates are given on note 30.3 and 31.2 respectively to these Financial Statements. There were no significant changes in the nature of the principal activities of the Company and the Group during the financial year under review.

All the group companies incorporated and domiciled in Sri Lanka except for following subsidiaries and associates;

Company	Relationship	Functional currency	Country of incorporation
LOLC (Cambodia) PLC	Subsidiary	Cambodian Riel (KHR)	Cambodia
PRASAC Micro Finance Institution Limited	Subsidiary	United States Dollar (USD)	Cambodia
Bodufaru Beach Resorts (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Maldives
LOLC Myanmar Micro-Finance Company Limited	Subsidiary	Myanmar Kyat (MMK)	Myanmar
LOLC International (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Singapore
LOLC (Pvt) Ltd	Subsidiary	United States Dollar (USD)	Singapore
NPH Investments (Pvt) Ltd	Associate	United States Dollar (USD)	Maldives

1.3 Parent Entity and Ultimate Parent Entity

Lanka ORIX Leasing Company PLC is the holding company of the Group and therefore, it does not have an identifiable immediate or ultimate parent of its own. Lanka ORIX Leasing Company PLC became the holding company of the Group during the financial year ended 31 March 2011.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The Financial Statements of the Company and those consolidated with such are prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/LKAS) laid down by The Institute of Chartered Accountants of Sri Lanka (ICASL) and in compliance with the Companies Act No. 07 of 2007. These SLFRSs and LKASs are available at www.casrilanka.com.

The presentation of these Financial Statements is also in compliance with the requirements of the Finance Leasing Act No 56 of 2000, Finance Business Act No 42 of 2011 and Insurance Industry Act No 43 of 2000 subsequent amendments thereto and provide appropriate disclosures as required by the Listing Rules of the CSE. These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

The Group did not adopt any inappropriate accounting treatments, which are not in compliance with the requirements of the SLFRSs and LKASs, regulations governing the preparation and presentation of the Financial Statements.

2.2 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 52 (Maturity analysis)

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 off-set 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 Statement of profit or loss unless required or permitted by an accounting standard or an interpretation, and as specially disclosed in the accounting policies of the Group.

2.3 Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis, except for the following material items in the statement of financial position,

- Financial instruments at Fair Value through Profit or Loss are measured at fair value
- Derivative financial instruments are measured at fair value
- Available-for-sale financial assets are measured at fair value
- The liability for defined benefit obligations are measured at the present value
- Lands and buildings are measured at the revalued amounts
- Investment properties are measured at fair value
- Agricultural produces are measured at fair value less cost to sell
- Consumable Biological assets are measured at fair value less cost to sell

2.4 Functional and Presentation Currency

The functional currency is the currency of the primary economic environment in which the entities of the Group operate. The Financial Statements are presented in Sri Lankan Rupee (LKR), which is the functional currency of the Group. All financial information presented in Rupee has been rounded to the nearest Rupees thousands unless stated otherwise.

2.5 Use of Estimates and Judgment

The preparation of the Financial Statements in conformity with SLFRSs/ LKAS's requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

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

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Statements are included in the following notes to these Financial Statements.

Critical accounting estimates/ judgment	Disclosure reference Note
Financial Instruments – fair value disclosure	50
Determination in fair value of Investment properties	27.4
Useful lives of intangible assets	3.6.5
Useful lives of property, plant and equipment	3.7.1.7
Useful lives of Bearer biological assets	3.28.7
Determination in fair value of Consumer biological assets	28.2
Goodwill on acquisition	3.1.14/33.2
Gain on bargain purchase	3.1.15
Insurance provision – life	3.27.5.6
Insurance provision – general	3.27.4.8
Unearned premium reserve	3.27.4.3
Deferred acquisition cost	3.27.4.6
Retirement benefit obligation	42.2
Un-recognised deferred tax assets	32.6
Deferred tax on undistributed profits of equity accounted investees	3.19.2.2
Write-off policy	3.3.4.2
Collective allowance for impairment	3.3.4
Leasehold right to bare land	3.28.9
Impairment of non-financial assets	3.10
Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power	30.5
Material NCI	3.1.3/ 30.12

Notes to the Financial Statements

2.6 Comparative Information

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

The share of results of equity accounted investees in the income statement and other comprehensive income statement are shown net of all related taxes.

2.7 Materiality, Presentation and Aggregation

As per LKAS – 01 "Presentation of Financial Statements", each material class of similar items are presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern.

2.8 Offsetting

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 liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the International Financial Reporting Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the Significant Accounting Policies of the Group.

2.9 Going Concern

The Board of Directors is satisfied that the Group has adequate resources to continue its operations in the foreseeable future and 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, going-concern basis has been adopted in preparing these Financial Statements.

2.10 Directors' Responsibility for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards and as per the provisions of the Companies Act No. 07 of 2007. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Board of Directors acknowledges their responsibility as set out in the "Annual Report of the Board of Directors on the Affairs of the Company" and "Director's Responsibility for Financial Reporting".

These Financial Statements include the following components;

- A Statement of Financial Position providing the information on the financial position of the Group and the Company as at the year end.
- A Statement of Profit or Loss providing the information on the financial performance of the Group and the Company for the year under review.
- A Statement of Other Comprehensive Income providing the information of the other comprehensive income of the Group and the Company.
- A Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company.
- A Statement of Cash Flows providing the information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of entities to utilise those cash flows, and
- Notes to the Financial Statements comprising Accounting Policies and other explanatory information.

2.11 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2017 including comparatives) were approved and authorised for issue by the Board of Directors on 18 July 2017.

2.12 Changes in Accounting Policies

The Group and the Company has consistently applied the accounting policies as set out in Note 3 to all periods presented in these consolidated financial statements.

2.13 New Accounting Standards Issued but Not Effective at Reporting Date

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:

Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
SLFRS 9 – 'Financial Instruments'	SLFRS 9, issued in 2014, replaces the existing guidance in LKAS 39 – Financial Instruments: Recognition and Measurement. SLFRS 9 contains three principal classification categories for financial assets – i.e. measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The existing LKAS 39 categories of Held-to-maturity, Loans and receivables and Available-for-sale are removed. SLFRS 9 replaces the 'incurred loss' model in LKAS 39 with an 'expected credit loss' model. The new model applies to financial assets that are not measured at FVTPL. The model uses a dual measurement approach, under which the loss allowance is measured as either: • 12 month expected credit loss; or • Lifetime expected credit losses. The measurement basis will generally depend on whether there has been a significant increase in credit risk since initial recognition. A simplified approach is available for trade receivables, contract assets and lease receivables, allowing or requiring the recognition of lifetime expected credit losses at all times. Special rules apply to assets that are credit impaired at initial recognition. The new standard carried guidance on new general hedge accounting requirements. SLFRS 9 introduces new presentation requirements and extensive new disclosure requirements. Effective date of SLFRS 9 has been deferred till January 01, 2018.	The Group has completed the initial high level assessment of the potential impact on its Consolidated Financial Statements resulting from the application of SLFRS 9 with the assistance of an external consultant. The next phase being the implementation phase, will commence from end May 2017. During this Phase the Group will implement a business model approach and solely payment of principal and interest criteria to ensure that financial assets are classified into the appropriate categories. Need to build a model with appropriate methodologies and controls to ensure that judgment exercised to assess recoverability of loans and make robust estimates of expected credit losses and point at which there is significant increase in credit risk. Judgment will need to be applied to ensure that the measurement of expected credit losses reflects reasonable and supportable information. Given the nature of the Group's operations, this standard is expected to have a pervasive impact on the Group's Financial Statements. In particular, calculation of impairment of financial instruments on an expected credit loss model is expected to result in an increase in the overall level of impairment allowances.

Notes to the Financial Statements

Accounting Standard	Summary of the Requirements	Possible Impact on Consolidated Financial Statements
SLFRS 15 – 'Revenue from Contracts with Customers'	SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. New qualitative and quantitative disclosure requirements aim to enable Financial Statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Entities will apply five-step model to determine when to recognise revenue and at what amount. The model specified that revenue is recognised when or as an entity transfers control of goods and services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised. It replaces existing revenue recognition guidance, including LKAS 18 on 'Revenue' and LKAS 11 on 'Construction Contracts' and IFRIC 13 on 'Customer Loyalty Programmes'. SLFRS 15 is effective for annual reporting periods beginning on or after January 01, 2018, with early adoption permitted.	The Group does not expect significant impact on its Financial Statements resulting from the application of SLFRS 15 and pending the completion of detailed review, the financial impact is not reasonably estimable as at the date of publication of these Financial Statements.
SLFRS 16 – 'Leases'	SLFRS 16 eliminates the current dual accounting model for lessees which distinguishes between On-Balance Sheet fiancé leases and Off-Balance Sheet operating leases. Instead there will be a single On-Balance Sheet accounting model that is similar to current finance lease accounting. SLFRS 16 is effective for annual Reporting periods beginning on or after January 01, 2019.	The Group is assessing the potential impact on its Financial Statements resulting from the application of SLFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES

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

These accounting policies have been applied consistently by entities within the Group.

3.1 Basis of Consolidation

3.1.1 Business Combinations

The Group's Financial Statements comprise, Consolidated Financial Statements of the Company and its Subsidiaries in terms of the Sri Lanka Accounting Standard – SLFRS 10 on 'Consolidated Financial Statements' and the proportionate share of the profit or loss and net assets of its Associates in terms of the Sri Lanka Accounting Standard – LKAS 28 on 'Investments in Associates and Joint Ventures'.

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in Profit or Loss.

The Group elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value, or at its proportionate share of the recognised amount of the identifiable net assets, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities.

Control over an investee is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

  When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights

The Financial Statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases. Acquisition of subsidiaries is accounted for using the acquisition method of accounting.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. If a member of the group uses accounting policies other than those adopted in the consolidated Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the consolidated Financial Statements.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.1.3 Non-Controlling Interests

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent are presented in the Statement of Financial Position within Equity, separately from the Equity attributable to Shareholders Holders of the Parent (Company).

Material NCI of the Group disclosed in Note 30.12 and material NCI is determined based on Group threshold contribution to statement of financial position.

3.1.4 Acquisition of Non-Controlling Interests

Subsequent to the acquisition of control, any further acquisition of net assets from non-controlling interest is accounted for as transactions with owners in their capacity as owners. Therefore, no goodwill or gain on bargain purchase is recognised as a result of such transactions.

Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent.

3.1.5 Transactions do not Result a Change in Control

Changes in the Group's interest in a subsidiary that do not result in a loss of control status are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests and parent's equity are based on a proportionate amount of the net assets of the

Notes to the Financial Statements

subsidiary. No adjustments are made to goodwill recognised and no gain or loss is recognised in Profit or Loss.

3.1.6 Common Control Transactions

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

The acquirer of the common control transaction applies book value accounting for all common control transactions.

In applying book value accounting, no entries are recognised in Profit or Loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.

3.1.7 Loss of Control

The parent can lose control of a subsidiary with or without a change in absolute or relative ownership levels. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any minority interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of statement of profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as other financial asset depending on the level of influence retained.

3.1.8 Associates

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating activities. Significant influence is presumed to exist when the Group holds between twenty and fifty percent of the voting power of another entity.

Associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment in associate includes goodwill identified on acquisition, net of any accumulated impairment losses.

The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Acquisitions of additional stakes of equity accounted investees, until the control is established, are accounted as goodwill within the equity accounted investment if consideration paid is more than the net asset acquired or taken into to profit or loss as gain on bargain purchase if the net asset acquired is more than the consideration paid.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Associate Companies of the Group which have been accounted for under the equity method of accounting are disclosed under Note 31.6 to these Financial Statements.

3.1.9 Jointly-Controlled Entities

Jointly-controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Jointly-controlled entities are accounted for using equity method, from the date that joint control commences until the date that joint control ceases.

3.1.10 Reporting Date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31st March other than Commercial Insurance Brokers Limited, LOLC General Insurance Limited, LOLC Life Assurance Limited, LOLC Insurance Holdings Limited, LOLC International (Pvt) Ltd, LOLC (Pvt) Ltd, LOLC Cambodia Plc, PRASAC Micro Finance Institution Limited and Seylan Bank PLC whose financial year ends on 31st December.

The difference between the reporting date of the above companies and that of the parent does not exceed three months.

However, for the Group financial reporting purposes; the Financial Statements ending 31 March of the above mentioned subsidiaries and associates are considered.

3.1.11 Balances and Transactions Eliminated on Consolidation

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full.

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.

3.1.12 Business Combinations

All business combinations have been accounted for by applying the acquisition method in accordance with the SLFRS 3 - Business Combinations. Applying this method involves the entity that obtains control over the other entity to recognise the fair value of assets acquired and liabilities and contingent liabilities assumed, including those not previously recognised.

3.1.13 Cost of Acquisition

The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. This excludes any transaction costs incurred.

3.1.14 Goodwill on Acquisition

Goodwill represents the excess of the cost of any acquisition of a subsidiary or an associate over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities acquired.

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognised immediately to the Statement of statement of profit or loss. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to groups of cash-generating units that are expected to benefit from the synergies of the combination.

The impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets pro-rata to the carrying amount of each asset in the unit. Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Carrying amount of the goodwill arising on acquisition of subsidiaries and joint ventures is presented as an intangible and the goodwill on an acquisition of an equity accounted investment is included in the carrying value of the investment.

3.1.15 Gain on Bargain Purchase (negative goodwill)

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognise the difference immediately in the Consolidated Statement of statement of profit or loss.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees - LKR) of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items are the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in Statement of statement of profit or loss.

3.2.2 The Net Gain or Loss on Conversion of Foreign Operations

The assets and liabilities of foreign operations, including goodwill and

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fair value adjustments arising on acquisitions, are translated into Sri Lanka Rupees (LKR) at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into Sri Lanka Rupees at spot exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI, and accumulated in the foreign currency translation reserve (Translation reserve), except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Profit or Loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while relating control , then the relevant proportion of the cumulative amount is attributed to NCI.

If a settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognised in OCI, and accumulated in the translation reserve within equity.

3.3 Fair Value Measurement - SLFRS 13

SLFRS 13 Fair Value Measurement applies to SLFRSs that require or permit fair value measurement or disclosures and provides a single SLFRS framework for measuring fair value and disclosures on fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

SLFRS 13, defines fair value, sets out in a single SLFRS a framework for measuring fair value disclosures on fair value measurements.

Financial Instruments

3.3.1 Financial Assets

Financial assets are within the scope of LKAS 39 are classified appropriately as fair value through Profit or Loss (FVTPL), loans and receivables (L & R), held to maturity (HTM), available-for-sale (AFS) at its initial recognition.

All the financial assets are recognised at fair value at its initial recognition.

3.3.1.1 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognised in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognised in Profit or Loss.

The Group's investments in certain equity securities and derivative instruments which are not accounted under hedge accounting are classified under fair value through profit or loss.

3.3.1.2 Loans and Receivables (L&R)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables of the Group comprise of the following,

3.3.1.3 Rental Receivables on Finance Leases and Hire purchases

Rentals receivable on leased and hire purchase assets are accounted for as finance leases and reflected in the statement of financial position at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and impairment losses.

3.3.1.4 Rental Receivables on Operating Leases

Leases where the group as the lessor effectively retains substantially all the risk and rewards incidental to the ownership are classified as operating leases. Lease rentals from operating leases are recognised as income on a straight-line basis over the lease term.

3.3.1.5 Advances and Other Loans to Customers

Advances and other loans to customers comprised of revolving loans, loans with fixed installments, factoring and gold loans.

Revolving loans to customers are reflected in the statement of financial position at amounts disbursed less repayments and allowance for impairment losses. Loans to customers with fixed installments are stated in the statement of financial position net of possible loan losses and net of interest, which is not accrued to revenue.

3.3.1.6 Gold Loans

The Group provides gold loan facilities with different maturities which are less than one year. The amounts receivables from Gold loans are included in the advances and other loans at the amounts expect to be recovered.

3.3.1.7 Trade Receivables

Trade receivables are stated at the amounts they are estimated to realise, net of provisions for impairment. An allowance for impairment losses is made where there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of receivables. Impaired receivables are written-off when identified.

3.3.1.8 Held-to-Maturity Financial Assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group has not classified any instrument as held to maturity.

3.3.1.9 Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for- sale and that are not classified in any of the previous categories. The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets.

Subsequent to initial recognition, these are measured at fair value and changes therein, other than impairment losses recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to Profit or Loss.

3.3.1.10 Cash and Cash Equivalents

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Bank overdrafts that are repayable on demand and form an integral part of the Group cash management and are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.3.2 Financial Liabilities

The Group initially recognises debt securities, deposits from customers, loans & borrowings on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument.

The Group derecognises financial liability when it's contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using effective interest rate method.

Other financial liabilities comprise of loans & borrowings, bank overdraft, customer deposits and debentures issued.

3.3.2.1 Finance Leases

Property, plant and equipment on finance leases, which effectively transfer to the Group substantially the entire risk and rewards incidental to ownership of the leased items, are disclosed as finance leases at their cash price and depreciated over the period the Group is expected to benefit from the use of the leased assets.

The corresponding principal amount payable to the lessor is shown

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as a liability. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the outstanding balance of the liability. The interest payable over the period of the lease is transferred to an interest in suspense account. The interest element of the rental obligations pertaining to each financial year is charged to the Statement of statement of profit or loss over the period of lease.

3.3.2.2 Lease Payments

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

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.3.3 Accounting for Non-Derivative Financial Instruments

3.3.3.1 Recognition

The Group initially recognises loans and advances, deposits, debt securities and subordinated liabilities on the date at which they are originated. All the financial assets and liabilities other than regular purchases and sales are recognised on the date the Group becomes a party to the contractual provisions of the instrument.

3.3.3.2 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in Profit or Loss.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.3.3.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are not offset in the statement of profit or loss unless required or permitted by an accounting standard or interpretation and as specifically disclosed in the accounting policies of the company.

3.3.3.4 Amortised Cost Measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

3.3.3.5 Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

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

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in Statement of Financial position.

3.3.3.6 Valuation of Financial Instruments

The Group measures the fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – Quoted market price (unadjusted) in an active market of an identical instrument.

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

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

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques

Valuation techniques include comparison of similar instruments for which market observable prices exist, other equity pricing models and other valuation models.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

The Group widely recognised valuation models for determining fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets are is prone to changes based on specific events and general conditions in the financial markets.

3.3.4 Impairment of Financial Instruments

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through Profit or Loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

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Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group of economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence for impairment.

The Group considers evidence of impairment for loans and advances at both specific and collective basis. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping them together with similar risk characteristics based on product types. In assessing collective impairment the Group uses statistical modeling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modeling, Default rates, loss rates and the expected timing of future recoveries are regularly taken into account to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Profit or Loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through Profit or Loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to Profit or Loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to Profit or Loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.3.4.1 Reversal of Impairment Loss

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognised in Profit or Loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income. The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

3.3.4.2 Write-off of Financial Assets carried at amortised cost

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

3.3.4.3 Accounting for Derivative Financial Instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.3.4.4 Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of derivative as hedge instrument, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge.

Group treasury is also required to documented assessments, both at hedge inception and on an on-going basis, of whether or not the hedging instruments, primarily forward rate contracts, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

3.3.4.5 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges as recognised in other comprehensive income and presented in the hedging reserve in equity. Any gain or loss in fair value relating to an ineffective portion is recognised immediately in the Profit or Loss during that period. The accumulated gains and losses recognised in other comprehensive income are reclassified to the statement of profit or loss in the periods in which the hedged item will affect Profit or Loss.

If the hedge instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. In such a case, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

3.3.4.6 Hedge Effectiveness Testing

To qualify for hedge accounting, at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective and demonstrate actual effectiveness on an on-going basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For establish effectiveness, the hedging instrument is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in cash flows must offset each other within the range of 80% to 125%. In evaluating the hedge effectiveness the entity takes into account the future forward currency contracts and evaluates the effectiveness of the hedge by taking into consideration the total period of the hedged item. The ineffective portion of the derivative portion will be recognised immediately in Statement Comprehensive Income.

3.3.4.7 Derivatives that do not qualify for Hedge Accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised immediately in the Profit or Loss.

3.3.4.8 Reclassification of Financial Instruments

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

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognised in equity is amortised to Profit or Loss over the remaining life of the 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 EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognised in the Profit or Loss when such a financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of statement of profit or loss.

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

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is determined on an instrument-by-instrument basis.

3.4 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

For manufacturing stocks, provision for slow moving inventories are made when the holding period exceeds 365 days, and the sale of the inventories is no longer probable.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Type of Inventory	Method of Valuation
Input Materials	Weighted Average basis
Growing Crop - Nurseries	At the cost of direct materials, direct labor and appropriate proportion of directly attributable overheads less provision for over-grown plants
Harvested Crop	Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is deemed to be the cost at the time of transferring the harvested crop to inventories.
Spares and Consumables	Weighted average basis
Finished goods and work-in-progress	First in First out (FIFO) basis

3.4.1 Real Estate Stocks

Real estate stocks of the Group represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.4.2 Non-Financial Receivables

Other receivable balances are stated at estimated amounts receivable after providing for impairment.

3.5 Investment Properties

3.5.1 Basis of Recognition

Investment property is the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

3.5.2 Basis of Measurement

3.5.2.1 Fair Value Model

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the Statement of statement of profit or loss in the year in which they arise.

Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the Consolidated Financial Statements, and accounted for as per LKAS 16- Property, Plant and Equipment.

3.5.2.2 De-recognition

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of statement of profit or loss in the year of retirement or disposal.

3.5.2.3 Subsequent Transfers to/from Investment Property

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation, commencement of an operating lease to another party or completion of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

For a transfer from investment property to owner occupied property or inventories, the deemed cost of property for subsequent accounting is its fair value at the date of change in use. If the property occupied by the Company as an owner occupied property becomes an investment property, the Company, accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

For a transfer from inventories to investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss. When the Company completes the construction or development of a self-constructed investment property, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the Statement of statement of profit or loss.

3.5.2.4 Determining Fair Value

External and independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio as at each reporting date. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.6 Intangible Assets

3.6.1 Basis of Recognition

An intangible asset is recognised if it is probable that future economic benefits that are attributable to the assets will flow to the entity and the cost of the assets can be measured reliably.

3.6.2 Basis of Measurement

Intangible assets acquired separately are measured as initial recognition at cost. Following initial recognition intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful life are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level.

3.6.3 Subsequent Expenditure

Subsequent expenditure on intangible assets are capitalised only when it increases the future economic benefits embodied these assets. All other expenditure are expensed when incurred.

3.6.4 De-recognition

Intangible assets are de-recognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from de-recognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

3.6.5 Amortisation

Amortisation is recognised in the Statement of statement of profit or loss on a straight-line basis over the estimated useful life of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful life of each intangible asset is as follows;

Computer Software	5 years
License and Fees	20 years
Customer Base	5 years
Brand Name	10 years
Right to generate solar power	20 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and are adjusted as appropriate.

3.7 Property, Plant and Equipment

3.7.1 Freehold Property, Plant & Equipment

3.7.1.1 Basis of Recognition

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

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3.7.1.2 Basis of Measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

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

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

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

3.7.1.3 Cost Model

The Group applies the cost model to all property, plant and equipment except freehold land and buildings; which is recorded at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

3.7.1.4 Revaluation Model

The Group revalues its land and buildings which are measured at its fair value at the date of revaluation less any subsequent accumulated depreciation and accumulated impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognised in the Statement of statement of profit or loss. A decrease in value is recognised in the Statement of statement of profit or loss where it exceeds the increase previously recognised in the revaluation reserve. Upon disposal, any related revaluation reserve is transferred from the revaluation reserve to retained earnings and is not taken into account in arriving at the gain or loss on disposal.

3.7.1.5 Subsequent Costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in Profit or Loss as incurred.

3.7.1.6 Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognised in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised and presented in the revaluation reserve in equity. Any loss is recognised immediately in Profit or Loss.

3.7.1.7 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Free-hold and lease-hold Building	40-50 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Furniture and Fittings	5-10 years
Office Equipment	4-8 years
Computer equipment	4-8 years
Plant and Machinery	8-20 years

Water Sanitation	20 years
Roads & Bridges	50 years
Penstock Pipes	20 years
Power/Electricity Supply	04 - 13 1/3 years
Security fencing	3 years
Cutlery, Crockery & Glassware 5 years	5 years
Linen	3 years
Swimming pool	10 years
Solar power plant	10 – 20 years

3.7.1.8 De-recognition

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, recognised net within other income/other expenses in the Statement of Comprehensive Income. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

3.7.2 Leasehold Property, Plant & Equipment (Assets Acquired on Finance Leases)

Leases in terms of which the Group assumes substantially obtained all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

3.7.3 Capital Work-in-Progress

Capital work-in-progress is stated at cost. These are expenses of a capital nature directly incurred in the construction of properties.

3.8 Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in Profit or Loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.9 Tax Expense

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognised in Statement of statement of profit or loss except to the extent that it relates to items recognised directly in the Statement of Other Comprehensive Income or Statement of Changes in Equity.

3.9.1 Current Tax

Current tax is the expected tax payable or recoverable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the tax on dividend income.

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

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

3.9.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting

Notes to the Financial Statements

purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable Profit or Loss;
- Temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- Taxable temporary differences arising on the initial recognition of goodwill.
- Taxable temporary differences arising on subsidiaries, associates or joint ventures who have not distributed their entire profits to the parent or investor.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Deferred tax assets and liabilities are not discounted.

The net increase in the carrying amount of deferred tax liability net of deferred tax asset is recognised as deferred tax expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of statement of profit or loss.

3.9.2.1 Accounting for Deferred Tax for the Companies Enjoying Tax Holidays

Group companies enjoying a tax exemption period shall only recognise deferred tax in their Financial Statements for temporary differences, where reversals of such differences extend beyond the tax exemption period.

Deferred Tax shall not be considered nor provided for assets/liabilities for which tax impacts and reversals take place within the tax exemption period. There will be no tax implications that take place after the expiration of the tax exemption period for such assets.

Where a Company is entitled to claim the total value or any part of expenditure made during the tax holiday period, as deductions for tax purposes after the tax holiday period, such an entity will treat such amount of expenditure as part of the tax base throughout the tax holiday period in the purpose of recognising deferred tax.

3.9.2.2 Deferred Tax on Undistributed Profits of Equity Accounted Investees

The Group does not control its equity accounted investees. It is therefore generally not in a position to control the timing of the reversal of a possible taxable temporary difference relating to the undistributed profits of the equity accounted investees.

The Group calculates deferred tax based on the most likely manner of reversal, taking into account management's intent and the tax jurisdiction applicable to relevant equity accounted investees.

The management intends to recover the carrying amount of the investment primarily through sale of the investment rather than through dividends. The deferred tax implications are evaluated based on the tax consequences on the sale of investments.

Since the carrying amount is expected to be recovered through a sale transactions which has no tax consequences, no temporary difference arise on the equity accounted investees and no deferred tax is provided.

3.9.3 Withholding Tax on Dividends

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

3.9.4 Economic Service Charge (ESC)

As per the provisions of Economic Service Charge Act No. 13 of 2006 and subsequent amendments thereto, ESC is payable on the liable turnover at specified rates. ESC is deductible from the income tax liability. Any unclaimed amount can be carried forward and set off against the income tax payable in the five subsequent years as per the relevant provision in the Act.

3.9.5 Nation Building Tax (NBT)

As per the provisions of the Nation Building Tax Act, No. 9 of 2009 and the subsequent amendments thereto, Nation Building Tax should be payable at the rate of 2% with effect from 1 January 2011 on the liable turnover as per the relevant provisions of the Act.

3.9.6 Value Added Tax on Financial Services (VAT on FS)

VAT on Financial Services is calculated in accordance with the amended VAT Act No. 7 of 2003 and subsequent amendments thereto. The base for the computation of VAT on Financial Services is the accounting profit before income tax adjusted for the economic depreciation and emoluments of employees. VAT on financial services is computed on the prescribed rate of 12%.

3.9.7 Sales Taxes (Value Added Tax and Turnover Tax)

Revenues, expenses and assets are recognised net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.10 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for its intended use or sale, are capitalised as part of the assets.

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

OTHER NON-FINANCIAL LIABILITIES AND PROVISIONS

Liabilities are recognised in the Statement of Financial Position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor within one year of the reporting date are treated as current liabilities. Liabilities payable after one year from the reporting date are treated as non-current liabilities.

3.11 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 "Insurance of Deposit Liabilities" issued on 27th September 2010, all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include time and savings deposit liabilities and exclude the following.

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

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

Notes to the Financial Statements

3.12 Grants and Subsidies

3.12.1 Grants related to assets

Grants related to property, plant and equipment are initially deferred and allocated to Statement of statement of profit or loss on a systematic basis over the useful life of the related property, plant and equipment. Grants related to assets, including non-monetary grants at fair value, are deferred in the statement of financial position and credited to the Statement of statement of profit or loss over the useful life of the related asset as given below;

	No. of Years	Rate
Building	40	2.5
Plant and Machinery	13 1/3	7.5
Equipment	8	12.5
Roads	50	2
Vehicles	5	20

Relevant assets are presented separately in the Financial Statements without setting off against the respective grants.

3.12.2 Grants related to assets

Grants related to income are recognised in the Statement of statement of profit or loss in the period in which they are receivable.

3.13 Employee Benefits

3.13.1 Defined Contribution Plans

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

3.13.1.1 Employees' Provident Fund (EPF), Ceylon Plantation Provident Society (CPPS) and state Staff Provident Society (ESPS)

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the above mentioned funds.

3.13.1.1.1 Employees' Trust Fund (ETF)

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

3.13.2 Defined Benefits Plans

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

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in Profit or Loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in Profit or Loss.

The Group recognises all actuarial gains and losses arising from the defined benefit plan in other comprehensive income (OCI) and all other expenses related to defined benefit plans are recognise as personnel expenses in Statement of statement of profit or loss. The retirement benefit obligation is not externally funded.

3.13.3 Short-term Employee Benefits

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

3.14 Accounts Payables and Accrued Expenses

Trade and other payables are stated at amortised cost.

3.15 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognised is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

STATEMENT OF STATEMENT OF PROFIT OR LOSS

3.16 Gross Income

Gross income comprises of revenue, income and other income other than those relating to contributions from equity participants.

The following are the main components of the revenue;

Finance & Leasing	Earned income on leases, hire purchases, factoring, margin trading, loans and advances
Insurance	Gross written premium
Manufacturing, Trading & Related Services	Production, sale of consumer, agricultural, motor vehicles and industrial items and providing related services
Leisure entertainment	Accommodation sales, service charges, food & beverages income and outlet sales
Plantation	Sale of perennial crops (Tea, Rubber, Coconut, Timber etc.,)
IT Services	IT service fee
Stock Brokering	Brokerage fees
Power Generation	Sale of electrical energy
Construction	Contract fee
Real Estate	Rental Income

Revenue is income that arises in the course of ordinary activities of group companies. Other Income such as interest on treasury bills, bonds and debentures, gain on disposal of property, plant and equipment, rental income, dividend income, royalty income, foreign exchange gain, franchise fees, gain on disposal of investments securities, gain on marked to market valuation of investments……..etc is also included in gross income.

3.16.1 Revenue Recognition

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

3.16.2 Goods Sold

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised. The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

3.16.3 Rendering of Services

Revenue from services rendered is recognised in Profit or Loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.16.4 Interest Income on Leases, Hire Purchases, Loans and Advances

Interest income and expense are recognised in Profit or Loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all fees paid are an integral part of the effective

Notes to the Financial Statements

interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expenses presented in the Statement of statement of profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis
- interest on available for sale investment securities calculated on an effective interest basis

Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through Profit or Loss, are presented in net income from other financial instruments at fair value through Profit or Loss in the Statement of statement of profit or loss.

3.16.5 Fees and Other Income

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

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.16.6 Net Trading Income

Net trading income comprise of gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.16.7 Net income from Other Financial Instruments at Fair Value Through Profit or Loss

Net income from other financial instruments at fair value through Profit or Loss relates to non-trading derivatives held for risk management purposes that do not form part of qualifying hedge relationships and financial assets and liabilities designated at fair value through Profit or Loss, and include all realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

3.16.8 Factoring Income

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

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

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

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

3.16.9 Revenue from Accommodation Sales and Services Charge

Revenue from accommodation sales is recognised for the rooms occupied on a daily basis, together with outlet sales and other income from hotel operations.

90% of Service Charge collected from guests is distributed among the employees, retaining 10% of such service charges collected for recovery of breakages of cutlery, crockery, glassware and stainless steel items. Any balance amount of the retention after recovery of actual breakages is redistributed among employees after the end of each financial year.

3.16.10 IT Service Fee

IT services fee is accounted for on accrual basis.

3.16.11 Turnover from Sale of Solar Systems and Sale of Electricity

The above revenue components are accounted on accrual basis.

3.16.12 Other Income

Rent income, non-operational interest income, royalty income and franchise fees are accounted for on accrual basis.

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

Gain on disposal of property, plant and equipment and other non-current assets, including investments held by the Group have been accounted for in the Statement of statement of profit or loss, carrying amount of such assets after deducting from the net sales proceeds on disposal.

3.16.13 Rental Income

Rental income from investment property is recognised in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognised as other income.

3.16.14 Amortization of Government Grants Received

An unconditional government grant related to a biological asset is recognised in the Statement of statement of profit or loss as other income when the grant becomes receivable.

Other government grants are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in the Statement of statement of profit or loss as other income on a systematic basis over the useful life of the asset.

Grants that compensate the Group for expenses incurred are recognised in the Statement of statement of profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.17 Expenses Recognition

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

For the presentation of the statement of profit or loss the Directors are of the opinion that the nature of the expenses method present fairly the element of the Company's performance, and hence such presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the statement of profit or loss.

Repairs and renewals are charged to the Statement of Comprehensive Income in the year in which the expenditure is incurred.

3.18 Finance Income and Finance Costs

Finance income comprises interest income on funds invested, dividend income, gains on the disposal of financial assets, fair value gains on financial assets. Interest income is recognised as it accrues in Profit or Loss, using the effective interest method. Dividend income is recognised in Profit or Loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise of interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables), are recognised in the statement of profit or loss.

3.19 Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the Profit or Loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.20 Statement of Cash Flows

The Cash Flow Statement has been prepared using the 'Indirect Method' of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard 7 'Cash Flow Statements.' Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents comprise of cash in hand and cash at banks and other highly liquid financial assets which are held for the purpose of meeting short-term cash commitments with original maturities of less than three months which are subject to insignificant risk of changes in their fair value.

Notes to the Financial Statements

3.21 Related Party Disclosures

3.21.1 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24.

3.21.2 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard 24 "Related Party Disclosures", Key management personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive Directors), personnel that hold designation of Deputy General Manager and above positions and their immediate family member have been classified as Key Management Personnel of the Company.

The immediate family member is defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Key Management Personnel for more than 50% of his/her financial needs.

3.22 SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The objective of SLFRS 12 is to require the disclosure of information that enables users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities, the effects of those interests on its financial position, financial performance and cash flows.

3.23 Operating Segments

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

Accordingly, the segment comprises of financial services, insurance, IT services, Trading, Leisure, Plantation, Power and Energy and Others are described in Note 53.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. 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 period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.24 Subsequent Events

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

3.25 Commitments and Contingencies

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

3.26 Capital Management

The Board of Directors monitors the return on capital investment on a month basis. This review is mainly carried out through return on investment analysis prepared on a quarterly basis. The plan forecasts are also reviewed on a monthly basis to ensure that targets are met in order to manage the capital invested in Group Companies.

The Board of Directors also decides and monitors the level of dividends to ordinary shareholders.

The Company does not subject to any externally impose capital requirements. However companies within the group have such requirement based on the industry in which such company is established. Group companies which require externally imposed capital will monitor such requirement on a regular basis and report to respective legal authority in order to ensure compliance with such regulatory requirement.

ACCOUNTING POLICIES APPLIES TO SPECIFIC INDUSTRY SECTORS

3.27 Insurance Sector

3.27.1 Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.27.2 Reinsurance Receivable/Payable

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the comprehensive statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire.

Liability Adequacy Test

At each reporting date, an assessment is made of whether the recognised long-term business provisions are adequate, using current estimates of future cash flows. If that assessment shows that the carrying amount of the liabilities (less related assets) is insufficient in light of the estimated future cash flows, the deficiency is recognised in the statement of profit or loss by setting up an additional provision in the Statement of Financial Position.

3.27.3 Insurance Premium Receivables

Collectability of premiums and other debts are reviewed on an on-going basis. Policies issued on credit basis and that are known to be uncollectible are cancelled and the respective gross written premium is reversed. A provision for doubtful debts is raised when some doubt as to collection exists.

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the comprehensive statement of profit or loss.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.27.4 General Insurance Business

3.27.4.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.27.4.2 Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

Notes to the Financial Statements

3.27.4.3 Unearned Premium Reserve

Unearned premium is the portion of gross written premium and reinsurance premium written in the current year in respect of risk related to subsequent periods. Unearned premium is calculated on the 1/365 basis in accordance with the Rules made by the Insurance Board of Sri Lanka under the Regulation of Insurance Industry Act, No. 43 of 2000.

3.27.4.4 Unexpired Risks

Provision is made where appropriate for the estimated amount required over and above unearned premium to meet future claims and related expenses on the business in force as at 31st December.

3.27.4.5 Unexpired Risk Reserve

The calculation of premium liability requires a comparison between the company's held unearned premium reserve less DAC provision with actuarial estimate of the unexpired risk for the total general insurance business. The resulting premium liability is the higher of these two. In estimating the unexpired risk liability, assumptions are made on the expected ultimate loss ratio for each class of business and management expenses incurred whilst these policies remain exposed for claims.

3.27.4.6 Deferred Acquisition Costs (DAC)

Those direct and indirect costs incurred during the financial period arising from the writing or renewing of insurance contracts are deferred and amortised over the period in which the related revenues are earned. All other acquisition costs are recognised as an expense when incurred.

Deferred acquisition expenses represent commission and franchise fees which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 1/365 basis.

3.27.4.7 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such adjustments are reflected in the Financial Statements for that period. The methods used, and the estimates made, are reviewed regularly.

3.27.4.8 Valuation of Insurance Provision-General Insurance Reserve for Outstanding Claims Including IBNR

Methodology for Claim Liability

Central Estimate

The Central Estimate of the Net Claim Liability has been determined based upon the gross analysis performed for the Company as at 31st December 2013, whereby a full review of the Loss Development Factors on a gross basis is performed. Various Gross-to-Net ratios are compared, and the Net Claim Liability is determined by applying a factor to the Gross Claim Liability.

Since the net analysis is based on the gross analysis, any change in the gross results will subsequently affect the results in this net valuation.

The Central Estimate is then adjusted by the same provision as the gross analysis to allow for Claims Handling Expenses (CHE) such as fees for loss adjustment, and the annual salary and related overhead costs of the claims department.

75% Confidence Level Estimate

The volatility of the Central Estimate of claims reserves are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the Net Claim Liability on 75% confidence level, we have adopted the Prudential Reserve for Adverse Development (PRAD) and Fund Prudential Reserve for Adverse Development (FPRAD) risk margins that were derived in the gross analysis as at 31st December 2013, which were based on a Stochastic Chain Ladder approach.

Calculation of Discounted Claim Liability

The Discounted Claim Liability is calculated as the current value of the projected future claim payments for each class of business.

The Claim Liability is discounted on the same basis as the gross numbers. These are based upon the Government

Securities spot rates from the Central Bank of Sri Lanka and the modeled payment patterns.

Methodology for Estimate of Premium Liability

Central Estimate

For the Central Estimate of the Premium Liability, actuary developed a trended Ultimate Loss Ratio for each class to compute the Central Estimate of the Unexpired Risk Reserve (URR). A provision, which is the same value as per the gross analysis, was added to the Central Estimate of the URR to account for CHE and a further provision, based on the Unearned Premium Reserve (UPR), has been retained to cover future Management Expenses. The adjusted loss ratios are finally applied to the UPR that the company currently holds to derive the Central Estimate of the URR.

75% Confidence Level Estimate

The Central Estimates of the URRs are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the URR at the 75% confidence level, actuaries multiply the Central Estimate of the URR with an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an Accident Period's ULR and the trended ULR. The diversification is determined by comparing the sum of adjustment factors by line of business and the adjustment factor at the aggregate level.

3.27.5 LIFE INSURANCE BUSINESS

3.27.5.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognised as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.27.5.2 Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis. Reinsurance recoveries are credited to match the relevant gross claims.

3.27.5.3 Benefits, Losses and Expenses

Expenses relate to the acquisition and maintenance of Long Term insurance business. Claims by death or maturity are charged against revenue on notification of death or on expiry of the term. Claims payable includes direct cost of settlement. Interim payments and surrenders are accounted for at the time of settlement.

3.27.5.4 Actuarial Valuation for Long term Insurance Provision

The Directors determine the Long term insurance business provisions for the Company on the recommendation of the Actuary, following his annual investigation of the Life insurance business. The actuarial valuation takes into account all liabilities including contingent liabilities and is based on assumptions recommended by the reporting actuary.

3.27.5.5 Life Insurance Contract Liabilities

Life insurance liabilities are recognised when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products. For the net premium method the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions. For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing. For the modified gross premium method the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

3.27.5.6 Valuation of Insurance Provision -Life insurance Contract Liabilities

Methodology

Actuaries have adopted the net premium valuation methodology for calculating the provisions for majority of the products and riders (all except those mentioned below), as required by the extant regulations, by valuing individual policy records. For regular premiums products, an allowance for recovery of initial expenses through

Notes to the Financial Statements

loadings in the renewal premium has been allowed for in the provisions by using minimum of the Zillmer and Sprague adjustments as prescribed in the regulations. Besides limiting the calculated net premium to be maximum of90% of the policy premium to ensure a minimum 10% allowance to cover future expenses and commissions at the policy level. Actuaries have checked that this implicit allowance made for expenses and commissions through a reduction in the future premium income in the net premium methodology is sufficient to cover the projected expenses and commissions for regular premium products at the product level. For single premium products, an explicit additional provision has been calculated to cover future maintenance expenses at the policy level.

Statutory provisions have been set equal to the unearned premium reserves (UPR) for the base products Corporate Life & Migrant Workers, and the ADB, TPD due to accident and PPD riders.

For the dividend based fund accumulation products, Life Protect, Life Protect Plus, Pension Plan and Child Plan, provisions have been set equal to the fund value plus an expense provision, where the expenses provision has been set equal to any excess of expected future outgo over future income on he prudent basis calculated at the policy level.

The calculated provisions were floored at zero at the individual policy level, i.e. negative provisions have not been allowed for any policy.

The calculated provisions for each individual policy is note less than the applicable surrender value as on valuation date, as no surrender value is currently applicable for any of the in-force policies. Majority of the products are protection based which do not offer any surrender value. Surrender value on the savings products is payable only after the third policy year with none of the in-force policies having exceeded that duration.

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at December 2013;

- **Mortality rates**

  110% of A67/70 (Ultimate) table has been used as the reserving assumptions.

- **Rates for benefits other than mortality**

  110% of the applicable reinsurance premium rates provided by reinsurer, made available to actuaries at the time of pricing the various riders attaching to the dividend based fund accumulation products.

- **Lapses**

  No lapses have been assumed for prudence, except for dividend based fund accumulation products, where lapses equal to 50% of the best estimate pricing assumption have been used for the calculation of the expense provision. The lapse rates assumed for pricing the dividend based products are tabulated below;

Policy year	Lapse Rates
1	30%
2	15%
3	10%
4	5%
5	5%
6-10	5%
11+	2.5%
Construction	Contract fee
Real Estate	Rental Income

- **Investment return**

  The assumed investment returns are as prescribed by the regulations for life insurers with less than three years of operations. The following table summarises the annual investment returns assumed for different classes of business and premium payment options;

Business class (Premium payment option)	Investment return
Participating (Regular premium)	5.0%
Non-participating (Regular premium)	6.5%
Non-participating (Single premium)	8.0%

- **Expenses inflation**

  Real annual investment returns have been assumed to be 1.0%, based on which expense inflation has been set to be 1.0% lower than the assumed annual investment returns tabulated above.

- **Expense assumptions**

  The reserving expense assumptions have been set out in the table below. For group products these represent the expense assumption applicable to each policy and not the scheme.

Type of expense	Expense assumption
Fixed per annum	LKR 220
% of provisions	0.275%
% of renewal premium*	2.750%
Regular commission*	Commission rates as per the pricing certificates of respective products
*Applicable only for regular premium products	

- Loan repayment rate

  Mortgage reduction plan (MRP) and Divisaviya are reducing terms assurance plans to cover the outstanding loan liability of the policyholder. However, the policy data for theses products does not contain the loan repayment rate applicable for individual policies. Actuaries have used an average loan repayment rate of 28% of 12% per annum for the MRP and Divisaviya product respectively. These have been estimated based on the original sum assured, sum assured as at valuation date and issue date information present in the policy data.

3.28 Plantation Sector

3.28.1 Agricultural Activities

The Group considers all the activities that are managed in biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological asset.

3.28.2 Biological Assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, Coconut, Timber, Other plantations and nurseries are classified as biological assets.

The biological assets are further classified as bearer biological assets and consumables biological assets. Bearer biological assets includes tea, rubber and coconut trees, those that are not intended to be sold or harvested, however, used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber own by the company (Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Rubber, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of timber trees) those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognises the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.28.3 Bearer Biological Assets

The bearer biological assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any, in terms of LKAS 16 – "Property, Plant & Equipment".

The cost of land preparation, rehabilitation, new planting, replanting, crop diversification, inter-planting and fertilizing, etc., incurred between the time of planting and harvesting (when the planted area attains maturity), are classified as immature plantations. These immature plantations are shown at direct costs plus attributable overheads. The expenditure incurred on bearer biological assets (Tea, Rubber) which comes into bearing during the year, is transferred to mature plantations.

The Group recognises tea, rubber, coconut and mixed crop, at cost in accordance with the new ruling provide the option to measure bearer biological assets using LKAS16 – Property, Plant and Equipment.

3.28.4 Limited Life Land Development Cost on Bearer Biological Assets at Cost (New/Re-Planting)

The total cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter-planting and fertilizing, incurred between the time of planting and harvesting (When the planted area attains maturity) are recognised as initial cost for capitalisation. These immature plantations are shown at direct costs plus attributed overheads, including interest attributable to

Notes to the Financial Statements

long-term loans used for financing immature plantations. Attributable overheads incurred on the plantation are apportioned based on the labor days spent on respective re-planting and new planting and capitalised on the immature areas. The remaining non-attributable overhead is expensed in the accounting period in which it is incurred.

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

The expenditure incurred on perennial crop (Tea/Rubber/Coconut) fields, which come into bearing during the year, has been transferred to mature plantations and depreciated over their useful life period. These mature plantations are depreciated over their useful lives or unexpired lease period, whichever is less. No depreciation is provided for immature plantations.

3.28.5 Infilling Costs

The land development costs incurred in the form of infilling have been capitalised to the relevant mature field where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, in accordance with Sri Lanka Accounting Standard - 16 and depreciated over the useful life at rates applicable to mature plantation. These rates are re-evaluated annually.

Infilling cost that are not capitalised have been charged to the statement of profit or loss in the year in which they are incurred.

3.28.6 Growing Crop Nurseries

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.28.7 Useful Life of Bearer Biological Assets

The estimated useful lives for the current and comparative years are as follows;

Tea	30-33 1/3 years
Rubber	20 years
Coconut	50 years
Cardamom / Cinnamon	15 years

3.28.8 Consumable Biological Assets

Trees namely teak, mahogany, Nadun, mango, Albezzia, Wal del, and etc. are considered as consumable biological assets and measured in accordance with LKAS 41- Agriculture. The initial costs incurred in planting such trees are capitalized until the market determined prices or values are not available and for which alternative estimates of fair value are to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, the group measures it at its fair value less costs to sell. The change in fair values will be directly identified in statement of profit or loss.

The Group has engaged an Independent Chartered Valuation Surveyor Mr. K.T.D. Tissera in determining the fair value of managed Timber Plantation. The valuer has valued the Timber Plantation per tree valuation basis by using available log prices in city centers less point-of-sale-costs. The timber plants having less than three years old have not been taken in to the valuation and hence, the cost of such plants has been added to the valuation. All other assumptions are given in Note No. 28. The Group measures the Timber Plantation at fair value less estimated-point-of-sale-costs as at each date of Statement of Financial Position. The gain or loss on changes in fair value of Timber Plantation is recognised in the statement of profit or loss

- Growing Crop Nurseries

  Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.28.9 Permanent Land Development Costs

Permanent land development costs are those costs incurred making major infrastructure development and building new access roads on leasehold lands.

These costs have been capitalised and amortised over the remaining lease period.

Right-To-Use of Land on Lease

"Right-To-Use of Land on Lease" as above was previously titled "Leasehold Right to Bare land". The change is in order to comply with Statement of

Alternative Treatment (SOAT) issued by the Institute of Chartered Accountants of Sri Lanka dated 21 August 2013. Such leases have been executed for all estates for a period of 53 years.

This right-to-use of land is amortised over the remaining lease term or useful life of the right whichever is shorter and is disclosed under non-current assets. The Statement of Alternative Treatment (SOAT) for right-to-use of land does not permit further revaluation of right-to-use of land. However, an adjustment to the "Right-To-Use of Land" could be made to the extent that the change relate to the future period on the reassessment of liability to make the lease payment. The values taken into the 18th June 1992 Statement of Financial Position Date and amortisation of the right to use of land up to 31 March 2017 are describe in to note no. 34.2 to these financial statements.

3.28.10 Amortisation

The Right-to-use of land on lease is amortised over the remaining lease term of such asset or over the useful life of the underlying asset if shorter. Leasehold rights are tested for impairment annually and are written down where applicable. The impairment loss, if any, is recognised in the statement of profit or loss.

Amortisation rates used for the purpose are as follows:

	No. of Years	Rate %
Bare Land	53	1.89
Improvement to Lands	30	3.33
Mature Plantations	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Crop Diversification	30	3.33
Water and Sanitation	20	5.00
Other Vested Assets	30	3.33
Permanent Land Development	53	1.89

3.28.11 Liability to make lease rentals

The liability to make the rentals to the lessor is recognised on amortised cost using effective interest rate method. The finance cost is recognised in the statement of profit or loss under finance cost using effective interest rate method.

Notes to the Financial Statements

4. GROSS INCOME

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Interest Income	4.1	54,573,085	38,654,652	3,832,011	1,883,911
Revenue	4.2	23,441,032	20,228,126	-	-
Income	4.3	7,687,454	6,751,926	3,967,725	3,002,073
Other income	5.1	6,013,713	1,130,344	12,466,078	2,876,481
Total		91,715,284	66,765,048	20,265,814	7,762,465

4.1 Interest Income

Leasing interest income	10,861,963	10,133,166	-	-
Hire purchases interest income	1,928	31,917	-	-
Interest income on deposits	310,062	164,690	-	-
Advances and other loans interest income	35,818,073	24,027,100	3,586,547	1,729,767
Operating lease and hire rental income	419,111	167,039	185,630	116,458
Overdue interest income	2,125,679	1,607,967	59,834	37,686
Debt factoring income	5,036,269	2,522,773	-	-
	54,573,085	38,654,652	3,832,011	1,883,911

4.2 Revenue

Sectoral revenue

Manufacturing	508,193	586,658	-	-
Trading	13,508,792	11,833,841	-	-
Exports	87,818	7,605	-	-
Leisure	1,505,514	1,381,158	-	-
Provision of Services	958,233	402,005	-	-
Plantation	5,469,193	5,032,773	-	-
Travel & Tours	926,821	589,306	-	-
Construction	243,284	227,505	-	-
Power generation	233,184	167,275	-	-
	23,441,032	20,228,126	-	-

4.3 Income

Securities trading income	37,419	41,398	-	-
Earned Premium on Insurance contracts	4,453,052	3,800,558	-	-
Rentals & sales proceeds - contracts written off	691,511	1,041,613	83,987	70,673
Transfer fees and profit on termination	1,493,731	1,283,455	384	480
Arrangement / documentation fee & other	349,680	581,408	55	5
Other operational income/ shared service income	662,061	3,494	3,883,299	2,930,915
Total	7,687,454	6,751,926	3,967,725	3,002,073

5. OTHER INCOME/(EXPENSES)

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
5.1 Other Income					
Rental income		183,393	-	3,000	3,000
Royalty income		-	-	635,900	316,655
Dividends income		69,558	-	309,111	287,397
Franchise fees		-	-	159,271	161,603
Insurance policy fees		88,185	50,067	-	-
Treasury handling charges		-	-	893,389	969,738
Restructuring and arrangement charges		-	-	536,051	633,472
Asset hire income		-	-	248,169	237,165
Guarantee fee income		-	-	51,225	84,027
Income from show back charges		-	-	283,770	-
Interest received from government securities & other interest earning assets	5.1.1	4,587,406	1,809,205	2,937	5,625
Debenture interest income		6,006	200	-	-
Gain / (loss) on disposal of quoted and non-quoted shares	30.11	(21,448)	130,108	9,111,520	(1,654)
Gain on disposal of property, plant and equipment		40,942	135,156	59,256	116,939
Change in fair value of investment properties	27	855,409	135,120	23,600	9,000
Gain / (loss) on change in fair value of consumable biological assets	28.1	214,816	(194,354)	-	-
Gain on sale of treasury bonds		(88)	8,479	-	-
Foreign exchange gain / (loss)		38,925	(80,402)	40,551	51,496
Change in fair value of derivatives - forward contracts		(28,699)	108,825	-	-
Appreciation / (fall) in value of investments		161,794	(99,615)	32,691	(89,959)
Amortisation of deferred income	41	85,169	34,610	-	-
Penalty and early settlement interests		106,722	81,071	-	-
Sale of rubber trees and firewoods		57,512	77,621	-	-
Sundry income		799,744	182,206	75,637	91,977
Finance cost relating to non-financial sectors		(1,231,633)	(1,247,953)	-	-
Total		6,013,713	1,130,344	12,466,078	2,876,481

5.1.1 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 be entitled to a notional tax credit (being one ninth of the net Interest income) provided such interest income forms part of the statutory income of the Company for that year of assessment.

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6. INTEREST EXPENSES

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Finance costs on;				
Customer deposits	9,786,200	5,952,546	-	-
Commercial papers and promissory notes	769,455	449,139	768,876	448,609
Overdraft and other short-term borrowings	9,836,794	3,668,771	3,291,244	1,552,437
Long term borrowings	9,899,878	7,027,171	740,160	681,570
Finance leases	204,117	166,199	17,060	24,394
Debenture interests	949,395	823,932	452,921	483,350
Swap costs	1,713,373	762,634	-	693
	33,159,212	18,850,392	5,270,261	3,191,053

7. DIRECT EXPENSES EXCLUDING FINANCE EXPENSES

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Value Added Tax (VAT) on leases/general expenses and VAT on financial services	2,235,764	1,299,682	110,052	56,571
Nation Building Tax (NBT), debits tax and others	354,216	206,946	21,046	6,806
Reinsurance premium	1,053,217	543,917	-	-
Insurance benefits, losses and expenses	1,508,581	1,469,912	-	-
Increase in long term insurance fund	1,092,480	841,046	-	-
Insurance expenses	955,501	802,137	-	-
	7,199,759	5,163,640	131,098	63,377

8. PERSONAL EXPENSES

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Salaries, wages and other benefits		11,238,262	9,112,182	1,726,245	1,559,166
Contribution to EPF/CCPS/ESPS		940,615	769,119	101,191	88,674
Contribution to ETF		93,496	76,508	23,168	20,039
Post-employment defined benefit plans cost	42.1	345,491	351,302	45,874	33,917
		12,617,864	10,309,111	1,896,478	1,701,796

9. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Net impairment loss / (reversal) on;					
Finance lease receivables	20.1.5				
Allowance for individually significant impairment		**22,901**	307,510	-	-
Allowance for individually non-significant impairment		**580,591**	540,982	-	-
Hire purchase receivables	20.2.5				
Allowance for individually significant impairment		**25,541**	35,528	-	-
Allowance for individually non-significant impairment		**(15,143)**	(18,035)	-	-
Operating lease receivables	20.3.1				
Allowance for individually non-significant impairment		**(2,255)**	(2,497)	**(2,255)**	(2,497)
Advances and loans	21.1.1				-
Allowance for individually significant impairment		**762,496**	297,133	**(3,166)**	3,166
Allowance for individually non-significant impairment		**1,056,341**	268,881	**583**	(2,064)
Factoring receivables	21.2.1				
Allowance for individually significant impairment		**696,743**	572,570	-	-
Allowance for individually non-significant impairment		**32,614**	270,069	-	-
Pawning advances	21.3.1				
Allowance for individually non-significant impairment		**12,835**	16,967	-	-
Bad debts written off net of reversals		**1,107,014**	688,953	**(70)**	(416)
Total		**4,279,678**	2,978,061	**(4,908)**	(1,811)

10. DEPRECIATION AND AMORTISATION

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Amortisation of prepaid lease rentals	26	**9,222**	8,964	-	-
Amortisation of intangible assets	33.5	**144,997**	145,384	**89,770**	67,089
Depreciation of property, plant and equipment	34	**1,531,530**	1,258,071	**347,161**	293,658
Amortisation of bearer biological assets	29.1	**184,042**	165,427	-	-
		1,869,791	1,577,846	**436,931**	360,747

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11. OTHER OPERATING EXPENSES

For the year ended 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Administration cost		**3,000,019**	3,658,473	**1,354,279**	906,404
Operating and marketing cost		**5,520,130**	2,811,960	**1,032,305**	705,964
Allowance for impairment of Group investments	11.1	-	-	-	3
		8,520,149	6,470,433	**2,386,584**	1,612,371

11.1 Allowance for impairment of Group investments

An impairment test is carried out by the management for group investment on an annual basis as per the requirement of respective Sri Lanka Accounting Standards. As per the impairment testing process carried out in 2016/17 , none of the investments have been identified as impaired.

For the year ended 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Investment made in;	30.2.1	-	-	-	3
Browns Hydro Power PLC		-	-	-	3

12. RESULTS FROM OPERATING ACTIVITIES

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

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

Results from operating activities are stated after charging all expenses including following:

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Directors' remuneration	49.1.1	724,068	359,577	583,405	212,832
Auditors' Remuneration	12.1	48,654	39,630	3,994	3,995
Legal expenses		47,167	73,698	5,366	10,303
Secretarial fees		41,805	9,191	8,213	1,833
Professional fees		212,659	120,392	42,614	1,117
Deposit insurance premium		109,851	86,405	-	-
Advertising related expenses		1,139,328	609,721	535,197	15,003
Donations		10,763	7,037	5,714	2,156

12.1 Auditors' Remuneration

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Remuneration for					
Audit related services		47,469	28,664	3,080	3,080
Non-audit related services		1,185	10,966	914	915
		48,654	39,630	3,994	3,995

13. RESULTS OF EQUITY ACCOUNTED INVESTEES

13.1 Share of profits of equity accounted investees, net of tax

		Group	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000
Associates	31.6	3,827,962	3,094,237
		3,827,962	3,094,237

Notes to the Financial Statements

13.2 Share of other comprehensive income of equity accounted investees (net of tax)

For the year ended 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000
Other comprehensive income that will never be reclassified to profit or loss in subsequent periods:			
Associates	31.6	314,947	147,842
		314,947	147,842
Other comprehensive income that are or may be reclassified to profit or loss in subsequent periods :			
Associates	31.6	688,830	(965,125)
		688,830	(965,125)
		1,003,777	(817,283)

14. RESULTS ON ACQUISITION AND DIVESTMENT OF GROUP INVESTMENTS

For the year ended 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000
Lotus Hydro Power PLC (formerly known as Browns Hydro Power PLC)	30.7.6	196,208	-
FLMC Plantations (Pvt) Ltd	30.7.6	3,371,252	-
PRASAC Micro Finance Institution Limited	31.5	7,026,871	-
Taprobane Holdings PLC		-	50,963
		10,594,331	50,963

15 INCOME TAX EXPENSE

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

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for Group taxation.

15.1 Major components of income tax expense are as follows:

For the year ended 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Current tax expense	15.3	2,601,953	2,232,739	186,323	85,112
Deferred tax expense	32.5	856,500	293,788	185,748	61,040
Income tax expense reported in profit or loss		3,458,453	2,526,527	372,071	146,152

15.2 Numerical Reconciliation of accounting profits to income tax expense

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Profit before income tax expense		24,379,065	11,857,914	10,149,370	834,932
(+)Disallowable expenses		35,408,025	23,530,625	901,543	725,970
(-)Allowable expenses		(21,890,118)	(20,797,708)	(691,894)	(634,763)
(-) Tax exempt income		(27,322,631)	(6,603,370)	(9,593,558)	(461,503)
(-) Allowable tax credits		(750,282)	(7,060)	-	-
(+)Tax losses incurred	15.6	2,060,046	1,422,038	-	-
(-)Tax losses utilised	15.6	(185,125)	(313,347)	(267,914)	(162,622)
(-) Consolidation adjustments		1,625,400	1,963,950	-	-
Taxable Income		13,324,380	11,053,042	497,547	302,014
Income tax @					
28%		1,904,203	2,119,206	139,315	84,563
25%		21,116	-	-	-
20%		570,333	24,153	-	-
12%		51,419	43,358	-	-
Total tax expense		2,547,071	2,186,717	139,315	84,563
Average tax rate		19.12%	19.78%	28.00%	28.00%

15.3 Current Tax Expense

Tax Expense	15.2	2,547,071	2,186,717	139,315	84,563
Under provision in respect of previous years		54,491	45,968	47,008	549
Deemed dividend tax paid		391	54	-	-
		2,601,953	2,232,739	186,323	85,112

15.4 Effective Tax Rate

	Group		Company	
For the year ended 31 March	2017 %	2016 %	2017 %	2016 %
	14.19	21.31	3.67	17.50

Notes to the Financial Statements

15.5 A reconciliation of effective tax rate is as follows;

	Group			
For the year ended 31 March	2017		2016	
	Rs. '000	%	Rs. '000	%
Accounting profit before income tax	24,379,065		11,857,914	
Income tax expense at the average statutory income tax rate	4,660,270	19.12%	2,345,952	19.78%
Disallowable Expenses	7,625,052	31.28%	4,949,051	41.74%
Allowable Expenses	(4,184,486)	-17.16%	(4,114,587)	-34.70%
Tax Exempt Income	(5,222,958)	-21.42%	(1,306,401)	-11.02%
Allowable Tax Credits	(143,423)	-0.59%	(1,397)	-0.01%
Tax losses incurred	393,796	1.62%	281,334	2.37%
Tax losses utilised	(35,388)	-0.15%	(61,992)	-0.52%
Consolidation adjustments	310,709	1.27%	388,545	3.28%
Under / (Over) provision in respect of previous years	54,491	0.22%	45,968	0.39%
Deemed Dividend Tax Paid	391	0.00%	54	0.00%
Current tax expense	3,458,453	14.19%	2,526,527	21.31%

	Company			
For the year ended 31 March	2017		2016	
	Rs. '000	%	Rs. '000	%
Accounting profit before income tax	10,149,370		834,932	
Income tax expense at the average statutory income tax rate	2,841,861	28.00%	233,778	28.00%
Disallowable Expenses	438,183	4.32%	264,309	31.66%
Allowable Expenses	(193,733)	-1.91%	(177,732)	-21.29%
Tax Exempt Income	(2,686,232)	-26.47%	(129,219)	-15.48%
Tax losses utilised	(75,017)	-0.74%	(45,534)	-5.45%
Current tax expense	372,071	3.67%	146,152	17.50%

15.6 Tax Losses

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Losses brought forward	13,077,702	11,952,130	933,477	1,096,099
Adjustments for brought forward tax losses	(986,517)	16,881	(366,975)	-
Losses incurred	2,060,046	1,422,038	-	-
Losses utilised	(185,125)	(313,347)	(267,914)	(162,622)
Disposal of subsidiaries	(700,184)	-	-	-
Losses carried forward	13,265,922	13,077,702	298,588	933,477

15.7 Tax exemptions, concessions or holidays that have been granted

The tax liability of resident companies are computed at the standard rate of 28% except for the following companies which enjoy full or partial exemptions and concessions.

15.7.1 Companies exempt from income tax

Company	Basis/ Statute	Period
Green Paradise (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	5 years ending 2016/17
Samudra Beach Resorts (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	10 years
Browns Properties (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	5 years ending 2020/21
Sagasolar Power (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	10 years
Riverina Resorts (Pvt) Ltd	Section 17 of BOI Law no. 04 of 1978	12 years

15.7.2 Income tax concessions of local subsidiaries

Company	Concessionary rate and statute	Period
Maturata Plantations Ltd	10% under section 48A-14A of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Pussellawa Plantations Ltd	10% under section 48A-14A of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
FLMC Plantations (Pvt) Ltd	12% under section 45(2)(a)(i1) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
FLPC Management (Pvt) Ltd	12% under section 45(2)(a)(i1) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Melfort Green Teas (Pvt) Ltd	12% under section 56 of Inland Revenue Act No.10 of 2006	Indefinite
Ajax Engineers (Pvt) Ltd	12% under section 46(c) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Eden Hotel Lanka PLC	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Palm Garden Hotels PLC	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Tropical Villas (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Dickwella Resorts (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
BG Air Services (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Ceylon Roots (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Creations Wooden Fabricators (Pvt) Ltd	12% under section 46(c) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite
Excel Restaurant (Pvt) Ltd	12% under section 46(b) of Inland Revenue (amendment) Act No.22 of 2011	Indefinite

Other miscellaneous concessions

Exemption on interest income earned from foreign currency denominated accounts. Capital gains from sale of shares is excluded from chargeability to income tax. Income/profits from offshore dividends and interest is exempt from income tax.

15.7.3 Income tax concessions of off-shore subsidiaries

Company	Country of incorporation	Rate
Bodufaru Beach Resort (Pvt) Ltd	Republic of Maldives	15%
LOLC Myanmar Micro-Finance Company Limited	Republic of the Union of Myanmar	25%
LOLC Cambodia PLC	Kingdom of Cambodia	20%
PRASAC Micro Finance Institution Limited	Kingdom of Cambodia	20%
LOLC (Pvt) Ltd	Republic of Singapore	17% (Max)
LOLC International (Pvt) Ltd	Republic of Singapore	17% (Max)

Notes to the Financial Statements

15.8 Income tax recognised in other comprehensive income

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Tax (benefit) / expense on;				
Revaluation of property, plant and equipment	59,807	137,435	34,258	-
Re-measurement of defined benefit liabilities	7,576	40,655	-	-
Fair value differences on cash flow hedges	16,996	71,299	-	-
	84,379	249,389	34,258	-

16. EARNINGS PER SHARE

16.1 Basic earnings per share

The calculation of basic earnings per share for the year is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows;

For the year ended 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Profit attributable to equity holders of the Company		17,157,762	8,518,690	9,777,299	688,780
Weighted average number of ordinary shares	16.2	475,200	475,200	475,200	475,200
Basic earnings per share (Rs.)		36.11	17.93	20.58	1.45

16.2 Weighted average number of ordinary shares

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Balance as at 01 April	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance as at 31 March	475,200	475,200	475,200	475,200

16.3 Diluted earnings per share

There were no potential dilutive ordinary shares outstanding at any time during the year or previous year. Therefore, not presented.

17. CASH AND CASH EQUIVALENTS AS PER CASH FLOW STATEMENT

17.1 Cash in hand and favourable bank balances

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Cash in hand – Local Currency	**1,906,876**	1,220,250	**4,374**	3,820
Cash in hand – Foreign Currency	**11,495,073**	310,036	**-**	-
Balances with Local Banks	**9,374,564**	7,043,668	**451,335**	35,383
Balances with Foreign Banks	**30,617,209**	3,409,770	**-**	-
Other Instruments	**821,517**	1,742,070	**4,306**	24,204
	54,215,239	13,725,794	**460,015**	63,407

17.2 Unfavourable bank balances used for cash management purposes

Bank overdrafts	**(7,365,332)**	(9,302,310)	**(1,691,299)**	(3,354,589)
Net cash and cash equivalents as in cash flow statement	**46,849,907**	4,423,484	**(1,231,284)**	(3,291,182)

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits and other instruments are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates

The Group has pledged a part of its short-term deposits to fulfil collateral requirements. Refer to Note 48 for further details.

18. TRADING ASSETS - FAIR VALUE THROUGH PROFIT OF LOSS

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Debt Securities					
Unit trusts	18.1	**2,765,497**	1,010,003	**-**	-
Government securities	18.2	**1,895**	4,144	**-**	-
		2,767,392	1,014,147	**-**	-
Equity securities	18.3	**665,826**	617,258	**451,115**	418,424
Derivative assets held for risk management	18.4	**216,343**	766,142	**2,089**	1,702
		3,649,561	2,397,547	**453,204**	420,126

Notes to the Financial Statements

18.1 Unit trusts

	Group					
As at 31 March	2017			2016		
	No. of Units	Cost Rs. '000	Fair Value Rs. '000	No. of Units	Cost Rs. '000	Fair Value Rs. '000
Investments in unit trusts	184,722,465	2,750,000	2,765,497	76,622,128	1,000,000	1,010,003
		2,750,000	2,765,497		1,000,000	1,010,003

18.2 Government securities

	Group			
As at 31 March	2017		2016	
	Cost Rs. '000	Fair Value Rs. '000	Cost Rs. '000	Fair Value Rs. '000
Investments in treasury bills and bonds	1,850	1,895	4,533	4,144
	1,850	1,895	4,533	4,144

18.3 Equity securities

Details of the equity trading portfolio

	Company					
As at 31 March	2017			2016		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	124	25,876	602	137
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	33	604	81	38
Diversified Holding						
Hayleys PLC	1,700,000	667,518	450,500	1,700,000	667,518	417,690
Power & Energy						
Laugfs Gas PLC	500	28	14	500	28	18
Trading						
Radiant Gems International PLC	19,392	1,370	444	19,392	1,370	541
		669,599	451,115		669,599	418,424

	Group					
As at 31 March		2017			2016	
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Manufacturing						
Acme Printing & Packaging PLC	25,876	602	124	25,876	602	137
Land & Property						
C T Land Development PLC	19,500	470	858	19,500	470	887
Overseas Realty (Ceylon) PLC	113,680	1,665	2,296	113,680	1,665	2,660
Chemical & Pharmaceuticals						
Chemanex PLC	604	81	33	604	81	38
Construction & Engineering						
Colombo Dockyard PLC	4,315	86	328	4,315	86	466
Banking, Finance & Insurance						
DFCC Bank PLC	38	-	4	38	-	5
Nation Lanka Finance PLC	181,327	920	181	181,327	920	181
The Finance Company PLC	20	1	-	20	1	-
Diversified Holding						
Expolanka Holdings PLC	1,000,000	18,000	6,600	1,000,000	18,000	7,000
Hayleys PLC	2,462,849	895,641	654,786	2,434,144	884,362	605,122
John Keells Holdings PLC	329	26	50	329	26	49
Power & Energy						
Laugfs Gas PLC	500	28	14	500	28	18
Plantations						
Malwatte Valley Plantations PLC	500	11	1	500	11	2
Trading						
Radiant Gems International PLC	19,392	1,370	444	19,392	1,370	541
Motors						
Lanka Ashok Leyland PLC	100	293	106	100	293	151
Investment Trust						
Lanka Century Investments PLC	100	-	1	100	-	1
		919,194	665,826		907,915	617,258

Notes to the Financial Statements

18.4 Derivative assets held for risk management

	Group		Company	
As at 31 March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Forward rate contracts	**216,343**	766,142	**2,089**	1,702

Headge Accounting

The Group entered in to forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. The forward contract is designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loans.

Details	Description of the Hedge
Hedge Instruments	Forward foreign exchange contracts
Hedge Items	Foreign currency denominated borrowings

The fair value of derivatives designated as cash flow hedges are as follows:

	Group			
As at 31 March	2017		2016	
	Assets Rs.'000	Liabilities Rs.'000	Assets Rs.'000	Liabilities Rs.'000
Forward rate contracts	**153,553**	**64,035**	766,142	17,859
Notional amount	**4,694,130**	**4,790,153**	19,374,942	374,000
Company				
Forward rate contracts	**1,702**	-	1,702	-
Notional amount	-	-	-	-

The maturity analysis of cash flows of the hedge item is given below.

	Up to 3 Months Rs.'000	4 to 12 Months Rs.'000	1 to 5 Years Rs.'000	Total Rs.'000
Forecasted payable cash flows				
As at 31 March 2017				
Group	8,624,949	7,291,036	19,614,192	35,530,177
Company	-	-	-	-
As at 31 March 2016				
Group	3,320,614	9,902,917	8,602,346	21,825,877
Company	-	-	-	-

19. INVESTMENT SECURITIES

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Available-for-sale investment securities	19.1	**9,449,096**	11,092,834	**348,508**	480,533
Loans & receivables	19.2	**45,930,225**	49,858,606	**-**	204,010
		55,379,321	60,951,440	**348,508**	684,543

19.1 Available-for-sale investment securities

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Government securities	19.1.1	**8,009,170**	6,496,262	**-**	-
Designated available-for-sale investment securities	19.1.2	**348,508**	4,525,156	**348,508**	480,533
Equity securities with readily determinable fair values	19.1.3	**3,299**	3,321	**-**	-
Unquoted equity securities	19.1.4	**1,088,119**	68,095	**-**	-
		9,449,096	11,092,834	**348,508**	480,533

19.1.1 Government securities

	Group			
As at 31 March	2017		2016	
	Cost Rs. '000	Fair Value Rs. '000	Cost Rs. '000	Fair ValueRs. '000
Investments in Treasury Bills	**2,105,500**	**2,105,132**	28,246	28,696
Investments in Treasury Bonds	**6,222,613**	**5,904,038**	6,644,024	6,467,566
	8,328,113	**8,009,170**	6,672,270	6,496,262

19.1.2 Designated available-for-sale investment securities

The Group designated certain investments in equity securities as fair value through other comprehensive income as listed below. These investments were classified as available-for-sale. This designation was chosen as the investments are expected to be held for the long-term for strategic purposes.

Notes to the Financial Statements

	Group					
As at 31 March	2017			2016		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares/Units	Cost Rs. '000	Fair Value Rs. '000
Banking, Finance & Insurance						
The Housing Development and Finance PLC	9,707,740	451,700	348,508	9,707,740	451,700	480,533
Money market funds						
CAL high yield fund	-	-	-	99,969,343	1,500,000	1,526,172
First capital wealth fund	-	-	-	413,627	500,000	490,123
First Capital money market fund	-	-	-	462,877	500,000	508,397
NDB wealth money plus fund	-	-	-	105,229,927	1,500,000	1,519,931
		451,700	348,508		4,451,700	4,525,156

	Company					
As at 31 March	2017			2016		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
The Housing Development and Finance PLC	9,707,740	451,700	348,508	9,707,740	451,700	480,533
		451,700	348,508		451,700	480,533

19.1.3 Equity securities with readily determinable fair values

	Group					
As at 31 March	2017			2016		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Banking, Finance & Insurance						
DFCC Bank PLC	3,810	375	434	3,810	375	522
Vallibel Finance PLC	33,900	497	1,983	33,900	497	1,820
Beverage Food & Tobacco						
Raigam Wayamba Salterns PLC	26,200	66	52	26,200	66	52
Plantations						
Hapugastenne Plantations PLC	100	1	2	100	1	2
Power & Energy						
Lanka IOC PLC	27,800	751	806	27,800	751	904
Manufacturing						
Sierra Cables PLC	7,400	22	22	7,400	22	21
		1,712	3,299		1,712	3,321

19.1.4 Unquoted equity securities

	Group					
As at 31 March	2017			2016		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Badulla Transport & Agency	10,000	100	-	10,000	100	-
Ceylon Studios Limited	500	5	-	500	5	-
Ceylon Marine & Travel Services (Private) Limited	5,200	31	-	5,200	31	-
Credit Information Beuarue Limited	20,210	758	558	20,210	758	558
Confifi Trading (Private) Limited	39,100	391	1,865	39,100	391	1,865
Equity Investments Lanka Limited	16,875	173	169	16,875	173	169
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
Rain Forest Eco Lodge (Private) Limited	6,483,375	56,665	40,860	6,483,375	56,665	42,166
Lanka Century Investments PLC (Preference Shares)	18,616	37	37	18,616	37	37
Digital Mobility (Private) Limited	1,154	40,349	40,349	1,154	23,300	23,300
Finance Houses Consortium (Private) Limited	20,000	200	-	20,000	200	-
Credit Beuarue Investment under CMA	28,167	4,281	4,281	-	-	-
FLMC Plantations (Pvt) Ltd	990,000	108,000	1,000,000	-	-	-
		220,990	1,088,119		91,660	68,095

	Company					
As at 31 March	2017			2016		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
		10,000	-		10,000	-

Fair value of the investments are valued using price to book value market multiples at the reporting date.

19.2 Loans & receivables

		Group		Company	
As at 31 March		2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Corporate bonds	19.2.1	1,339,018	-	-	-
Government securities	19.2.2	20,568,025	14,762,244	-	-
Investments in term deposits		24,023,182	35,096,362	-	204,010
		45,930,225	49,858,606	-	204,010

Notes to the Financial Statements

19.2.1 Corporate bonds

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Investment in Debentures	33,141	-	-	-
Investment in Commercial papers	1,305,877	-	-	-
	1,339,018	-	-	-

19.2.2 Government securities

	Group	
As at 31 March	2017 Rs. '000	2016 Rs. '000
Investments in treasury bills	-	4,836
Reverse repo instruments	20,568,025	14,757,408
	20,568,025	14,762,244

When the group purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan or advance, and the underlying asset is not recognised in the group's financial statements.

20. FINANCE LEASE RECEIVABLES, HIRE PURCHASES AND OPERATING LEASES

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Finance lease receivables	20.1	51,869,659	51,598,699	-	-
Hire purchase receivables	20.2	12,908	59,129	-	-
Operating lease receivables	20.3	4,422	8,920	4,422	8,920
		51,886,989	51,666,748	4,422	8,920

20.1 Finance lease receivables

Receivables within one year	20.1.1	19,442,379	15,556,055	-	-
Receivable from one to five years	20.1.2	31,611,209	35,631,360	-	-
Overdue rental receivable	20.1.3	1,622,339	1,235,193	-	-
(-) Allowance for impairment	20.1.5	(806,268)	(823,909)	-	-
		51,869,659	51,598,699	-	-

20.1.1 Receivables within one year

Gross rentals receivable	28,879,086	24,231,088	-	-
Unearned finance income	(9,436,707)	(8,675,033)	-	-
	19,442,379	15,556,055	-	-

20.1.2 Receivable from one to five years

	Group		Company	
As at 31 March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Gross rentals receivable	**47,906,870**	52,195,034	-	-
Unearned finance income	**(8,284,246)**	(9,628,687)	-	-
Prepayments received from lessees	**(8,011,415)**	(6,934,987)	-	-
	31,611,209	35,631,360	-	-

20.1.3 Overdue rental receivable

Gross rentals receivable	**1,853,499**	1,405,851	-	-
Unearned finance income	**(231,160)**	(170,658)	-	-
	1,622,339	1,235,193	-	-

20.1.4 Total finance lease receivables

		Group		Company	
As at 31 March	Note	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Gross rentals receivable		**78,639,455**	77,831,973	-	-
Unearned finance income		**(17,952,113)**	(18,474,378)	-	-
Net investments in finance leases		**60,687,342**	59,357,595	-	-
Allowance for impairment	20.1.5	**(806,268)**	(823,909)	-	-
Prepayments received from lessees	20.1.2	**(8,011,415)**	(6,934,987)	-	-
Balance as at 31 March		**51,869,659**	51,598,699	-	-

Notes to the Financial Statements

20.1.5 Allowance for impairment

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Allowance for individually significant impairment				
Balance as at 01 April	575,387	257,276	-	-
Charged for the year	22,901	307,510	-	-
Write offs & other movements	(377,597)	10,601	-	-
Balance as at 31 March	220,691	575,387	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	248,522	797,323	-	-
Charged for the year	580,591	540,982	-	-
Write offs & other movements	(243,536)	(1,089,783)	-	-
Balance as at 31 March	585,577	248,522	-	-
Total allowances for impairment	806,268	823,909	-	-

20.2 Hire purchase receivables

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Receivables within one year	20.2.1	43,662	63,975	-	-
Receivable from one to five years	20.2.2	1,785	18,403	-	-
Overdue rental receivable	20.2.3	40,069	31,111	80	80
(-) Allowance for impairment	20.2.5	(72,608)	(54,360)	(80)	(80)
		12,908	59,129	-	-

20.2.1 Receivables within one year

	Group 2017	Group 2016	Company 2017	Company 2016
Gross rentals receivable	45,793	66,224	-	-
Unearned finance income	(2,131)	(2,249)	-	-
	43,662	63,975	-	-

20.2.2 Receivable from one to five years

	Group 2017	Group 2016	Company 2017	Company 2016
Gross rentals receivable	2,018	21,898	-	-
Unearned finance income	(233)	(3,495)	-	-
	1,785	18,403	-	-

20.2.3 Overdue rental receivable

	Group 2017	Group 2016	Company 2017	Company 2016
Gross rentals receivable	40,069	31,184	80	80
Unearned finance income	-	(73)	-	-
	40,069	31,111	80	80

20.2.4 Total Rentals Receivable on Hire Purchase

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Gross rentals receivable		87,880	119,306	80	80
Unearned finance income		(2,364)	(5,817)	-	-
Net investments in finance		85,516	113,489	80	80
Allowance for impairment	20.2.5	(72,608)	(54,360)	(80)	(80)
Balance as at 31 March		12,908	59,129	-	-

20.2.5 Allowance for impairment

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Allowance for individually significant impairment				
Balance as at 01 April	32,595	13,578	-	-
Charge for the year	25,541	35,528	-	-
Write offs	(25,665)	(4,456)	-	-
Write offs & other movements	-	(12,055)	-	-
Balance as at 31 March	32,471	32,595	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	21,765	35,541	80	80
Charge / (reversal) for the year	(15,143)	(18,035)	-	-
Write offs	(2,721)	(7,716)	-	-
Write offs & other movements	36,236	11,975	-	-
Balance as at 31 March	40,137	21,765	80	80
Total allowances for impairment	72,608	54,360	80	80

20.3 Operating lease receivables

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Gross rentals receivable		162,065	565,603	162,065	565,603
Unearned finance income		(144,804)	(541,589)	(144,804)	(541,589)
Allowance for impairment	20.3.1	(12,839)	(15,094)	(12,839)	(15,094)
Balance as at 31 March		4,422	8,920	4,422	8,920

Notes to the Financial Statements

20.3.1 Allowance for impairment

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Allowance for individually non-significant impairment				
Balance as at 01 April	15,094	17,591	15,094	17,591
Charge / (reversal) for the year	(2,255)	(2,497)	(2,255)	(2,497)
Balance as at 31 March	12,839	15,094	12,839	15,094
Total allowances for impairment	12,839	15,094	12,839	15,094

20.4 Total finance lease receivables, hire purchases and operating leases

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Gross rentals receivable		78,889,400	78,516,882	162,145	565,683
Unearned finance income		(18,099,281)	(19,021,784)	(144,804)	(541,589)
Allowance for impairment	20.5	(891,715)	(893,363)	(12,919)	(15,174)
Prepayments received from lessees	20.1.2	(8,011,415)	(6,934,987)	-	-
Balance as at 31 March		51,886,989	51,666,748	4,422	8,920

20.5 Allowance for impairment

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Allowance for individually significant impairment				
Balance as at 01 April	607,982	270,854	-	-
Charge for the year	48,442	343,038	-	-
Write offs	(25,665)	(4,456)	-	-
Write offs & other movements	(377,597)	(1,454)	-	-
Balance as at 31 March	253,162	607,982	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	285,381	850,455	15,174	17,671
Charge for the year	563,193	520,450	(2,255)	(2,497)
Write offs	(246,257)	(1,097,499)	-	-
Write offs & other movements	36,236	11,975	-	-
Balance as at 31 March	638,553	285,381	12,919	15,174
Total allowances for impairment	891,715	893,363	12,919	15,174

20.6 Analysis of gross portfolio receivables by currency

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Sri Lankan Rupee	52,777,231	52,560,111	17,341	24,094
Foreign currencies	1,473	-	-	-
Gross loans and receivables	52,778,704	52,560,111	17,341	24,094

21. ADVANCES AND OTHER LOANS

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Advances and loans	21.1	342,626,367	141,248,787	785,112	1,774,112
Factoring receivables	21.2	22,376,268	18,558,318	-	-
Gold loan advances receivables	21.3	1,806,743	1,308,912	-	-
		366,809,378	161,116,017	785,112	1,774,112

21.1 Rentals receivable on loans to customers

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Rentals receivable on loans to customers		353,009,017	148,309,383	618,867	1,445,821
Capital outstanding of revolving loans		7,297,778	4,695,647	44,823	212,441
Gross rental receivables		360,306,795	153,005,030	663,690	1,658,262
Future interest		(15,920,151)	(12,425,604)	-	(1)
Net rental receivables		344,386,644	140,579,426	663,690	1,658,261
Overdue loan instalments		4,297,454	2,702,566	168,722	165,734
Allowance for impairment	21.1.1	(6,057,731)	(2,033,205)	(47,300)	(49,883)
		342,626,367	141,248,787	785,112	1,774,112

Notes to the Financial Statements

21.1.1 Allowance for impairment

	Group		Company	
For the year ended 31 March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	796,155	671,769	3,166	-
Charge for the year	762,496	297,133	(3,166)	3,166
Acquisition of subsidiaries	2,670,789	-	-	-
Write offs and other movements	(317,315)	(172,747)	-	-
Balance as at 31 March	3,912,125	796,155	-	3,166
Allowance for individually non-significant impairment				
Balance as at 01 April	1,237,050	904,883	46,717	48,781
Charge for the year	1,056,341	268,881	583	(2,064)
Write offs and other movements	(147,785)	63,286	-	-
Balance as at 31 March	2,145,606	1,237,050	47,300	46,717
Total allowances for impairment	6,057,731	2,033,205	47,300	49,883

21.2 Factoring receivables

		Group		Company	
As at 31 March	Note	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Factoring receivables		24,054,767	19,578,423	-	-
Allowance for impairment	21.2.1	(1,678,499)	(1,020,105)	-	-
Balance as at 31 March		22,376,268	18,558,318	-	-

21.2.1 Allowance for impairment

	Group		Company	
For the year ended 31 March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Allowance for individually significant impairment				
Balance as at 01 April	569,948	304,705	-	-
Charge / (reversal) for the year	696,743	572,570	-	-
Write offs and other movements	(70,963)	(307,327)	-	-
Balance as at 31 March	1,195,728	569,948	-	-
Allowance for individually non-significant impairment				
Balance as at 01 April	450,157	218,408	-	-
Charge / (reversal) for the year	32,614	270,069	-	-
Write offs and other movements	-	(38,320)	-	-
Balance as at 31 March	482,771	450,157	-	-
Total allowances for impairment	1,678,499	1,020,105	-	-

21.3 Gold loan advances receivables

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Gross receivables		1,847,517	1,342,941	-	-
Allowance for impairment	21.3.1	(40,774)	(34,029)	-	-
Balance as at 31 March		1,806,743	1,308,912	-	-

21.3.1 Allowance for impairment

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Allowance for individually non-significant impairment				
Balance as at 01 April	34,029	63,768	-	-
Charge / (reversal) for the year	12,835	16,967	-	-
Write offs and other movements	(6,090)	(46,706)	-	-
Balance as at 31 March	40,774	34,029	-	-

21.4 Analysis of gross advance and other loans receivables by currency

As at 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Sri Lankan Rupee	161,379,708	132,522,854	832,412	1,823,995
United States Dollar	160,779,275	-	-	-
Cambodian Riel	36,804,434	30,974,478	-	-
Burmese kyat	1,586,662	706,024	-	-
Others	14,036,303	-	-	-
Gross loans and receivables	374,586,382	164,203,356	832,412	1,823,995

Notes to the Financial Statements

21.5 Concentration by Sector

21.5.1 Lending portfolio

	2017			2016		
As at 31 March	Finance lease, hire purchases and operating leases Rs. '000	Advances and other loans Rs. '000	Total Rs. '000	Finance lease, hire purchases and operating leases Rs. '000	Advances and other loans Rs. '000	Total Rs. '000
Group						
Agriculture	10,430,164	73,780,816	84,210,980	9,727,474	45,227,513	54,954,987
Manufacturing	2,673,431	19,047,653	21,721,084	3,148,266	12,313,536	15,461,802
Trade	6,998,095	70,434,416	77,432,511	7,973,405	31,733,117	39,706,522
Tourism	507,586	2,243,591	2,751,177	642,932	2,087,272	2,730,204
Services	8,560,204	48,399,993	56,960,197	10,083,212	23,208,741	33,291,953
Transportation	7,785,280	19,929,061	27,714,341	7,525,021	6,366,131	13,891,152
Construction	2,215,646	10,113,461	12,329,107	1,755,707	7,220,138	8,975,845
Plantation	143,810	7,409,502	7,553,312	98,270	861,594	959,864
Financial services	340,311	1,698,203	2,038,514	226,512	2,088,296	2,314,808
Others	12,232,462	113,752,682	125,985,144	10,485,949	30,009,679	40,495,628
	51,886,989	366,809,378	418,696,367	51,666,748	161,116,017	212,782,765
Company						
Manufacturing	-	51,060	51,060	-	56,184	56,184
Trade	4,422	66,494	70,916	8,920	197,261	206,181
Construction	-	-	-	-	1,510	1,510
Plantation	-	602,802	602,802	-	739,522	739,522
Others	-	64,756	64,756	-	779,635	779,635
	4,422	785,112	789,534	8,920	1,774,112	1,783,032

21.5.2 Other financial assets

	2017			2016	
As at 31 March	Cash in hand and favourable bank balances Rs. '000	Trading assets - fair value through profit or loss Rs. '000	Investment securities Rs. '000	Trade and other current assets Rs. '000	Total Rs. '000
Group					
Government	-	1,895	52,600,377	-	52,602,272
Banks, Financial and Business Services	40,813,290	2,982,026	1,694,951	4,836,471	50,326,738
Manufacturing	-	124	74	21,170	21,368
Trade	-	583	1,865	3,215,898	3,218,346
Tourism	-	-	40,860	1,431,548	1,472,408
Services	-	-	-	1,039,998	1,039,998
Construction	-	328	-	7,770	8,098
Plantation	-	1	1,000,002	3,241,299	4,241,302
Others	13,401,949	664,604	41,192	1,184,964	15,292,709
	54,215,239	3,649,561	55,379,321	14,979,118	128,223,239
Company					
Government	4,306	-	-	-	4,306
Banks, Financial and Business Services	451,335	2,089	348,508	15,964,601	16,766,533
Agriculture	-	-	-	4,074	4,074
Manufacturing	-	124	-	-	124
Trade	-	477	-	105,850	106,327
Tourism	-	-	-	6,441,175	6,441,175
Services	-	-	-	25,729	25,729
Transportation	-	-	-	-	-
Construction	-	-	-	63,870	63,870
Plantation	-	-	-	2,014	2,014
Others	4,374	450,514	-	3,655,264	4,110,152
	460,015	453,204	348,508	26,262,577	27,524,304

Notes to the Financial Statements

22. INSURANCE PREMIUM RECEIVABLES

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Insurance premium receivables	1,157,016	844,149	-	-
(-) Allowance for impairment	(76,258)	(42,984)	-	-
	1,080,758	801,165	-	-

Fair value of premium receivables

The carrying amount disclosed above approximates the fair value at the reporting date.

Collateral details

The company does not hold any collateral as security against potential default by policyholders or intermediaries.

23. INVENTORIES

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Raw materials		142,829	113,251	-	-
Work-in-progress		49,977	30,835	-	-
Finished goods and trading stocks		3,096,009	2,305,574	-	-
Input materials		39,235	110,756	-	-
Harvested crops					
- Tea		211,438	329,586	-	-
- Rubber		5,296	54,593	-	-
- Coconut		32	834	-	-
Unharvested produce stock at fair value		14,473	5,813	-	-
Consumables, maintenance and spares		22,413	36,076	-	-
Vehicle stocks		364,744	568,544	364,029	462,760
Food and beverages		23,403	23,229	-	-
Goods in transit		205,043	204,400	-	-
Others		96,239	38,761	-	-
		4,271,131	3,822,252	364,029	462,760
Allowance for slow moving inventories	23.1	(200,608)	(176,971)	-	-
		4,070,523	3,645,281	364,029	462,760

23.1 Allowance for slow moving inventories

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance at 01 April	176,971	252,018	-	-
Provision / (reversal) for the period	53,448	(88,519)	-	-
Write offs / (write backs)	(29,811)	13,472	-	-
Balance as at 31 March	200,608	176,971	-	-

24. CURRENT TAX ASSETS

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Income tax recoverable	139,577	155,497	98,498	101,002
Value added tax (VAT) recoverable	974,842	647,570	-	-
With-holding tax (WHT) recoverable	234,457	121,132	46,023	52,003
Economic service charge (ESC) recoverable	53,106	84,778	(12,955)	25,329
Nation building tax (NBT) recoverable	2,443	2,877	-	-
	1,404,425	1,011,854	131,566	178,334

25. TRADE AND OTHER CURRENT ASSETS

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Financial Assets					
Trade receivables	25.1	6,336,764	4,229,896	-	-
Amount due from related parties	49.3.1	3,286,080	1,682,430	25,900,678	15,973,627
Loans given to employees	25.2	315,396	266,661	6,590	5,079
Refundable deposits	25.3	23,834	25,724	-	73,237
Dividend receivables		136,845	276,322	68,918	185,737
Other financial receivables		1,149,978	1,073,054	58,398	174,310
		11,248,897	7,554,087	26,034,584	16,411,990
Non-financial Assets					
Prepayments & advances		3,307,177	2,456,678	227,787	112,934
Prepaid staff costs	25.4	102,924	141,745	-	-
Non refundable deposits		22,915	22,588	-	-
Other non-financial receivables		297,205	305,855	206	-
		3,730,221	2,926,866	227,993	112,934
		14,979,118	10,480,953	26,262,577	16,524,924

Notes to the Financial Statements

25.1 Trade receivables

As at 31 March		Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Trade receivables		7,205,572	4,717,414	-	-
(-) Allowance for impairment	25.1.1	(868,808)	(487,518)	-	-
		6,336,764	4,229,896	-	-

25.1.1 Allowance for impairment

For the year ended 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Specific allowance for impairment				
Balance as at 01 April	58,401	162,568	-	-
Charge for the year	61,794	5,092	-	-
Written offs and other movements	45,953	(109,259)	-	-
Balance as at 31 March	166,148	58,401	-	-
Collective allowance for impairment				
Balance as at 01 April	429,117	260,987	-	-
Charge / (reversal) for the year	154,169	78,089	-	-
Written offs and other movements	119,374	90,041	-	-
Balance as at 31 March	702,660	429,117	-	-
Total allowances for impairment	868,808	487,518	-	-

25.2 Loans given to employees

As at 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Balance at 01 April	266,661	331,371	5,079	6,754
Granted during the period	57,071	74,548	4,967	792
Recovered during the period	(34,130)	(113,694)	(5,453)	(1,048)
Transfers and other adjustments	25,794	(25,564)	1,997	(1,419)
Balance as at 31 March	315,396	266,661	6,590	5,079

25.3 Refundable deposits

	Group		Company	
As at 31 March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at 01 April	25,724	25,254	73,237	58,449
Additions during the period	5,216	5,313	-	14,788
Adjustment of fair value	3,902	(3,548)	-	-
Refunded during the period	(11,008)	(1,295)	(73,237)	-
Balance as at 31 March	23,834	25,724	-	73,237

25.4 Prepaid staff costs

	Group		Company	
As at 31 March	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Balance at 01 April	141,786	115,674	-	-
Amortised to profit or loss	-	29,255		-
Other Adjustments	(38,862)	(3,184)		-
	102,924	141,745	-	-

26 PREPAID LEASE RENTALS ON LEASEHOLD PROPERTIES

	Group	
As at 31 March	2017 Rs.'000	2016 Rs.'000
Cost		
Balance at the beginning of the period	762,973	360,012
Additions during the period	-	376,240
Transfers and other movements	(11,537)	-
Currency translations	29,986	26,721
Disposal of subsidiaries	(12,497)	-
Balance at the end of the period	768,925	762,973
Accumulated amortisation		
Balance at the beginning of the period	20,438	17,196
Currency translations	(2,271)	(5,722)
Amortisation for the period	9,222	8,964
Transfers and other movements	2,753	-
Disposal of subsidiaries	(2,496)	-
Balance at the end of the period	27,646	20,438
Carrying Amount		
As at 31 March	741,279	742,535

Prepaid lease rentals paid to acquire land use rights have been classified as lease rentals paid in advance and are amortised over the lease term.

Notes to the Financial Statements

26.1 Details of lease rentals paid in advance

As at 31 March	Land extent	Initial lease period	Lease rental value 2017	Lease rental value 2016
	Acres	Years	Rs. '000	Rs. '000
Cultivation Agreement with Sri Lanka Army	1,000	30 Years	**22,285**	22,285
Bodufarufinolhu - Maldives	4.94	50 Years	**215,940**	215,940
Bodufinolhu in South Ari Atoll - Maldives	14.82	50 Years	**144,680**	144,680
Plot of Lagoons - Maldives	74.10	50 Years	**241,892**	223,603
Mahaweli Authority	45.00	30 Years	**7,956**	7,956
Perpetual Reality	0.15	10 Years	**-**	12,497
Orugodawatta Land - Urban Development Authority	0.93	99 Years	**130,012**	130,012
Orugodawatta Land Plot 02 - Urban Development Authority	0.17	50 Years	**-**	-
Janatha Estate Development Board - Hanthana Land	9.15	30 Years	**1,360**	1,360
Browns Industrial Park - Pannala	25.5	30 Years	**4,800**	4,640
			768,925	762,973

26.2 Bodufaru Beach Resorts (Private) Limited

Bodufarufinolhu Island

Persuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 23rd November 2014 the company has obtained the leasehold rights of the Bodufarufinolhu island in Raa atoll for a period of 50 years commencing from 23rd November 2014. The amount paid to acquire the lease right is amortised over the lease term.

Bodufinlhu Island

Persuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 07th June 2015 the company has obtained the leasehold rights of the Bodufinlhu island in South Ari atoll for a period of 50 years commencing from 07th June 2015. The amount paid to acquire the lease right is amortised over the lease term.

Lagoon in Male' Atoll

Persuant to the sales and purchase agreement entered into with Maldives Marketing and Public Relation Corporation and the deed of assignment dated 13th September 2015 the company has obtained the leasehold rights of the plot of lagoons in Male' atoll for a period of 50 years commencing from 13th September 2015. The amount paid to acquire the lease right is amortised over the lease term.

26.3 Browns Global Farm (Private) Limited

Leasehold right represents the acquisition cost of lease right of the Welikanda army camp farm and the mahaweli building for a period of 30 years by Browns Global Farm (Private) Limited by entering into a cultivation agreement with the Sri Lanka Army on 21st May 2014 (effective from 01st April 2014). Persuent to the lease agreement entered into with Sri Lanka Army the company has obtained the leasehold rights of the Welikanda army camp farm and adjoining mahaweli building to facilitate, cultivation and farming of Bana, Teak and Mango. The amount paid to acquire the lease right is recognised (amortised) over the lease term.

26.4 Sagasolar Power (Pvt) Ltd

Leasehold right represents the acquisition cost of lease right of Lot D 1325 and Lot C 9841 situated at Bolhinda village, Magarnpattu Hambantota AGA Division in the District of Hambantota for a period of 30 years by Sagasolar Power (Pvt) Ltd by entering into an agreement with Maithripala Sirisena, President of the Democratic Socialist Republic of Sri Lanka on 19th March 2015 (effective from 17th November 2014) to generate electrical energy, using solar power and sell to the Ceylon Electricity Board. The amount paid to acquire the lease right is amortised over the lease period of 30 years.

26.5 Browns Industrial Park (Pvt) Ltd

Persuant to advance payment made on operating lease for the "right to use" the warehouse at Industrial park, Makadura, Pannala. The said warehouse is leased for a period of 30 years from 1st April 2014 , and is amortised over the balance lease period.

27. INVESTMENT PROPERTIES

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance at the beginning of the year	9,073,216	8,807,369	353,000	344,000
Additions	113,844	352,340	-	-
Additions to Investment Properties from foreclosure of contracts	42,000	-	-	-
Disposals	(69,555)	(414,679)	-	-
Transfers (to)/from Property Plant and Equipment	(263,986)	193,066	-	-
Change in fair value during the year	855,409	135,120	23,600	9,000
Balance at the end of the year	9,750,928	9,073,216	376,600	353,000

Investment property comprises of number of commercial properties that are leased / rented out to third parties. Each of the agreement contains an initial non-cancellable period of one year and 32 years for the Excel World property. Subsequent renewals are being negotiated with the lessee and on average renewal periods considered are three to five years.

27.1 Details of investment properties

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Owned properties	4,628,246	4,046,238	376,600	353,000
Properties held under operating leases	5,122,682	5,026,978	-	-
	9,750,928	9,073,216	376,600	353,000

27.2 Summary of Investment Properties

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Land	5,055,442	4,718,216	376,600	353,000
Building	4,695,486	4,355,000	-	-
	9,750,928	9,073,216	376,600	353,000

Notes to the Financial Statements

27.3 Relevant income and expenditure relating to investment properties

	Group	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000
Rent income earned	**258,345**	230,477
Direct operating expenses generating rental income	**111,746**	54,036
Direct operating expenses not generating rental income	**86,176**	80,260

27.4 Valuation of investment properties

Fair value of the investment properties are ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of similar kind of location and category. Investment property is appraised in accordance with SLFRS 13, LKAS 40 and the 8th edition of International Valuation Standards published by the International Valuation Standards Committee (IVSC), by the independent valuers.

In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The fair value measurement for all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

The following table shows the valuation techniques used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
'Sales comparison method - value derived based on recent transactions of similar properties	'Not applicable	'The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
'Depreciated replacement cost method	'Value per square feet determined based on similar properties value and depreciated for period used	'The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)
'Net income approach	'Net rental income (profit rent) determined based on similar properties value and decapitalisation rate and years of purchase for period used Discount rate - 6.25% - 9% Annual Rental Income - Rs. 80 Mn - Rs. 130 Mn	'The estimated fair value would increase (decrease) if: - Decapitalisation rate was lesser / (higher) - Years of purchases were higher / (lesser) - Discount rate was lesser / (higher) - Annual rental income were higher / (lesser)

28 CONSUMABLE BIOLOGICAL ASSETS

		Group	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000
Balance as at 01 April		6,150,990	6,383,655
Increase due to new planting and re-planting		62,480	8,635
Decrease due to harvesting of timber trees		(79,968)	(45,381)
Net increase due to births/deaths (Growing Crop Nurseries)		1	2,226
Write offs		(5,072)	(3,791)
Change in fair value	28.1	214,816	(194,354)
Disposal of subsidiary		(3,359,156)	-
Balance as at 31 March		2,984,091	6,150,990

28.1 Change in fair value less estimated costs to sell

	Group	
As at 31 March	2017 Rs. '000	2016 Rs. '000
Due to price changes	79,613	(73,327)
Due to physical changes	135,203	(121,027)
	214,816	(194,354)

28.1.1 The carrying value of timber as at the year end has been computed as follows;

		Group	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000
Valuation of consumer biological assets		2,941,488	6,122,018
Cost of timber plant below three years of age, not considered for valuation		40,906	26,006
Growing Crop Nurseries	28.1.2	1,697	2,966
		2,984,091	6,150,990

Managed timber trees include commercial timber plantations cultivated on estates. The above carrying amount as at 31st March 2017 includes a sum of Rs. 40.9 MN- (As at 31st March 2016 - Rs. 26 Mn) which is the cost of immature trees up to the age of 4 years which is treated as approximate fair value particularly on the ground of little biological transformation taking place and impact of such transformation on price is expected to be immaterial.

Borrowing costs of Rs. 0.08Mn (Previous year - 3.67 Mn) have been capitalised during the year in to immature fields.

Notes to the Financial Statements

28.1.2 Growing crop nurseries

	Group	
As at 31 March	2017 Rs. '000	2016 Rs. '000
Balance as at 01 April	**2,966**	4,545
Additions	**112**	1,939
Transfers	**(112)**	(3,518)
Disposal of subsidiaries	**(1,269)**	-
Balance as at 31 March	**1,697**	2,966

28.1.3 Plantation area

	Group	
As at 31 March	2017 Ha.	2016 Ha.
Mature plantations	**846.78**	1,235.38
Immature Plantations	**315.79**	1,266.42
	1,162.57	2,501.80

28.2 Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques in measuring Level 3 fair value of consumable biological asses as well as the significant unobservable inputs used.

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis .	**Determination of Timber Content** Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age.	" - the estimated timber content were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower) - the estimated timber prices per cubic meter were higher/(lower)

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
Expected cash flows are discounted using a risk-adjusted discount rate of 16% comprising a risk premium of 4%.	Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. **Determination of Price of Timber** Trees have been valued as per the current timber prices per cubic meter based on the price list of the State Timber Corporation and prices of timber trees sold by the estates and prices of logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration. a) Cost of obtaining approval of felling b) Cost of felling and cutting into logs c) Cost of transportation d) Sawing cost Risk-adjusted discount rate 2016/2017 - 16% (Risk Premium - 4%) 2014/2015 - 15% (Risk premium - 4%)	" - the estimated selling related costs were lower/(higher) - the estimated maturity age were higher/(lower) - the risk-adjusted discount rate were lower/(higher)

28.3 The valuation of consumable biological assets was carried by Mr.K.T.D.Tissera, an independent Chartered Valuation Surveyor, using Discounted Cash Flow (DCF) methods. The Valuation Report dated 16th May 2017 is prepared on the physically verified timber statistics provided by the Company. The timber trees were valued as at 31st March, 2016 by the same Chartered valuation Surveyor as per the timber statistics provided by the Company.

28.4 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Turpentine, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of Timber Trees.

Notes to the Financial Statements

28.5 In valuing the timber plantations, under-mentioned factors have been taken into consideration.

1 The present age of trees
2 Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree
3 Annual marginal increase in timber content
4 Number of years to harvest
5 Timber content of harvestable trees on maturity
6 Timber Plants having below three years of age have not been taken into the valuation
7 The timber content of immature trees at an estimated future harvestable year
8 The current price of species of timber per cubic foot at the relevant year

28.6 Trees have been valued as per the current timber prices in the domestic market based on the price list of the State Timber Corporation and prices of timber trees sold by estates and prices of logs and sawn timber in the popular timber traders in Sri Lanka.

28.7 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 16% per annum. The significant assumptions used in the valuation of Consumable Biological Assets are as follows:

1 Future cash flows are determined by references to current timber prices without considering the inflationary effect
2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms
3 Timber trees that have not come upto a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size
4 The present value of the trees is worked out based on the projected size and the estimated number of years it would take to reach the size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.50 to 1.50 cm per year for trees of diameter girth over 10 cm
5 The value of each matured species of timber is worked out on the price of a cubic foot of timber in the market of the species and the available cubic content of timber in the tree
6 Due consideration has been given for cost of felling, transport, sawing, cost to sell including obtaining of approval for felling

28.8 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

28.9 The fair value of managed trees was ascertained since LKAS 41 is only applicable for managed agricultural activity in terms of the ruling issued by the Institute of Chartered Accountants of Sri Lanka. The valuation was carried but by using Discounted Cash Flow (DCF) methods. In ascertaining the fair value of timber a physical verification was carried out covering all the estates.

28.10 The valuations, as presented in the external valuation models based on net present values, take into account the long-term exploitation of the timber plantation. Because of the inherent uncertainty associated with the valuation at fair value of the biological assets due to the volatility of the variables, their carrying value may differ from their realisable value. The Board of Directors retains their view that commodity markets are inherently volatile and that long-term price projections are highly unpredictable. Hence, the sensitivity analysis regarding selling price and discount rate variations as included in this note allows every investor to reasonably challenge the financial impact of the assumptions used in LKAS 41 against his own assumptions.

28.11 The biological assets of Group is cultivated in the leasehold lands. When measuring the fair value of the biological assets it was assumed that these concessions can and will be renewed at normal circumstances. Timber content expects to be realised in future and is included in the calculation of the fair value that takes into account the age of the timber plants and not the expiration date of the lease.

28.12 Sensitivity analysis for biological assets

28.12.1 Sensitivity variation on sales price

Values as appearing in the Statement of Financial Position are sensitive to price changes with regard to the average sales prices applied. Simulation made for timber to show that a rise or a decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

		Group	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000
Carrying amount	28.1.1	2,984,091	6,150,990
Sensitivity on sales price	+10%	294,149	612,202
	-10%	(294,149)	(612,202)

28.12.2 Sensitivity variation on discount rate

Values as appearing in the Statement of Financial Position are sensitive to changes of the discount rate applied. Simulations made for rubber, coconut and timber show that a rise or decrease by 1% of the estimated future discount rate has the following effect on the net present value of biological assets;

		Group	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000
Carrying amount	28.1.1	2,984,091	6,150,990
Sensitivity on Discount Rate	+1%	(66,335)	(181,826)
	-1%	75,217	212,930

28.13 Risk factors

The Group is exposed to a number of risks related to its timber plantations;

Regulatory and environmental risks

The Group is subject to laws and regulations imposed by the environmental authorities of Sri Lanka. The Group established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

Supply and demand risk

The Group is exposed to risks arising from fluctuations in the price and sales volume of timber. When possible Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses to ensure that Group's pricing structure is in line with the market and to ensure that projected harvest volumes are consistent with the expected demand.

Climate and other risks

The Group's timber plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

Notes to the Financial Statements

29 BEARER BIOLOGICAL ASSETS

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000
On finance lease	29.3	**54,397**	155,680
Investments after formation of the plantation companies	29.4	**1,091,668**	4,631,761
Growing crop nurseries	29.5	**5,429**	23,912
		1,151,494	4,811,353

29.1 Amortisation/ depreciation for the period recognised for bearer biological assets

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000
On finance lease	29.3	**19,729**	19,729
Investments after formation of the plantation companies	29.4	**164,313**	145,698
		184,042	165,427

29.2 Carrying amount of bearer biological assets

	On finance lease	Investments after formation	Growing crop nurseries	2016/17 Total	2015/16 Total
Note	29.3	29.4	29.5		
		Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost	242,159	1,439,407	5,429	**1,686,995**	6,316,835
Accumulated depreciation	(187,762)	(347,739)	-	**(535,501)**	(1,505,482)
Carrying amount	54,397	1,091,668	5,429	**1,151,494**	4,811,353

29.3 On finance lease

Mature plantations	Tea Rs. '000	Rubber Rs. '000	Coconut Rs. '000	2016/17 Total Rs. '000	2015/16 Total Rs. '000
Cost					
Balance as at 01 April	371,934	212,787	11,586	**596,307**	596,307
Disposal of subsidiaries	(168,662)	(182,171)	(3,315)	**(354,148)**	-
Balance as at 31 March	203,272	30,616	8,271	**242,159**	596,307
Accumulated depreciation					
Balance as at 01 April	275,640	156,567	8,420	**440,627**	420,898
Charge for the year	12,250	7,093	386	**19,729**	19,729
Disposal of subsidiaries	(129,948)	(140,215)	(2,431)	**(272,594)**	-
Balance as at 31 March	157,942	23,445	6,375	**187,762**	440,627
Carrying amount	45,330	7,171	1,896	**54,397**	155,680

29.4 Investments after formation of the plantation companies

Immature Plantations	Tea	Rubber	Cinnamon	Mixed crops	2016/17 Total	2015/16 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
Balance as at 01 April	425,592	1,589,357	53,430	57,625	**2,126,004**	2,372,647
Additions / transfer in from growing crop nurseries	51,651	192,764	33,851	37,244	**315,510**	336,930
Transfer out	(171,558)	(247,346)	(34,998)	(3,437)	**(457,339)**	(569,057)
Written off during the year	(11,015)	-	-	(3,700)	**(14,715)**	(14,516)
Disposal of subsidiaries	(289,605)	(1,241,895)	-	(70,451)	**(1,601,951)**	-
Balance as at 31 March	5,065	292,880	52,283	17,281	**367,509**	2,126,004

These are investments in immature/ mature plantations before the formation of Maturata Plantations Ltd. These assets (including plantation assets) taken over by way of estate leases are set out in Note 34.2. Further investments in immature plantations taken over by way of these leases are shown in the above note. When such plantations become mature, the additional investments, since initial investment to bring them to maturity, will be moved from immature to mature under this note.

Mature Plantations	Tea	Rubber	Coconut	Cinnamon	Mixed Crops	2016/17 Total	2015/16 Total
	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost							
Balance as at 01 April	1,465,497	1,977,075	27,831	84,984	15,225	**3,570,612**	3,001,554
Transfer In	171,558	247,346	-	34,998	3,437	**457,339**	569,058
Written Offs	-	-	-	-	(1,312)	**(1,312)**	-
Disposal of subsidiaries	(897,441)	(2,045,115)	(12,185)	-	-	**(2,954,741)**	-
Balance as at 31 March	739,614	179,306	15,646	119,982	17,350	**1,071,898**	3,570,612
Accumulated depreciation							
Balance as at 01 April	437,086	617,786	6,245	3,125	613	**1,064,855**	919,157
Charge for the year	49,259	108,577	504	3,278	2,695	**164,313**	145,698
Disposal of subsidiaries	(223,341)	(655,585)	(2,503)	-	-	**(881,429)**	-
Balance as at 31 March	263,004	70,778	4,246	6,403	3,308	**347,739**	1,064,855
Carrying Amount							
As at 31 March	476,610	108,528	11,400	113,579	14,042	**724,159**	2,505,757

29.5 Growing crop nurseries

Mature Plantations	Tea	Rubber	Cinnamon	Mixed Crops	2016/17 Total	2015/16 Total
	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost						
Balance as at 01 April	11,833	4,506	5,855	1,718	**23,912**	27,052
Additions	-	696	2,730	167	**3,593**	6,471
Transfers	(2,143)	-	-	(969)	**(3,112)**	(9,611)
Written Offs	-	-	-	(795)	**(795)**	
Disposal of subsidiaries	(7,335)	(4,384)	(6,450)	-	**(18,169)**	-
Balance as at 31 March	2,355	818	2,135	121	**5,429**	23,912

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29.6 Additions to the immature plantations

These are investments in bearer biological assets carried at cost which comprises of immature/mature plantations since the formation of the plantation companies. Further, investment in immature plantations taken over by way of leases is shown in this note. When such plantations become mature, the additional investments need to be incurred since, taken over to bring them to maturity will be moved from immature to mature under this note. A corresponding movement from immature to mature of the investment undertaken by JEDB/SLSPC on the same plantation prior to the lease will also be carried out under this note.

The additions to bearer biological assets shown above includes the following costs among other costs incurred during the year in respect of uprooting, planting and upkeeting of bearer plants.

As at 31 March	2017		2016	
	Extent Ha	Amount Rs.'000	Extent Ha	Amount Rs.'000
Uprooting				
Tea	23.55	3,539	23.95	3,264
Rubber	-	-	43.69	777
Cinnamon	-	-	5.00	548
Mixed Crop	48.50	2,391	-	-
	72.05	5,930	72.64	4,589
Planting				
Tea	23.10	26,797	14.27	24,348
Rubber	62.51	24,180	69.58	79,544
Cinnamon	-	-	85.78	47,835
Mixed Crop	53.88	13,108	70.00	20,343
	139.49	64,085	239.63	172,070
Upkeep				
Tea	93.02	21,315	85.88	29,875
Rubber	1,227.04	168,584	1,180.62	128,980
Coconut	1.25	437	-	-
Cinnamon	162.35	33,414	-	-
Mixed Crop	45.15	11,633	9.90	1,417
	1,529	235,383	1,276	160,272
	1,740	305,398	1,589	336,931

29.7 Borrowing Costs amounting to Rs 24.07Mn (Previous Year - Rs 34.13Mn) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalised at rate of 10.3% p.a. (2016 - 13.04%) as part of the cost of immature plantations. Capitalisation of borrowing costs will be ceased when the plantations are ready for bearing.

30 SUBSIDIARY COMPANIES

	Company					
As at 31 March	2017			2016		
	No. of Shares	Holding %	Cost	No. of Shares	Holding %	Cost
Subsidiaries						
Listed subsidiaries						
Brown and Company PLC	3,382,800	4.77%	532,474	3,382,800	4.77%	532,474
Browns Investments PLC	14,344,100	0.77%	83,426	14,344,100	0.77%	83,426
Commercial Leasing & Finance PLC	6,308,876,426	98.92%	10,599,809	6,308,876,426	98.92%	10,599,809
LOLC Finance PLC	2,520,000,000	90.00%	11,663,428	2,520,000,000	90.00%	11,663,428
Lotus Hydro Power PLC (Formerly known as Browns Hydro Power PLC)	-	-	-	976,700	0.90%	14,298
			22,879,137			22,893,435
Non-listed subsidiaries						
Ceylon Roots (Pvt) Limited	366,104,433	100.00%	3,679,544	-	-	-
Commercial Factors Limited	1	100.00%	-	1	100.00%	-
Eagle Recoveries (Private) Limited	1	100.00%	-	1	100.00%	-
Galoya Holdings Limited	1,000,000	50.00%	13,005	1,000,000	50.00%	13,005
Green Valley Asset Holdings (Private) Limited	1	100.00%	-	1	100.00%	-
Lanka ORIX Information Technology Services Limited	1,700,000	100.00%	17,000	1,700,000	100.00%	17,000
Lanka ORIX Project Development Limited	5,200,000	100.00%	52,000	5,200,000	100.00%	52,000
LOLC Asset Holdings Limited	151,050,000	100.00%	1,510,500	120,000,000	100.00%	1,400,000
LOLC Corporate Services Limited	1	100.00%	-	1	100.00%	-
LOLC Eco Solutions Limited	2,500,000	100.00%	25,000	2,500,000	100.00%	25,000
LOLC Factors Limited	1	100.00%	700,000	1	100.00%	700,000
LOLC International Limited	83,320,000	100.00%	12,616,752	-	0.00%	-
LOLC Investments Limited	1,101,800,000	100.00%	11,403,000	1,026,300,000	100.00%	10,263,000
East Coast Land Holdings (Private) Limited	13,300,000	100.00%	133,000	13,300,000	100.00%	133,000
LOLC Micro Credit Limited	62,959,191	80.00%	4,161,560	62,959,191	80.00%	4,161,560
LOLC Micro Investments Limited	1	100.00%	2,603,000	1	100.00%	2,603,000
LOLC Motors Limited	65,000,000	100.00%	650,000	60,000,000	100.00%	600,000
LOLC Myanmar Micro Finance Limited	8,119,432	88.50%	1,022,408	971,378	100.00%	129,908
LOLC Private Limited	3,843,904	11.77%	410,815	-	0.00%	-
Green Orchard Property Investments (Private) Limited	8,395,660	100.00%	83,957	7,195,660	100.00%	71,957
Prospere Realty (Private) Limited	15,000,001	100.00%	150,000	1	100.00%	-
LOLC Securities Limited	10,000,000	100.00%	100,000	10,000,000	100.00%	100,000
LOLC Securities Limited - Preference Shares	25,000,000	100.00%	250,000	25,000,000	100.00%	250,000
Sundaya Lanka (Private) Limited	624,490	51.00%	6,245	624,490	51.00%	6,245
			39,587,786			20,525,675
Allowance for Impairment (Note 30.2)			(796,245)			(803,179)
Total			61,670,676			42,615,931

Notes to the Financial Statements

30.2 Allowance for Impairment

As at 31 March	Note	Group 2017	Company 2017
Galoya Holdings Limited		13,000	13,000
Lanka ORIX Project Development Limited		52,000	52,000
LOLC Eco Solutions Limited		25,000	25,000
LOLC Factors Limited		700,000	700,000
Lotus Hydro Power PLC (Formerly known as Browns Hydro Power PLC)		-	6,934
Sundaya Lanka (Private) Limited		6,245	6,245
	30.2.1	796,245	803,179

30.2.1 Movement in allowance for impairment

As at 31 March	Group Rs. '000	Company Rs. '000
Balance as at 01 April	803,179	803,176
Provided/ (Reversal) for the period	(6,934)	3
Balance as at 31 March	796,245	803,179

30.3 Group holdings in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows;

			Proportion of ownership interest held by the Group			
As at 31 March			2017		2016	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
Listed subsidiaries						
BRAC Lanka Finance PLC	BRAC	Financial services	105,499,048	99.76%	99,779,641	94.35%
Brown & Company PLC	BCL	Trading and manufacturing	70,875,000	54.54%	70,875,000	54.54%
Browns Capital PLC	BC PLC	Investing in ventures	831,578,217	60.79%	831,578,217	60.79%
Browns Investments PLC	BIL	Investments holding	2,017,255,625	54.23%	2,017,255,625	54.23%
Commercial Leasing & Finance PLC	CLC	Financial services	6,348,876,426	99.55%	6,348,876,426	99.55%
Eden Hotels Lanka PLC	Eden	Hotelier	93,793,173	88.82%	24,560,733	46.52%
LOLC Finance PLC	LOFC	Financial services	2,520,000,000	90.00%	2,520,000,000	90.00%
Lotus Hydro Power PLC (Formerly known as Browns Hydro Power PLC) Note 30.7.1	LHPPLC	Hydro Power Generation	-	-	77,713,512	71.24%
Palm Garden Hotels PLC	Palm	Investments holding	38,671,013	89.38%	38,671,013	89.38%
Non-listed subsidiaries						
Ajax Engineers (Private) Limited	Ajax	Aluminium Fabrication	469,987	100.00%	469,987	100.00%
B G Air Services (Private) Limited	BG Air	Air ticketing and outbound tours	50,000	100.00%	50,000	100.00%
BI Logistics and Commodities (Private) Limited		Pre-operational	1,000,000	100.00%	1,000,000	100.00%
BI Zhongtian Holdings (Pvt) Ltd		Pre-operational	25,499,949	51.00%	25,499,949	51.00%
Bright View Ltd (Formerly known as Golden Vistas (Private) Limited)	BVL	Pre-operational	1	100.00%	1	100.00%
Browns Capital Holdings (Private) Limited	BCHPL	Investing in ventures	880,000,000	100.00%	880,000,000	100.00%
Browns Global Farm (Private) Limited	BGFL	Pre-operational	25,000	100.00%	25,000	100.00%
Browns Group Industries (Private) Limited	BGIL	Providing marine solutions	2,800,000	100.00%	2,800,000	100.00%
Browns Group Motels Limited	BGML	Non-operational	399,859	79.97%	399,859	79.97%
Browns Health Care (Private) Limited	BHCL	Healthcare services	67,000,000	100.00%	67,000,000	100.00%
Browns Health Care North Colombo (Private) Limited	BHCNC	Healthcare services	10,000,000	100.00%	10,000,000	100.00%
Browns Holdings Limited	BHL	Investments holding	518,290,140	100.00%	515,670,420	99.49%
Browns Hotels and Resorts Limited	BHR	Investments holding	849,166,000	100.00%	849,166,000	100.00%
Browns Industrial Park (Private) Limited	BIPL	Renting of properties	15,405,137	100.00%	15,405,137	100.00%
Browns Motors (Private) Limited	BML	Non-operational	50,000	100.00%	50,000	100.00%
Browns Power Holding Limited	BPHL	Investing in ventures	100,000,000	100.00%	100,000,000	100.00%
Browns Properties (Private) Limited	BPL	Real estate business	60,000,000	100.00%	60,000,000	100.00%
Browns Real Estate (Private) Limited	BREL	Pre-operational	5,000,000	100.00%	5,000,000	100.00%
Browns Thermal Engineering (Private) Limited	BTEL	Importing and manufacturing Radiators	1,499,997	100.00%	1,499,997	100.00%
Browns Tours (Private) Limited	BTL	GSA for Austrian airlines and inbound tour operations	2,030,000	100.00%	2,030,000	100.00%
Ceylon Estate Teas (Private) Limited	CET	Marketing and distribution of teas	-	0.00%	455,000	100.00%
Ceylon Roots (Private) Limited	Roots	Inbound tour operations	150,000	100.00%	90,000	60.00%

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			Proportion of ownership interest held by the Group			
As at 31 March			2017		2016	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
CFT Engineering Limited	CFT	Non-operational	3,450	95.04%	3,450	95.04%
Commercial Factors (Private) Limited	CFL	Non-operational	1	100.00%	1	100.00%
Creations Wooden Fabricators (Private) Limited	C & C	Manufacturing	10,000	50.00%	10,000	50.00%
Dikwella Resort (Private) Limited	DRS	Hotelier	481,314	100.00%	481,314	100.00%
Diriya Investments (Private) Limited	Diriya	Investments holding	216,106,704	100.00%	216,106,704	100.00%
Dolekanda Power (Private) Limited	Dolekanda	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
E.S.L Trading (Private) Limited	ESLT	Pre-operational	1	100.00%	1	100.00%
Eagle Recoveries (Private) Limited	ERPL	Real estate	1	100.00%	1	100.00%
East Coast Land Holdings (Private) Limited	LLHL	Real estate	13,300,000	100.00%	13,300,000	100.00%
Engineering Services (Private) Limited	ESL	Selling Generators & Related Services	147,501	100.00%	147,501	100.00%
Enselwatte Power (Private) Limited	Enselwatte	Hydro Power Generation	10,000,000	100.00%	10,000,000	100.00%
Excel Global Holding Limited	EGHL	Investments holding	53,448,329	100.00%	53,448,329	100.00%
Excel Restaurant (Private) Limited	ERL	Operating restaurant	10,004	100.00%	10,004	100.00%
F L C Estates Bungalows (Private) Limited	FLC EB	Leisure	1,000,000	100.00%	1,000,000	100.00%
F L M C Plantations (Private) Limited	FLMC	Plantation management	-	-	5,500,000	55.00%
F L P C Management (Private) Limited	FLPC	Plantation management	92,052,842	95.34%	92,052,842	95.34%
Fairview Lands Limited	FVLL	Pre-operational	1	100.00%	1	100.00%
Fortune Fields (Private) Limited		Pre-operational	1	100.00%	1	100.00%
Galoya Holdings (Private) Limited	GHL	Managing plantations	2,600,000	100.00%	2,600,000	100.00%
Green Orchard Property Investments (Private) Limited	LPIL	Real estate	1	100.00%	1	100.00%
Green Paradise Resorts (Private) Limited	GPR	Hotelier	5,000,007	100.00%	2,800,007	56.00%
Green Valley Asset Holdings (Private) Limited		Real estate	1	1.00	1	100.00%
Distant Horizons (Private) Limited		Pre-operational	1	100.00%	1	100.00%
Halgranoya Hydro Power (Private) Limited	Halgranoya	Hydro Power Generation	-	-	10,000,000	100.00%
Invest Land (Private) Limited	ILL	Pre-operational	1	100.00%	1	100.00%
Klevenberg (Private) Limited	KPL	Trading	15,600,000	100.00%	15,600,000	100.00%
Lanka ORIX Information Technology Services Limited	LOITS	Software design development and distribution	1,700,000	100.00%	1,700,000	100.00%
Lanka Orix Project Development (Private) Limited	LOPD	Non-operational	5,200,000	100.00%	5,200,000	100.00%
LOLC Capital One (Private) Limited	LOLC Capital	Pre-operational	1	100.00%	1	100.00%
LOLC Corporate Services (Pvt) Ltd	COSER	Secretarial services	1	100.00%	1	100.00%
LOLC Eco Solutions Limited	LOLC Eco	Investments holding	2,500,000	100.00%	2,500,000	100.00%
LOLC Factors Limited	LOFAC	Factoring services	1	100.00%	1	100.00%
LOLC General Insurance Limited	LGEN	Pre-operational	70,000,000	100.00%	1	100.00%
LOLC Insurance Holdings Limited	LAH	Investments holding	140,000,000	100.00%	1	100.00%
LOLC Investments Limited	LOIV	Investments holding	356,000,000	100.00%	356,000,000	100.00%
LOLC Life Assurance Limited	LLIFE	Pre-operational	80,000,000	100.00%	60,000,000	100.00%
LOLC Micro Credit Limited	LOMC	Financial Services (Agro and micro financing)	62,959,191	80.00%	62,959,191	80.00%

			Proportion of ownership interest held by the Group			
As at 31 March			2017		2016	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
LOLC Micro Investments Limited	LOMI	Pre-operational	250,000,000	100.00%	250,000,000	100.00%
LOLC Motors Limited	LOMO	Vehicle trading & repair services	30,000,000	100.00%	30,000,000	100.00%
LOLC Securities Limited	LOSEC	Stock trading	10,000,000	100.00%	10,000,000	100.00%
LOLC Technologies Limited	LOTEC	IT services	1	100.00%	1	100.00%
Masons Mixture Limited	MML	Non-operational	4,289,849	99.67%	4,289,849	99.67%
Maturata Plantation Limited	MPL	Plantations	25,200,000	72.00%	25,200,000	72.00%
Melfort Green Tea Limited Note 30.7.2	MGTL	Manufacturing Green Tea	-	-	650,000	46.43%
Millennium Development Limited	MDL	Recreational activities	44,390,823	100.00%	44,390,823	100.00%
Pleasure Landscape Limited	PLL	Pre-operational	1	100.00%	1	100.00%
Prospere Realty (Private) Limited	LRL	Real estate	1	100.00%	1	100.00%
Pussellawa Plantations Limited Note 30.7.2	PPL	Plantations	-	-	14,236,986	59.70%
Riverina Resort (Private) Limited	RRL	Leisure	35,050,000	100.00%	35,050,000	100.00%
S.F.L. Services (Private) Limited	SFL	Lending to related companies	1,350,000	100.00%	1,350,000	100.00%
Saga Solar Power (Private) Limited	SSP	Solar power generation (Pre-operational)	38,703,370	50.10%	38,703,370	50.10%
Sifang Lanka (Private) Limited	Sifang	Importing ,Assembling & Selling of agro equipment's	2,000,000	100.00%	2,000,000	100.00%
Sifang Lanka Trading (Private) Limited	SFTL	Non-operational	2,997,750	100.00%	2,997,750	100.00%
Snowcem Products Lanka (Private) Limited	SPLL	Non-operational	40,000	100.00%	40,000	100.00%
Speed Italia Limited	SIL	Vehicle trading	100,000	100.00%	100,000	100.00%
Stellenberg Hydro Power (Private) Limited Note 30.7.1	Stellenburg	Hydro Power Generation	-	-	150,000,000	100.00%
Sumudra Beach Resorts (Private) Limited	Sumudra	Hotelier - pre-operational	33,127,500	100.00%	33,127,500	100.00%
Sun & Fun Resorts (Private) Limited	Sun & Fun	Hotelier	16,287,848	51.00%	16,287,848	51.00%
Sundaya Lanka (Private) Limited	Sundaya	Non-operational	624,490	51.00%	624,490	51.00%
Tea Leaf Resort (Private) Limited	TLRL	Leisure	250,000	50.00%	250,000	50.00%
The Hatton Transport & Agency Company (Private) Limited	HTAC	Non-operational	112,000	100.00%	112,000	100.00%
Thebuwana Hydro Power (Private) Limited Note 30.7.1	Thebuwana	Hydro Power Generation	-	-	77,713,512	100.00%
Thurushakthi (Private) Limited		Non-operational	1	100.00%	1	100.00%
Tropical Villas (Private) Limited	TVL	Non-operational	10,344,300	100.00%	10,344,300	100.00%
United Dendro Energy (Private) Limited	UDE	Non-operational	750	75.00%	750	75.00%
United Dendro Energy Ambalantota (Private) Limited	UDEA	Non-operational	1	100.00%	1	100.00%
United Dendro Energy Kawantissapura (Private) Limited	UDEK	Non-operational	1	100.00%	1	100.00%
United Dendro Energy Puttalam (Private) Limited	UDEP	Non-operational	1	100.00%	1	100.00%
United Dendro Energy Walawewatte (Private) Limited	UDEW	Non-operational	1	100.00%	1	100.00%
Walker & Greig (Private) Limited	WGL	Non-operational	1	100.00%	1	100.00%

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			Proportion of ownership interest held by the Group			
As at 31 March			2017		2016	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
Foreign subsidiaries using different functional currencies						
Bodufaru Beach Resorts (Private) Limited	BBR	Hotelier	130,800	99.92%	55,100	99.82%
LOLC (Pvt) Ltd	LOPL	Investment Holdings	32,663,566	100.00%	-	-
LOLC Cambodia PLC	TPC	Financial services	140,210	60.00%	140,210	60.00%
LOLC International (Pvt) Ltd	LOIL	Investment Holdings	83,320,000	100.00%	-	-
LOLC Myanmar Micro-Finance Company Limited	LMML	Financial services	9,174,964	100.00%	2,026,910	100.00%
PRASAC Micro Finance Institution Limited	PRASAC	Financial services	77,000,000	70.00%	-	-

30.4 Fair values of subsidiaries

The Directors' valuation of investments in subsidiaries has been done on consolidated net assets basis. The following subsidiaries are listed in the Colombo Stock Exchange and their market value details given below;

	'Group			
As at 31 March	2017		2016	
	No. of Shares	Market value Rs. 000	No. of Shares	Market value Rs. 000
BRAC Lanka Finance PLC	105,499,048	981,141	99,779,641	NA
Brown & Company PLC	70,875,000	5,032,125	70,875,000	5,655,825
Browns Capital PLC	831,578,217	1,247,367	831,578,217	997,894
Browns Investments PLC	2,017,255,625	2,824,158	2,017,255,625	2,622,432
Commercial Leasing & Finance PLC	6,348,876,426	16,507,079	6,348,876,426	24,125,730
Eden Hotels Lanka PLC	93,793,173	1,022,346	24,560,733	392,972
LOLC Finance PLC	2,520,000,000	5,544,000	2,520,000,000	7,056,000
Lotus Hydro Power PLC (formerly known as Browns Hydro Power PLC) Note 30.7.1	-	-	77,713,512	404,110
Palm Garden Hotels PLC	38,671,013	931,971	38,671,013	1,156,263
		34,090,187		42,411,226

30.5 Nature of the relationship between the parent and subsidiaries when the parent does not own, more than half of the voting power

30.5.1 Creations Wooden Fabricators (Private) Limited - CWF

The group owns one half of the voting power of CWF (50%). However, based on the nature of the business the CWF engaged in, the Group receives substantially all the returns relating to their operations (significant component of the entity's businesses come from the Group), management has determined that the group has the control over the investee.

30.6 Acquisition of a subsidiary - PRASAC Microfinance Institution Limited - PRASAC

In March 2017, LOLC Group has increased its controlling stake in PRASAC Microfinance Institution Limited ("PRASAC") from 22.25% to 70%. This transaction was facilitated through the purchase of 47.75% issued share capital of PRASAC for a value of Rs. 40 Bn (USD 186Mn) through LOLC International Private Limited, a wholly owned subsidiary of the LOLC Group based in Singapore. The LOLC Group has received all required regulatory approvals, including approvals from the Central bank of Sri Lanka, Ministry of Finance of Sri Lanka, National Bank of Cambodia and the Ministry of Commerce of Cambodia for the acquisition.

PRASAC is the largest microfinance service provider of Cambodia with a gross loan book of USD 1,480 Mn. PRASAC carries out its business operations through 1812 branches distributed throughout Cambodia, with a total staff of 6,162 personnel and currently has a customer base of 397,034 microfinance borrowers. Further, it has a strong capital base and maintains a capital adequacy ratio of 19.12%, enabling the company to withstand potential shocks as well as providing a stable platform for strong growth. PRASAC was established in 1995 as a credit provider involved in financing to rehabilitate the agriculture sector in rural Cambodia.

30.6.1 Consideration paid

	Control holding acquired	Cash and cash equivalents paid	Acquisition related costs Note 30.6.2	Fair value of the consideration paid	Fair value of previously held interest	Total consideration of acquisition
	%	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
PRASAC Microfinance Institution Ltd	70.00%	28,001,492	(303,970)	27,697,522	12,611,012	40,308,534

30.6.2 Acquisition related costs

The Group incurred acquisition-related costs of Rs. 304 Mn as share transfer levies and payment made to independent advisors as transaction arrangement and advisory fee. These costs have been included in other expenses in the consolidated statement of profit or loss.

30.6.3 The provisional fair values of the identifiable assets and liabilities of the acquiree as at the date of acquisition were;

	Group
	Rs. '000
Assets	
Cash and cash equivalents	33,247,681
Advances and other loans	172,144,789
Trade and other receivables	2,766,924
Deferred tax asset	488,026
Intangible assets	278,138
Property, plant and equipment	921,953
Total assets	209,847,511
Liabilities	
Deposit liabilities	107,618,064
Interest bearing borrowings	68,664,425
Current tax payable	615,425
Trade and other payables	4,368,082
Retirement benefit obligations	754,429
Total liabilities	182,020,425
Fair value of net assets acquired	27,827,086

Notes to the Financial Statements

30.6.10 Goodwill on acquisition / (Gain on bargain purchase)

Goodwill on acquisition / (Gain on bargain purchase) is recognised as a result of the acquisitions as follows;

		Group
For the year ended 31 March 2017	Note	Rs. '000
Fair value of the consideration paid	30.6.1	40,308,534
Net Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities		(2,066,662)
		38,241,872
Fair value of identifiable net assets	30.6.3	27,827,086
Goodwill on acquisition / (Gain on bargain purchase)		10,414,786

30.6.11 Net cash used in acquisition

		Group
	Note	Rs. '000
Purchase consideration paid	30.6.1	
Fair value of the consideration paid		27,697,522
Acquisition related costs		303,970
		28,001,492
(-) Cash & cash equivalents acquired	30.6.3	
Positive cash balances		33,247,681
Net cash used in acquisition		5,246,189

30.7 Disposal of Subsidiaries

30.7.1 Lotus Hydro Power PLC (formerly known as Browns Hydro Power PLC)

In July 2016, LOLC Group has disposed of 72.13% control holding of Lotus Hydro Power PLC (Formerly known as Browns Hydro Power PLC) which intern hold 100% stake of Halgranoya Hydro Power (Pvt) Ltd, Thembuwana Hydro Power (Pvt) Ltd and Stellenberg Hydro Power (Pvt) Ltd respectively. The results of the disposal are as follows;

30.7.2 FLMC Plantations (Pvt) Ltd

In March 2017, LOLC Group has disposed 45.1% stake of FLMC Plantations (Pvt) Ltd which intern hold 59.70% of Pussellawa Plantations Ltd, 46.43% of Melfort Green Teas Ltd and 100% of Ceylon Estate Teas (Pvt) Ltd for a consideration of Rs. 4,695 Mn. The results of the disposal are as follows;

30.7.3 Consideration received

During the current financial year group has divested following subsidiaries;

	Controlling interest sold	Cash and cash equivalents received	Disposal related costs Note 30.7.4	Fair value of the consideration received	Fair value of previously held interest	Total consideration of disposal
	%	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
FLMC Plantations (Pvt) Ltd	45.10%	4,694,548	(58,750)	4,635,798	1,000,000	5,635,798
Lotus Hydro Power PLC (formerly known as Browns Hydro Power PLC)	72.13%	543,995	(3,461)	540,534	-	540,534
Fair value of the consideration received		5,238,543	(62,211)	5,176,332	1,000,000	6,176,332

30.7.4 Disposal related costs

The Group incurred disposal-related costs of Rs. 62 Mn as share transfer levies. These costs have been included in other expenses in the consolidated statement of profit or loss.

30.7.5 Fair values of the identifiable assets and liabilities of the disposed;

Fair values of the identifiable assets and liabilities of the disposed groups at the date of disposal were;

	FLMC Group Rs. '000	Lotus Hydro Group	Total
For the year ended 31 March 2017	Rs. '000	Rs. '000	Rs. '000
Assets			
Cash and cash equivalents	275,153	35,720	310,873
Investment securities	264,994	-	264,994
Inventories	406,844	8,158	415,002
Current tax assets	34,260	-	34,260
Trade and other receivables	497,574	61,106	558,680
Consumable biological assets	3,359,155	-	3,359,155
Bearer biological assets	3,774,986	-	3,774,986
Deferred tax asset	210,364	-	210,364
Property, plant and equipment	1,050,139	864,492	1,914,631
	9,873,469	969,476	10,842,945
Liabilities			
Bank overdrafts	64,987	1,707	66,694
Interest bearing borrowings	371,530	136,368	507,898
Trade and other payables	683,562	37,335	720,897
Deferred tax liabilities	924,463	56,888	981,351
Deferred income	472,944	-	472,944
Retirement benefit obligations	711,207	3,579	714,786
	3,228,693	235,877	3,464,570
Net assets disposed	6,644,776	733,599	7,378,375

Notes to the Financial Statements

30.7.6 Gain on disposal of subsidiaries

For the year ended 31 March 2017	Note	FLMC Group Rs. '000 Rs. '000	Lotus Hydro Group Rs. '000	Total Rs. '000
Total consideration received	30.7.3	5,635,798	540,534	6,176,332
De-recognition of non-controlling interests		4,380,230	389,273	4,769,503
Fair value of net assets disposed	30.7.5	(6,644,776)	(733,599)	(7,378,375)
Gain on disposal		3,371,252	196,208	3,567,460

30.7.7 Net cash received from divestment

For the year ended 31 March 2017	Note	FLMC Group Rs. '000	Lotus Hydro Group Rs. '000	Total Rs. '000
Purchase consideration received	30.7.3	4,635,798	540,534	5,176,332
(-) Cash & cash equivalents acquired	30.7.5			
Positive cash balances		(275,153)	(35,720)	(310,873)
Bank overdrafts		64,987	1,707	66,694
Net cash received from divestment		4,425,632	506,521	4,932,153

30.8 Formation and capital infusion of subsidiaries

The following subsidiaries were formed or capital infused by the Group;

Subsidiary	Method	Ownership %	Capital infusion Rs. '000	NCI contribution Rs. '000
Browns Pharma (Pvt) Ltd	Formation	100.00%	100,000	-
LOLC International (Pvt) Ltd	Formation	100.00%	32,425,576	19,808,832
LOLC (Pvt) Ltd	Formation	100.00%	3,512,442	-
SAGA Solar Power (Pvt) Ltd	Capital Infusion	50.10%	39,119	38,183
		4,425,632	36,077,137	19,847,015

30.9 Acquisition of non-controlling interests

During the financial year, Group acquired non-controlling interests from the following subsidiaries.

Subsidiary	% of NCI acquired	Consideration paid	Net assets acquired Rs. '000	Results on acquisitions Rs. '000
Eden Hotels Lanka PLC	15.31%	327,661	(172,589)	(500,250)
BRAC Lanka Finance PLC	5.41%	55,439	60,743	5,304
Green Paradise Resorts (Private) Limited	15.94%	377,373	423,402	46,029
Ceylon Roots (Pvt) Ltd	78.40%	8,000	1,316,135	1,308,135
		768,473	1,627,691	859,2018

The results of non-controlling interests acquisitions (difference of net assets acquired over the consideration) were directly charged to equity under shareholder transactions.

30.10 Investment in Agalawatte Plantations PLC

In July 2016, the Group acquired 60.80% stake in Agalawatte Plantations PLC (APL) with a long term view and considered it as an investment in Subsidiary of the Group. Accordingly, Agalawatte Plantations PLC was consolidated and unaudited financial statements for the quarters ended 30th September 2016 and 31st December 2016 was presented.

By letter dated 28th September 2016, The Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), issued a direction to the Board of Directors of APL to re-audit the published audited financial statements of the company for the year ended 31st December 2014. Consequent to the re-audit, which was finalised in March 2017, it was revealed that the liabilities of APL were significantly higher than what was in the publicly available audited financial statements at the time of acquisition. The management evaluated the significance of such risk that poses on the Group and consequently the management changed its intention on the investment in APL and divested the investment in March 2017.

Subsequent to the re-audit, the auditor of APL has issued a disclaimed audit opinion on the re-audited financial statements for the financial year ended 2014 and as at the date on which the financial statements of the Group is authorised for issue by the Board of Directors, audited financial statements of APL for financial years 2015 and 2016 were not available. Since it was impracticable to obtain reliable financial information after making every reasonable effort to do so and considering the significant limitations and uncertainty described above, the management is of the view that consolidation of the results of APL may not represent a true and fair view of the consolidated financial statements of Browns Capital PLC. Consequently, in order to present the substance of the transaction and its effect, the management concluded that the investment in APL not to be treated as an investment in subsidiary from the date of acquisition for the purpose of preparing consolidated financial statements of Browns Capital PLC for the year ended 31st March 2017.

The details of the investment in APL, disposal and resultant loss on disposal recognised in the Group and the Company financial statements for the year ended 31st March 2017 are stated below.

Date of the transaction	Description	Value
		Rs. '000
14th July 2016	Cost of acquisition of APL Group	306,166
28th March 2017	Disposal proceeds from APL Group	272,708
	Loss on disposal	(33,458)

Since the Group acquired and disposed the total investment in APL within the financial year ended 31st March 2017, there is no impact on the profit and other comprehensive income in the statement of profit or loss and other comprehensive income for the year ended 31st March 2017 and total assets, total liabilities and total equity in the consolidated statement of financial position as at 31st March 2017 even though APL has not been consolidated with the Group for the preparation of the consolidated financial statements

30.11 Gain on Relocation of Investment

With the approval of Exchange Control Department of Sri Lanka, company has swap it's stake in (22.25%) PRASAC Microfinance Institution Limited ("PRASAC") against the investment in fully own subsidiary of LOLC International (Pvt) Ltd. With the above share swap LOLC International (Pvt) Ltd become the fully owned subsidiary of the company and consequently LOLC International acquired the balance 47.75% of the PRASAC to increase the group control over the PRASAC upto 70%.

		Company
For the year ended 31 March	Note	2017 Rs. '000
Fair Value of the previously held interest which was swap against the LOLC International (Pvt) Ltd shares	30.6.1	12,611,012
Carrying Value of the Investment		3,511,504
Gain on Relocation of Investment		9,099,508

Notes to the Financial Statements

30.12 Non-controlling interests

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

	Financial Services				Leisure & Entertainment		
	LOFC	LOMC	LOCAM	PRASAC	PALM	EDEN	DRS
NCI %	10.00%	20.00%	40.00%	65.00%	67.74%	69.71%	69.71%
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2017							
Total Assets	122,612,580	62,386,190	42,063,523	209,847,510	4,210,717	5,741,637	2,142,672
Total liabilities	111,590,414	53,480,820	33,951,555	182,020,425	985,155	2,296,509	1,015,678
Net assets	11,022,166	8,905,370	8,111,968	27,827,085	3,225,562	3,445,128	1,126,994
Carrying amount of NCI	1,102,217	1,781,074	3,244,759	18,087,605	2,184,857	2,401,570	785,618
For the year ended 31 March 2017							
Gross income	20,838,394	13,985,769	8,704,717	-	1,955	904,428	243,931
Profit for the period	1,590,549	1,728,042	2,030,083	-	(112,489)	(271,797)	(174,318)
OCI for the period	222,723	(124,057)	-	-	(76)	1,633	158
Profits allocated to NCI	159,055	345,608	812,026	-	(76,195)	(189,467)	(121,516)
OCI allocated to NCI	22,272	(24,811)	-	-	(51)	1,138	110

	Financial Services				Leisure & Entertainment		
	LOFC	LOMC	LOCAM	PRASAC	PALM	EDEN	DRS
NCI %	10.00%	20.00%	40.00%	-	67.82%	85.02%	85.02%
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31 March 2016							
Total Assets	110,385,065	47,067,260	35,128,019	-	3,929,695	5,469,141	2,053,384
Total liabilities	101,186,931	39,565,875	29,282,109	-	316,322	2,779,768	752,230
Net assets	9,198,134	7,501,385	5,845,910	-	3,613,373	2,689,373	1,301,154
Carrying amount of NCI	919,813	1,500,277	2,338,344	-	2,450,749	2,286,539	1,106,258
For the year ended 31 March 2016							
Gross income	14,383,106	10,108,295	6,673,467	-	460	832,905	118,978
Profit for the period	1,426,993	1,603,090	1,882,517	-	(33,059)	(73,251)	(110,448)
OCI for the period	(222,455)	173,222	417,695	-	646,089	398,851	(12,178)
Profits allocated to NCI	142,699	320,618	753,000	-	(22,422)	(62,279)	(93,904)
OCI allocated to NCI	(22,246)	34,644	167,077	-	438,206	339,108	(10,354)

		Manufacturing & Trading	Investment Holdings		Plantation & Power Generation			
GPR	MDL	BCL	BCAP	BIPLC	MPL	PPL	SAGA	Total
63.90% Rs. '000	63.90% Rs. '000	45.61% Rs. '000	78.06% Rs. '000	63.90% Rs. '000	84.94% Rs. '000	92.81% Rs. '000	89.01% Rs. '000	Rs. '000
1,411,348	4,052,730	27,164,232	9,251,099	15,425,352	5,822,425	-	2,852,474	514,984,489
170,449	223,725	10,624,183	1,360,832	6,601,927	4,707,332	-	2,056,065	411,085,069
1,240,899	3,829,005	16,540,049	7,890,267	8,823,425	1,115,093	-	796,409	103,899,420
792,948	2,446,778	7,543,219	6,158,848	5,638,270	947,125	-	708,853	53,823,744
208,543	115,127	14,187,159	5,197,487	524,360	2,395,372	3,840,696	178,819	71,326,757
8,336	47,683	1,477,189	5,085,528	(341,071)	2,783	147,291	(51,498)	11,166,311
104,084	58	8,044	-	11,856	27,344	19,330	-	271,097
5,327	30,470	673,684	3,969,574	(217,948)	2,364	136,707	(45,836)	5,483,851
66,511	37	3,669	-	7,576	23,225	17,941	-	117,617

		Manufacturing & Trading	Investment Holdings		Plantation & Power Generation			
GPR	MDL	BCL	BCAP	BIPLC	MPL	PPL	SAGA	Total
79.84% Rs. '000	64.00% Rs. '000	45.86% Rs. '000	78.12% Rs. '000	64.00% Rs. '000	84.98% Rs. '000	92.81% Rs. '000	89.04% Rs. '000	
1,290,058	3,882,833	18,132,332	3,113,892	13,625,020	5,020,625	8,822,692	1,817,454	259,737,470
146,602	101,570	9,201,346	230,753	4,472,379	3,935,659	2,795,253	1,046,067	195,812,864
1,143,456	3,781,263	8,930,986	2,883,139	9,152,641	1,084,966	6,027,439	771,387	63,924,606
912,937	2,420,023	4,095,343	2,252,210	5,857,726	921,986	5,594,317	686,815	33,343,338
200,244	(21,455)	11,341,148	120,582	846,429	2,062,671	3,148,193	24,238	49,839,261
(40,265)	(81,781)	890,409	56,333	319,669	(500,232)	(201,412)	14,877	5,153,440
(50,235)	(104)	285,345	-	-	220,931	241,696	-	2,098,857
(32,148)	(52,340)	408,301	44,005	204,589	(425,089)	(186,939)	13,246	1,011,339
(40,108)	(67)	130,846	-	-	187,743	224,328	-	1,449,179

Notes to the Financial Statements

31 ASSOCIATES

	Company			
As at 31 March	2017		2016	
	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
Agstar PLC	60,213,500	390,184	60,213,500	390,184
Galoya Plantations (Private) Limited	27,267,058	348,702	27,267,058	348,702
PRASAC Micro Finance Institution Limited	-	-	16,020,000	3,502,376
Seylan Bank PLC	74,238,665	2,775,115	74,238,665	2,775,115
Sierra Construction (Private) Limited	12,488,250	600,000	12,488,250	600,000
Sierra Holding (Private) Limited	4,496,492	200,000	4,494,492	200,000
		4,314,001		7,816,377

31.2 Group holdings in equity accounted investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows;

		Proportion of ownership interest held by the Group			
As at 31 March		2017		2016	
Investee	Investor Company	No. of Shares	Holding %	No. of Shares	Holding %
1 Associated Battery Manufacturers (Ceylon) Limited (ABM)	SFL	2,439,355	38.50%	2,439,355	38.50%
2 Agstar PLC (AFPLC) - Group	LOLC	60,213,500	19.58%	60,213,500	19.58%
	BIL	40,520,061	13.18%	40,520,061	13.18%
	Total AFPLC	100,733,561	32.76%	100,733,561	32.76%
3 Beira Parawood Products (Private) Limited (Beira)	LOIV	80,546,372	26.25%	1,456,852	26.25%
4 Commercial Insurance Brokers (Private) Limited (CIB)	CLC	240,000	40.00%	240,000	40.00%
5 Galoya Plantations Limited (GPL)	LOLC	27,267,058	26.95%	27,267,058	24.50%
	BCL	22,309,412	22.05%	22,309,412	22.05%
	Total GPL	49,576,470	49.00%	49,576,470	46.55%
6 PRASAC Micro Finance Institution Limited (PRASAC) - Note 31.5	LOLC	-	-	16,020,000	22.25%

		Proportion of ownership interest held by the Group			
As at 31 March		2017		2016	
Investee	Investor Company	No. of Shares	Holding %	No. of Shares	Holding %
7 Seylan Bank PLC - Group	LOLC	74,238,665	43.93%	(NV) 74,238,665	43.93%
	LOLC	89	-	(V) 89	-
V - Voting shares	LOIV	16,808,502	9.55%	(V) 16,808,502	9.55%
NV - Non-voting shares	BCL	24,416,750	13.87%	(V) 24,416,750	13.87%
	CLC	74,261	0.04%	(NV) 74,261	0.04%
	LOITS	1,471,587	0.87%	(NV) 1,471,587	0.87%
	Total - V	41,225,341	23.43%	41,225,341	23.43%
	Total - NV	75,784,513	44.85%	75,784,513	44.85%
8 Sierra Construction (Private) Limited (SCPL) - Group	LOLC	12,488,250	9.99%	12,488,250	9.99%
	BIL	12,488,250	9.99%	12,488,250	9.99%
	Total SCPL	24,976,500	19.99%	24,976,500	19.99%
9 Sierra Holdings Limited (SHL) - Group	LOLC	4,494,492	9.99%	4,494,492	9.99%
	BIL	4,494,492	9.99%	4,494,492	9.99%
	Total SHL	8,988,984	19.99%	8,988,984	19.99%
10 Taprobane Plantation Limited (TPL)	BIL	22,500	44.94%	22,500	44.94%
11 Virginia International Limited (VIL)	BIL	800,000	40.00%	800,000	40.00%
12 NPH Investments (Pvt) Ltd (NPH)	BHR	138,778,951	50.00%	-	-

31.3 The summarised financial information of equity accounted investees for the year ended 31 March 2017 not adjusted for the percentage of ownership held by the Group;

		As at 31March 2017			For the year ended 31March 2017			
Component	Principal Activities	Total Assets Rs. '000	Total Liabilities Rs. '000	Equity Rs. '000	Income Rs. '000	Expenses Rs. '000	Profit or loss Rs. '000	Other comprehensive income Rs. '000
ABM	Battery manufacturing	1,830,345	1,020,007	810,338	2,713,497	(2,542,309)	171,188	-
AFPLC	Fertilizer manufacturing	4,438,567	1,963,188	2,475,379	2,894,025	(2,872,804)	21,221	2,401
Beira	Brush manufacturing	2,630,459	623,682	2,006,777	2,422,397	(1,987,289)	435,108	-
CIB	Insurance broking	255,774	60,761	195,013	255,154	(229,174)	25,980	499
GPL	Sugar plantations	3,160,157	6,217,459	(3,057,302)	1,007,845	(1,956,978)	(949,133)	-
SBPLC	Banking	371,200,182	340,698,797	30,501,385	41,827,938	(37,646,932)	4,181,006	2,113,207
SCPL	Construction	20,740,684	16,486,084	4,254,600	19,905,879	(18,700,257)	1,205,622	(62,716)
SHL	Investing	30,791,134	22,199,307	8,591,827	27,383,742	(25,393,600)	1,990,142	114,572
TPL	Entertainment operations	32,638	78,782	(46,144)	144,971	(144,378)	593	-
VIL	Non-operational	12,680	250	12,430	318	(137)	181	-
NPH	Mix development	3,306,814	607,138	2,699,676	3,039	(2,548)	491	3,194
		438,399,434	389,955,455	48,443,979	98,558,805	(91,476,406)	7,082,399	2,171,157

Notes to the Financial Statements

31.4 Fair values of equity accounted investees

The Directors' valuation of investments in equity accounted investees has been done on net assets basis. The following associates are listed in the Colombo Stock Exchange and their market value details given below;

	Group			
As at 31 March	2017		2016	
	No. of Shares	Market value Rs. 000	No. of Shares	Market value Rs. 000
Agstar PLC	**100,733,561**	**433,154**	100,733,561	463,374
Seylan Bank PLC - voting shares	**41,225,341**	**3,586,605**	41,225,341	3,545,379
Seylan Bank PLC - non-voting shares	**75,784,513**	**4,145,413**	75,784,513	4,774,424
		8,165,172		8,783,177

31.5 Divestment of equity accounted investees

LOLC group had 22.25% stake in PRASAC which was accounted as equity accounted investees (associate) in the LOLC group financials till 31st March 2017 using equity accounting under LKAS 27. With the further acquisition of 47.75% issued share capital of the PRASAC by the group, PRASAC became a subsidiary of the LOLC group and accounted as subsidiary under SLFRS 10.

The results of the disposal shown below;

	Note	Group
For the year ended 31 March 2017		Rs. '000
Carrying amount of the previously held interest of PRASAC	31.6	6,352,603
Fair value of the previously held interest	30.6.1	12,601,885
Gain/ (Loss) on divestment of associate		6,249,282
Total Gain/ (Loss) on disposal of associate		
Gain on disposal of associate		6,249,282
Reclassify the previously recognised Foreign Currency Translation Reserve to Income Statement		777,589
Total gain recognised in income statement		7,026,871

The gain on divestment recognised in the profit or loss under "Results on acquisition and divestment of Group investments"

31.6 Equity value of investment in equity accounted investees to the Group

For the year ended 31 March 2017

	Equity accounted investee	As at 01 April 2016	Acquisitions / (disposals)	Reclassifications / transfers	Share of profit / (loss) net of tax	Share of OCI never be reclassified to profit or loss	Share of OCI to be classified to P & L	Dividend received	Foreign currency translations	Gain on bargain purchase	As at 31 March 2017
		Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1	ABM	285,720	-	-	65,907	-	-	(40,249)	-	-	311,378
2	AFPLC	1,048,805	-	-	6,577	744	-	(20,147)	-	-	1,035,979
3	Beira	380,841	-	-	114,216	-	-	(33,754)	-	-	461,303
4	CIB	79,173	-	-	10,392	197	-	(7,200)	-	-	82,564
5	PRASAC	4,500,142	(6,352,603)	-	1,727,377	-	-	(150,550)	275,634	-	-
6	SBPLC	8,361,203	-	-	1,410,408	301,957	413,288	(143,337)	-	-	10,343,519
7	SCPL	1,237,666	-	-	244,227	(10,601)	(1,934)	(103,601)	-	-	1,365,757
8	SHL	596,087	-	-	248,540	22,650	243	(40,430)	-	-	827,090
9	VIL	4,000	-	-	72	-	-	-	-	-	4,072
10	NPH	-	1,331,015	-	246	-	-	-	1,599	-	1,332,860
		16,493,637	(5,021,588)	-	3,827,962	314,947	411,597	(539,268)	277,233	-	15,764,522

For the year ended 31 March 2016

	Equity accounted investee	As at 01 April 2015	Acquisitions / (disposals)	Reclassifications / transfers	Share of profit / (loss) net of tax	Share of OCI never be reclassified to profit or loss	Share of OCI to be classified to P & L	Dividend received	Foreign currency translations	Gain on bargain purchase	As at 31 March 2016
		Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
1	ABM	248,188	-	-	57,047	-	-	(19,515)	-	-	285,720
2	AFPLC	1,038,833	8,348	-	(14,407)	37,414	(92)	(21,291)	-	-	1,048,805
3	Beira	330,148	-	-	79,979	-	-	(29,286)	-	-	380,841
4	CIB	70,955	-	-	9,418	-	-	(1,200)	-	-	79,173
5	GPL	-	65,822	-	(65,822)	-	-	-	-	-	-
6	PRASAC	2,863,767	-	(114,163)	1,569,255	-	-	(89,271)	270,554	-	4,500,142
7	SBPLC	8,134,098	202,369	-	1,264,461	23,045	(954,875)	(307,895)	-	-	8,361,203
8	SCPL	1,133,874	-	-	109,590	1,540	(7,338)	-	-	-	1,237,666
9	SHL	449,004	-	-	128,556	29,762	(179)	(11,056)	-	-	596,087
10	THL	794,983	(1,052,267)	247,684	(43,840)	56,081	(2,641)	-	-	-	-
11	VIL	4,000	-	-	-	-	-	-	-	-	4,000
		15,067,850	(775,728)	133,521	3,094,237	147,842	(965,125)	(479,514)	270,554	-	16,493,637

Notes to the Financial Statements

32 DEFERRED TAX ASSETS AND LIABILITIES

32.1 Recognised deferred tax assets

Deferred tax assets are attributable to the origination of following temporary differences:

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Property, Plant & Equipment	(149,157)	(998,094)	-	(583,166)
Lease receivables	-	3,313	-	-
Unutilised tax Losses	3,997,329	2,537,009	-	650,971
Employee benefits	1,152,027	1,147,943	-	184,863
General provisions	418,508	89,967	-	64,041
Unrealised loss on exchange	5,020	37,367	-	-
Net deductible temporary difference	5,423,727	2,817,505	-	316,709
Total recognised deferred tax assets	1,492,249	490,243	-	80

32.2 Movement in recognised deferred tax assets

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance as at 01 April		490,243	516,785	80	61,120
Origination / reversal to the profit or loss		291,869	51,226	(80)	(61,040)
Acquisition of subsidiaries		488,026	-	-	-
Directly charged to the equity	32.7	(17,876)	(77,802)	-	-
Other adjustments / transfers		450,244	34	-	-
Disposal of subsidiary		(210,257)	-	-	-
Balance as at 31 March		1,492,249	490,243	-	80

32.3 Recognised deferred tax liabilities

Deferred tax liabilities are attributable to the origination of following temporary differences:

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Property, Plant & Equipment	2,765,659	2,648,717	412,530	-
Revaluation of properties	1,953,396	2,079,290	34,258	-
Lease receivables	6,549,004	10,248,814	-	-
Unutilised tax losses	(83,526)	(2,153,527)	(244,252)	-
Employee benefits	(98,767)	(90,634)	4,020	-
Forward exchange contracts assets	89,502	80,304	235	-
Consumer Biological Assets	2,984,091	3,307,766	-	-
Bearer Biological Assets	1,125,033	3,578,299	-	-
Other movements	(3,131)	-	(3,131)	
Net taxable temporary difference	15,281,261	19,699,029	203,660	-
Total recognised deferred tax liabilities	4,492,485	3,930,668	219,926	-

32.4 Movement in recognised deferred tax liabilities

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance as at 01 April		3,930,668	3,301,907	-	-
Originations / reversal to the profit or loss		1,148,369	345,014	185,668	-
Directly charged to the equity	32.7	66,503	171,587	34,258	-
Other adjustments / transfers		328,296	112,160	-	-
Disposal of subsidiary		(981,351)	-	-	-
Balance as at 31 March		4,492,485	3,930,668	219,926	-

32.5 Deferred tax expense

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Deferred tax assets					
Originations / reversal during the period	32.2	(291,869)	(51,226)	80	61,040
Deferred tax liabilities					
Originations / reversal during the period	32.4	1,148,369	345,014	185,668	-
		856,500	293,788	185,748	61,040

32.6 Unrecognised deferred tax assets for deferred taxation

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in respective group companies against which the Group can utilise the benefits there from.

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Unutilised tax losses	9,185,067	8,387,166	-	-
	9,185,067	8,387,166	-	-

32.7 Deferred tax liability charged directly to OCI

		Group		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Charged to / reversed from					
Deferred tax assets	32.2	17,876	77,802	-	-
Deferred tax liabilities	32.4	66,503	171,587	34,258	-
		84,379	249,389	34,258	-

Notes to the Financial Statements

According to Sri Lanka Accounting Standard - LKAS 12 "Income Taxes", deferred tax shall be charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or in a different period, directly to equity. Accordingly, the deferred tax liability or asset arising on revaluation of Property, Plant & Equipment & Acturial Gain or (Loss) of the Group was charged directly to revaluation reserve and Retained Earnings in the Statement of Changes in Equity in 2016/17.

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

Deferred tax has been computed at 28% for all standard rate companies (including listed companies), and at 12% for leisure Group companies and at rates as disclosed in notes 15.7. The deferred tax effect on undistributed reserves of subsidiaries has not been recognised since the parent can control the timing of the reversal of these temporary differences.

32.8 Deferred tax assets and liabilities set offs

Net deferred tax assets / liabilities of one entity cannot be set-off against another entity's assets and liabilities since there is no legally enforceable right to set-off. Therefore net deferred tax assets and liabilities of different entities are separately recognised in the Statement of Financial Position.

33 INTANGIBLE ASSETS

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Goodwill on acquisition	33.1	12,451,697	1,981,399	-	-
Other intangible assets	33.5				
Computer Software		665,997	321,898	199,215	203,810
License and fees	33.6	10,104	11,166	3,869	6,211
Brand value	33.7	28,436	37,914	-	-
Customer base	33.7	-	-	-	-
Right to generate solar power	33.8	143,217	129,669	-	-
		13,299,451	2,482,046	203,084	210,021

33.1 Goodwill on acquisition

		Group	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000
Cost recognised at the point of acquisition	33.2	12,344,962	1,930,175
Effect on currency translation - LOLC Cambodia Plc	33.4	165,735	110,224
Allowance for impairment		(59,000)	(59,000)
		12,451,697	1,981,399

33.2 Cost of the goodwill recognised at the point of acquisition

		Group	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000
Ajax Engineers (Private) Limited		**10,390**	10,390
BRAC Lanka Finance PLC		**400,364**	400,364
Ceylon Roots (Private) Limited		**46,831**	46,831
Commercial Leasing and Finance Company PLC		**151,415**	151,415
Creations Wooden Fabricators (Private) Limited		**8,671**	8,671
Excel Restaurant (Private) Limited		**20,524**	20,524
Palm Garden Hotels PLC		**180,299**	180,299
Saga Solar Power (Private) Limited		**5,038**	5,038
Speed Italia Limited		**59,000**	59,000
Sun & Fun Resorts (Private) Limited		**57,643**	57,643
LOLC Cambodia Plc - LOCAM		**990,000**	990,000
PRASAC Microfinance Institution Limited	30.6.10	**10,414,787**	-
		12,344,962	1,930,175

Goodwill as at the reporting date has been tested for impairment.

33.3 Effect on currency translation - LOLC Cambodia PLC

Goodwill arising on the acquisition of LOCAM (an foreign operation) was treated as an asset of the foreign operation. Thus it was expressed in the functional currency of the foreign operation and translated at the closing rate.

		Group	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000
Cost recognised at the point of acquisition	33.2	**990,000**	990,000
Accumulated effect on currency translation	33.4	**165,735**	110,224
		1,155,735	1,100,224

33.4 Accumulated effect on currency translation

Balance as at 01 April	**110,224**	23,801
Effect on currency translation	**55,511**	86,423
Balance as at 31 March	**165,735**	110,224

Notes to the Financial Statements

33.5 Other intangible assets

Group	Computer Software	License and fees	Brand value	Customer base	Right to generate solar power	Group Total 2016 / 2017	Group Total 2015 / 2016
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Note		33.6	33.7	33.7	33.8		
Cost							
Balance as at 01 April 2016	833,887	41,423	94,785	49,422	129,669	**1,149,186**	864,530
Additions	196,167	6,341	-	-	17,250	**219,758**	176,861
Disposals	(8,642)	-	-	-	-	**(8,642)**	107,795
Transfers	3,825	-	-	-	-	**3,825**	-
Exchange translation difference	(248)	-	-	-	-	**(248)**	-
Acquisition of Subsidiaries	473,027	-	-	-	-	**473,027**	-
Balance as at 31 March 2017	1,498,016	47,764	94,785	49,422	146,919	**1,836,906**	1,149,186
Accumulated amortisation and Impairment losses							
Balance as at 01 April 2016	511,989	30,257	56,871	49,422	-	**648,539**	503,155
Amortisation charged	124,953	7,403	9,478	-	3,163	**144,997**	145,384
Amortisation on disposal	(313)	-	-	-	-	**(313)**	-
Transfers	539	-	-	-	539	**1,078**	-
Exchange translation difference	(38)	-	-	-	-	**(38)**	-
Acquisition of Subsidiaries	194,889	-	-	-	-	**194,889**	-
Balance as at 31 March 2017	832,019	37,660	66,349	49,422	3,702	**989,152**	648,539
Carrying amount							
Balance as at 31 March 2017	665,997	10,104	28,436	-	143,217	**847,754**	
Balance as at 01 April 2016	321,898	11,166	37,914	-	129,669		500,647

33.6 License and fees

This includes the license obtained by LOLC Securities Limited (LOSEC) to operate as a registered stock broker in the Colombo Stock Exchange (CSE) in 2010/11 financial period. The useful life was decided as 20 years and amortisation determined accordingly. The cost of the license amounted to Rs. 28,242,784/- and the remaining carrying amount as at 31 March 2017 is Rs. 20,591,766 (31 March 2016 - Rs. 22,003,906)

33.7 Brand value and customer base

These intangible assets were recognised with the acquisition of Commercial Leasing and Finance PLC in May 2008. These intangible assets identified are separable from the goodwill arose on the acquisition and are recognised based on the present value of the future cash flows separately identified for these assets.

The estimated useful lives are as follows;	Initial estimation	Remaining useful life
Brand value	10 Yrs	3 Yrs
Customer base	5 Yrs	-

33.8 Right to generate solar power

The right represents amount paid to purchase an exclusive right to generate solar electric power. Group will amortise this right over 20 years on a straight line basis beginning from the year of commercial operations.

33.9 Other Intangible assets

	Computer Software	License and fees	Total 2016 / 2017	Total 2015 / 2016
Company	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost				
Balance as at 01 April 2016	454,654	13,180	**467,834**	330,745
Additions	82,833	-	**82,833**	137,089
Balance as at 31 March 2017	537,487	13,180	**550,667**	467,834
Accumulated Amortisation and Impairment losses				
Balance as at 01 April 2016	250,844	6,969	**257,813**	190,724
Amortisation during the year	87,428	2,342	**89,770**	67,089
Balance as at 31 March 2017	338,272	9,311	**347,583**	257,813
Carrying Amount				
Balance as at 31 March 2017	199,215	3,869	**203,084**	
Balance as at 01 April 2016	203,810	6,211	**210,021**	

Notes to the Financial Statements

34 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Lands	Leasehold Lands	Freehold Buildings	Leasehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture & Fittings
	Rs.'000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/ valuation							
Balance as at 01 April	14,071,601	564,572	7,428,994	425,329	2,399,089	2,229,789	1,566,654
Additions	415,241	573,744	301,281	31,284	176,144	841,132	273,264
Revaluations	2,769,171	-	251,907	-	-	-	-
Disposal	-	-	(1,122)	-	(124,749)	(109,606)	(40,760)
Transfers / WIP transfers	265,229	11,335	(198,491)	(411)	234,882	(22,972)	412,224
Acquisition of subsidiaries	-	-	-	306,074	403,008	-	635,884
Disposal of subsidiaries	(11,446)	-	(1,020,065)	(11,904)	(311,795)	(321)	(54,610)
Exchange translation difference	-	-	-	553	1,617	-	(155)
Balance as at 31 March	17,509,796	1,149,651	6,762,504	750,925	2,778,196	2,938,022	2,792,501
Accumulated depreciation and impairment losses							
Balance as at 01 April	-	96,042	607,675	179,255	1,485,634	229,598	901,651
Charge for the year	-	11,750	199,262	35,974	158,276	222,912	241,424
Revaluations	-	-	(153,415)	-	-	-	-
Disposal	-	-	(1,122)	-	(88,986)	(29,275)	(28,657)
Transfers / WIP transfers	-	2,215	(24,452)	(1,356)	101,478	(13,931)	41,730
Acquisition of subsidiaries	-	-	-	177,352	255,446	-	374,037
Disposal of subsidiaries	-	-	(190,437)	(4,978)	(278,519)	(321)	(33,169)
Exchange translation difference	-	-	-	206	3,160	-	(68)
Balance as at 31 March		110,007	437,511	386,453	1,636,489	408,983	1,496,948
As at 31 March 2017	17,509,796	1,039,644	6,324,993	364,472	1,141,707	2,529,039	1,295,553
As at 31 March 2016	14,071,601	468,530	6,821,319	246,074	913,455	2,000,191	665,003

Office Equipment	Computers	Freehold Plant & Machinery	Leasehold Machinery	Assets on Operating Leases	Other Tangible Assets	Immovable (JEDB/ SLSPC) Assets on Finance Lease (Other than Bare land)	Capital Work-in-Progress (CWIP)	Total 2016/17	2015/16
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
					34.1	34.2			
1,161,039	1,196,444	1,797,903	45,846	413,734	1,779,523	171,588	5,072,821	**40,324,926**	33,024,392
303,696	441,667	104,780	-	2,000	2,713,554	12,082	4,534,943	**10,724,812**	6,603,364
-	-	-	-	-	-	-	-	**3,021,078**	1,860,136
(5,728)	(37,246)	(10,398)	-	(5,430)	(3,602)	-	-	**(338,641)**	(755,032)
(75,346)	28,387	51,619	14,980	(215,776)	(366,495)	-	(2,740,012)	**(2,600,847)**	(407,934)
44,845	766,499	-	-	-	-	-	36,672	**2,192,982**	
(151,367)	(4,812)	(613,599)	-	-	(1,050,789)	(57,541)	(69,162)	**(3,357,411)**	
1,023	554	-	-	-	-	-	53,275	**56,867**	
1,278,162	2,391,493	1,330,305	60,826	194,528	3,072,191	126,129	6,888,537	**50,023,766**	40,324,926
728,450	711,743	1,063,965	5,317	204,736	394,165	162,956		**6,771,187**	6,060,196
163,957	217,834	135,414	3,741	17,225	118,324	5,437		**1,531,530**	1,258,071
-	-	-	-	-	-	-	-	**(153,415)**	(100,854)
(5,168)	(15,999)	(8,235)	-	(3,892)	-	-		**(181,334)**	(23,469)
(5,372)	3,434	11,175	2,981	(107,109)	(43,553)	-		**(32,760)**	(425,051)
30,609	433,587	-	-	-	-	-	-	**1,271,031**	2,294
(139,676)	(4,555)	(492,919)	-	-	(252,215)	(56,053)		**(1,452,842)**	
744	813	-	-	-	-	-	-	**4,855**	
773,544	1,346,857	709,400	12,039	110,960	216,721	112,340		**7,758,252**	6,771,187
504,618	1,044,636	620,905	48,787	83,568	2,855,470	13,789	6,888,537	**42,265,514**	
432,589	484,701	733,938	40,529	208,998	1,385,358	8,632	5,072,821		33,553,739

Notes to the Financial Statements

34.1 Other Tangible Assets

Group	Water Sanitation & Others	Roads & Bridges	Penstock Pipe Line	Security Fences	Cutlery, Crockery & Glassware	Linen & Furnishing	Swimming Pool	Bare Lands	Others	Total
	Rs. '000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Cost/ valuation										
Balance as at 01 April 2016	26,688	151,950	260,996	4,080	19,042	79,560	133,613	313,567	790,027	1,779,523
Additions / acquisition of subsidiaries	108	18,349	-	-	2,174	9,241	4,478	-	2,679,204	2,713,554
Disposal of assets	-	-	-	-	-	(3,496)	-	-	(106)	(3,602)
Transfers / WIP transfers	-	-	-	-	4,980	(10,161)	-	-	(361,314)	(366,495)
Disposal of subsidiaries	(26,796)	(151,950)	(260,996)	(4,080)	-	-	-	(313,567)	(293,400)	(1,050,789)
Balance as at 31 March 2017	-	18,349	-	-	26,196	75,144	138,091	-	2,814,411	3,072,191
Accumulated depreciation										
Balance as at 01 April 2016	15,325	21,323	23,797	3,825	8,102	60,304	8,437	140,698	112,354	394,165
Charge for the year	1,139	4,030	4,553	54	5,370	5,470	13,361	5,916	78,431	118,324
Acquisition of subsidiaries / disposals/ transfers	-	863	-	-	2,415	(7,121)	(10,687)	-	(29,023)	(43,553)
Disposal of subsidiaries	(16,464)	(24,435)	(28,350)	(3,879)	-	-	-	(146,614)	(32,473)	(252,215)
Balance as at 31 March 2017	-	1,781	-	-	15,887	58,653	11,111	-	129,289	216,721
Carrying Amount										
Balance as at 31 March 2017	-	16,568	-	-	10,309	16,491	126,980	-	2,685,122	2,855,470
Balance as at 01 April 2016	11,363	130,627	237,199	255	10,940	19,256	125,176	172,869	677,673	1,385,358

34.1.1 Revaluation of land and buildings

Accounting judgements,estimates and assumptions

The Group uses the revaluation model of measurement of land and buildings. The Group engaged independent expert valuers, to determine the fair value of its land and buildings. Fair value is determined by reference to market-based evidence of transaction prices for similar properties. Valuations are based on open market prices, adjusted for any difference in the nature, location or condition of the specific property. These valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The date of the most recent revaluation was carried out on 31 March 2017.

The changes in fair value recognised in other comprehensive income and in the statement of equity. The valuer has used valuation techniques such as market values and discounted cash flow methods where there was lack of comparable market data available based on the nature of the property. Details of Group's land, building and other properties stated at valuation are indicated below;

34.1.2 Summary description of valuation methodologies

Open market value method (OMV)

Open market value method uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities or a group of assets and liabilities, such as a business.

Direct capital comparison method (DCC)

This method may be adopted when the rental value is not available from the property concerned, but there are evidences of sale price of properties as a whole. In such cases, the capitalised value of the property is fixed by direct comparison with capitalised value of similar property in the locality.

Contractors method (CM)

The replacement cost (contractor's) method is used to value properties which do not generally exchange on the open market and for which comparable evidence therefore does not exist. The valuations are based on two components: the depreciated cost of the building element and the market value of the land. Current build costs and often the land price will be established by comparison.

Investment method (IM)

The investment method is used to value properties which are let to produce an income for the investor. Conventionally, investment value is a product of rent and yield. Each of these elements is derived using comparison techniques.

34.1.3 Carrying value of fully depreciated assets

The following Property, plant and equipment have been fully depreciated and continue to be in use by the Group.

For the year ended	31 Mar 2017	31 Mar 2016
	Rs'000	Rs'000
Cost of the fully depreciated assets	**2,442,828**	2,144,000

34.1.4 Temporarily Idle Property, Plant and Equipment

There were no idle property, plant and equipment as at the reporting date (2015/16: Nil)

34.1.5 Property, Plant and Equipment Retired from Active Use

There were no property, plant and equipment retired from active use as at the reporting date (2015/16: Nil)

34.1.6 Title Restriction on Property, Plant and Equipment

There were no restriction on the title of property, plant and equipment as at 31st March 2017.

34.1.7 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 48 to these financial statements.

34.1.8 Compensation from Third Parties for Items of Property, Plant and Equipment

There were no compensation received during the year from third parties for items of property, plant and equipment that were impaired, lost or given up (2015/16: Nil).

34.1.9 Borrowing Cost Capitalisation

Borrowing Costs incurred on borrowings obtained to finance the acquisition, construction or production of qualifying asset, which takes substantial period of time to get ready for its intended use or sale, have been capitalised during the year. The borrowing cost capitalisation will be ceased when the respective asset is ready for use.

For the year ended	31 Mar 2017	31 Mar 2016
	Rs'000	Rs'000
Capitalised borrowing costs	**292,595**	185,062

Notes to the Financial Statements

34.2 Immovable (JEDB/SLSPC) estate assets on Finance Lease (other than bare land)

Group							Group
	Improvements to lands	Vested plantations	Buildings	Machinery	Water sanitation	Roads and bridges	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalised value							
Balance as at 31 March 2016	7,461	113,366	27,872	16,383	501	6,005	171,588
Disposal of subsidiaries	(889)	(31,123)	(11,074)	(9,773)	-	(4,682)	(57,541)
Additions	12,082	-	-	-	-	-	12,082
Balance as at 31 March 2017	18,654	82,243	16,798	6,610	501	1,323	126,129
Accumulated amortisation							
Balance as at 01 April 2015	5,633	103,100	27,872	16,337	215	4,839	157,996
Charged for the period	249	4,535	-	11	9	156	4,960
Balance as at 31 March 2016	5,882	107,635	27,872	16,348	224	4,995	162,956
Charged for the period	702	4,535	-	35	9	156	5,437
Disposal of subsidiaries	(703)	(30,676)	(11,074)	(9,773)	-	(3,827)	(56,053)
Balance as at 31 March 2017	5,881	81,494	16,798	6,610	233	1,324	112,340
Carrying Amount							
Balance as at 31 March 2016	1,579	5,731	-	35	277	1,010	8,632
Balance as at 31 March 2017	12,773	749	-	-	268	(1)	13,789

Right-To-Use of Land on Lease (Leasehold Rights to Bare Land of JEDB/SLSPC Estates)

Lease agreements of all JEDB/SLSPC estates handed over to the Group's Sub Subsidiary Maturata Plantations Limited have been executed to date. All of these leases are retroactive to 15th/22nd June 1992, the dates of formation of the Group's Sub Subsidiary. The leasehold rights to the bare land on all of these estates have been taken into the books of the Group's Sub Subsidiary on 15th/22nd June 1992, immediately after formation of the Group's Sub Subsidiary, in terms of the ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. For this purpose, Board of the Group's Sub Subsidiary decided at its meetings that lease bare land would be revalued at the value established for this land by Valuation Specialist Dr. D. R. Wickramasinghe just prior to the formation of the Group's Sub Subsidiaries. The values as at 22nd June 1992 and 15th June 1992 were taken in to the books of Maturata Plantations Limited.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

The right to use bare land on lease of JEDB/SLSPC estates is being amortised by equal amounts over a 53 year period and the unexpired period of the lease as at the financial reporting date is 28.25 years.

34 PROPERTY, PLANT AND EQUIPMENT

Company

	Freehold Lands	Freehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture & Fittings	Office Equipment	Computers	Assets on Operating Leases	Capital Work-in-Progress (CWIP)	Total 2016/17	Total 2015/16
Cost/Valuation											
Balance as at 01 April	2,197,560	496,598	1,266,062	103,899	427,124	482,609	718,629	302,080	315,841	**6,310,402**	5,561,309
Additions	9,036	164,855	92,654	60,525	137,930	136,832	305,172		(27,684)	**879,320**	1,209,031
Revaluations	1,812,959	32,916	-							**1,845,875**	-
Disposals	-	-	(87,989)	(5,066)	(7,572)	(997)	(23,276)		(104,796)	**(229,696)**	(352,813)
Transfers	(41,239)	41,239	215,776		1,725			(215,776)	(1,725)	**-**	(107,125)
Balance as at 31 March	3,978,316	735,608	1,486,503	159,358	559,207	618,444	1,000,525	86,304	181,636	**8,805,901**	6,310,402
Accumulated Depreciation and impairment losses											
Balance as at 01 April		27,280	670,411	40,616	297,217	328,319	428,008	137,172		**1,929,023**	1,761,506
Charge for the year		19,101	32,578	12,321	65,400	83,364	131,361	3,036		**347,161**	293,658
Depreciation on disposals		(44,717)	(59,655)	(3,488)	(7,537)	(997)	(2,228)			**(118,622)**	(126,141)
Depreciation on transfers			107,108		12,271	1,358	1,143	(107,108)		**14,772**	-
Balance as at 31 March		1,664	750,442	49,449	367,351	412,044	558,284	33,100		**2,172,334**	1,929,023
Carrying Amount											
As at 31 March 2017	3,978,316	733,944	736,061	109,909	191,856	206,400	442,241	53,204	181,636	**6,633,567**	
As at 31 March 2016	2,197,560	469,318	595,651	63,283	129,907	154,290	290,621	164,908	315,841	**4,381,379**	

34.3 Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 864.71 Mn as at 31st March 2017 (2015/16 - Rs. 740.66 Mn).

34.4 The fair value of the revalued properties were determined by Mr. P.W. Senaratne, independent valuer who holds recognised and relevant professional qualification and have recent experience in the location and category of the revalued properties.

Date of the revaluation	3/31/17
Method of determining fair value	Sales comparison

There is no significant difference in fair value of properties from 31 March 2016 to 31 March 2017.

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

As at 31 March	2017 Rs'000	2016 Rs'000
Cost	**1,976,610**	2,035,114
Accumulated depreciation and impairment	**(37,030)**	(33,170)
	1,939,580	2,001,944

Notes to the Financial Statements

34.5 Changes in estimates

The company re-estimated the realisable value and useful economic life of all its motor vehicles as at the reporting date. The financial impact on change in realisable value was taken into financial year of 2012-2013 and impact on change in economic life will be considered from 1st April 2014 onwards.

As at 31 March	2014/15	2015/16	2016/17	Later
Effect of change to depreciation	82,000,000	82,000,000	**82,000,000**	-

34.6 Property, Plant and Equipment Pledged as Security for Liabilities

There were no items of property, plant and equipment pledged as securities for liabilities other than those disclose in Note 48 to these financial statements.

34.7 The following table shows the valuation techniques used in measuring the fair value of significant properties of the group, as well as the significant unobservable inputs used.

Valuation Technique	Significant observable and unobservable inputs	Interrelationship between key inputs and fair value measurement
'Sales comparison method - value derived based on recent transactions of similar properties	'Per perch value Colombo Region - Rs. 1.1 Mn to 10 Mn Southern Coast Region - Rs. 0.45 Mn - to Rs. 1 Mn Other Regions - Rs. 0.035 Mn to Rs. 4 Mn	'The estimated fair value would increase (decrease) if: - comparable property value was higher / (lesser)
'Depreciated replacement cost method	'Value per square feet determined based on similar properties value, depreciated for period used and adjusting acquisition cost	'The estimated fair value would increase (decrease) if: - Depreciation rate was lesser / (higher) - Square feet value was higher / (lesser)

35 TRADING LIABILITIES

As at 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Derivative liabilities				
Forward rate agreements	65,287	17,859	1,252	-
	65,287	17,859	1,252	-

36 DEPOSITS LIABILITIES

36.1 Deposits from customers

As at 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Fixed deposits	193,145,583	68,662,288	-	-
Saving / Demand deposits	14,666,682	2,746,270	-	-
Interest / profits payable	3,315,742	2,757,174	-	-
	211,128,007	74,165,732	-	-

37 INTEREST BEARING BORROWINGS

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Commercial papers & promissory notes		12,234,118	7,599,618	11,241,493	7,596,559
Short-term loans and others		76,237,144	64,186,927	29,264,398	15,755,903
Debentures	37.1	15,071,541	15,090,000	5,000,000	5,140,000
Finance lease liabilities	37.2	1,251,456	1,552,068	97,405	115,074
Long-term borrowings	37.3	181,955,025	117,345,550	5,403,702	6,407,280
		286,749,284	205,774,163	51,006,998	35,014,816

37.1 Information on Group's listed debentures

37.1.1 Interest rate of comparable government security

Buying and selling prices of treasury bond at the auction held on 31st March 2017

	Buying Price	Buying Yield %	Selling Price	Selling Yield %
4 Year Bond	98.05	10.74	98.14	10.55
5 Year Bond	95.88	10.48	96.15	11.68

Notes to the Financial Statements

37.1.2 Market prices and yield during the year (ex-interest)

	Market Yield %	Market Price
4 Year Bond	12.51	96.31
5 Year Bond	12.64	94.80

	Current period
Yield to maturity of trade done on 20 March 2017	13.14

Debt to equity	1.12	times
Interest cover	2.93	times
Quick asset ratio	0.54	times

37.1.3 The market prices during the period (ex interest)

Highest price	102.42
Lowest price	92.52
Last traded price	102.42

37.2 Finance lease liabilities

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
JEDB/SLSPC estates lease liabilities	37.2.1	**54,123**	287,004	-	-
Other lease liabilities	37.2.2	**1,197,333**	1,265,064	**97,405**	115,074
		1,251,456	1,552,068	**97,405**	115,074

37.2.1 JEDB/SLSPC estates lease liabilities

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Gross Liability				
Balance as at 1st April	490,969	508,828	-	-
Leases obtained during the year	1,914	-	-	-
Amortised interest	(319)	-	-	-
Repayments	(16,744)	(17,859)	-	-
Other movements	(1,859)	-	-	-
Disposal of subsidiaries	(383,746)	-	-	-
Balance as at 31st March	90,215	490,969	-	-
Finance costs allocated to future years	(192,245)	(203,965)	-	-
Disposal of subsidiaries	156,153	-	-	-
Net Liability	54,123	287,004	-	-
Payable within one year				
Gross liability	4,094	16,744	-	-
Finance costs allocated to future years	(2,337)	(11,418)	-	-
Net liability transferred to current liabilities	1,757	5,326	-	-
Payable within two to five years				
Gross liability	13,505	66,976	-	-
Finance costs allocated to future years	(8,056)	(43,454)	-	-
Net liability	5,449	23,522	-	-
Payable after five years				
Gross liability	72,618	407,249	-	-
Finance costs allocated to future years	(25,699)	(149,093)	-	-
Net liability	46,919	258,156	-	-

Maturata Plantations Limited

The lease rental have been amended, with effect from 21st June 1996 to a substantially higher amount than the previous nominal lease rental of Rs. 500 per estate per annum.

The basic rental payable under the revised basis is Rs. 3.14 Mn per annum and this amount is to be inflated annually by the Gross Domestic Production (GDP) Deflator and is in the form contingent lease rental. Consequently, contingent lease rentals charged for the current year in the income statement amounts to Rs. 43.63 Mn.

This lease agreement was further amended on 21st June 2002, freezing annual lease rental at Rs. 3.14 Mn for a period of six years commencing from 21st June 2002. Hence, the GDP Deflator adjustment had been frozen at Rs. 1.85 Mn per annum until 21st June 2008.

Lease rental has been revised by the Ministry of Finance after the relief period of 2002-2008. The rental has been computed in accordance with Amendment of Leases.

Gross contingent rental in respect of leasehold right to bear land for the remaining 28.25 Years of the lease term at the current contingent rental is estimated as Rs. 109.75 Mn.

Notes to the Financial Statements

37.2.2 Other lease liabilities

As at 31 March	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Gross lease rentals payable as at 01 April	1,476,729	896,554	129,024	272,930
Leases obtained during the year	686,991	870,093	93,449	-
Other movements	1,971	-	-	-
Lease rentals paid during the year	(772,901)	(289,918)	(107,477)	(143,906)
Gross lease rentals payable as at 31 March	1,392,790	1,476,729	114,996	129,024
Less: Unamortised finance cost	(195,457)	(211,665)	(17,591)	(13,950)
Net lease liability	1,197,333	1,265,064	97,405	115,074
Repayable within one year				
Gross lease rentals payable	681,772	465,067	60,665	86,143
Less: Unamortised finance cost	(90,791)	(98,678)	(9,661)	(10,317)
Net lease liability	590,981	366,389	51,004	75,826
Repayable after one year before five years				
Gross lease rentals payable	711,019	1,011,662	54,331	42,881
Less: Unamortised finance cost	(104,666)	(112,987)	(7,930)	(3,633)
Net lease liability	606,353	898,675	46,401	39,248

37.3 Long-Term Borrowings

As at 31 March	Note	Group 2017 Rs. '000	Group 2016 Rs. '000	Company 2017 Rs. '000	Company 2016 Rs. '000
Gross balance as at 01 April		117,890,062	50,845,066	6,437,073	2,855,375
Received during the year		52,719,587	89,261,715	1,000,000	5,405,524
Acquisition of subsidiaries	30.6.3	50,476,696	2,184	-	-
Disposal of subsidiaries		(223,890)	-	-	-
Repaid during the year		(38,423,865)	(22,218,903)	(2,037,630)	(1,823,826)
Gross borrowings as at 31 March		182,438,590	117,890,062	5,399,443	6,437,073
Less: Unamortised finance cost		(483,565)	(544,512)	4,259	(29,793)
Balance as at 31 March		181,955,025	117,345,550	5,403,702	6,407,280
Long-term borrowings - current		40,613,609	38,480,382	1,852,936	1,835,843
Long-term borrowings - non-current		141,341,416	78,865,168	3,550,766	4,571,437
Total		181,955,025	117,345,550	5,403,702	6,407,280
Analysis of non-current portion of long-term borrowings					
Repayable within 3 years		119,656,990	57,193,489	3,550,766	4,571,437
Repayable after 3 years		21,684,426	21,671,679	-	-
Total		141,341,416	78,865,168	3,550,766	4,571,437

38 INSURANCE CONTACT LIABILITIES

		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000
Life insurance contracts	38.1	**2,048,422**	1,519,563
Non-life insurance contracts	38.2	**2,729,985**	2,136,529
Total insurance contract liabilities		**4,778,407**	3,656,092

The company has satisfied liability adequacy test in both life & general insurance businesses.

38.1 Life insurance contract liabilities

Group	2017			2016		
As at 31 March	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	**1,561,464**	**(69,914)**	**1,491,550**	780,752	(21,652)	759,100
Premiums received	**1,962,079**	**(107,001)**	**1,855,078**	1,411,820	(74,833)	1,336,987
Claims incurred	**(199,653)**	**33,953**	**(165,700)**	(99,330)	17,458	(81,872)
Fees deducted	**(246,607)**	**13,775**	**(232,832)**	(207,462)	9,112	(198,350)
Investment return	**261,620**	**-**	**261,620**	148,504	-	148,504
Expenses	**(823,484)**	**-**	**(823,484)**	(610,157)	-	(610,157)
Gratuity - actuarial gain/(loss)	**1,464**	**-**	**1,464**	1,228	-	1,228
Net gain / (loss) on available-for-sale assets - Life Policyholders	**(68,256)**	**-**	**(68,256)**	(109,824)	-	(109,824)
Life deficit transfer	**(318,756)**	**-**	**(318,756)**	245,932	-	245,932
	2,515,419	**(129,187)**	**2,000,684**	1,424,127	(69,915)	1,491,548
Claims outstanding	**47,738**	**-**	**47,738**	28,015	-	28,015
At 31 March	**2,563,157**	**(129,187)**	**2,048,422**	1,452,142	(69,915)	1,519,563

38.2 Non-life insurance contract liabilities

Group		2017			2016		
As at 31 March	Note	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April							
Provision for reported claims	38.3	**731,229**	**(147,773)**	**879,002**	509,740	76,942	586,682
IBNR		**267,290**	**-**	**267,290**	207,025	-	207,025
Outstanding claims provision		**998,519**	**(147,773)**	**1,146,292**	716,765	76,942	793,707
Commission reserves		**(69,798)**	**113,712**	**43,914**	(51,001)	80,214	29,213
Provision for unearned premiums	38.4	**2,153,119**	**(465,567)**	**1,687,552**	1,657,684	(267,133)	1,390,551
Total non-life contract liabilities		**3,081,840**	**(499,628)**	**2,877,758**	2,323,448	(109,977)	2,213,471

Notes to the Financial Statements

38.3 Outstanding claims provision

	2017			2016		
As at 31 March	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	509,740	76,942	432,798	377,342	52,142	325,200
Claims incurred in the current accident year	2,229,753	(678,606)	2,908,359	1,356,507	143,510	1,212,997
Claims paid during the year	(2,008,264)	453,891	(2,462,155)	(1,224,109)	(118,710)	(1,105,399)
Total non-life contract liabilities	731,229	(147,773)	879,002	509,740	76,942	432,798

	2017			2016		
As at 31 March	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	(51,001)	80,214	29,213	(35,533)	47,517	11,984
Change in commission reserves	(18,797)	33,498	14,701	(15,468)	32,697	17,229
Total non-life contract liabilities	(69,798)	113,712	43,914	(51,001)	80,214	29,213

38.4 Provision for unearned premiums

	2017			2016		
As at 31 March	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	1,657,684	(267,133)	1,390,551	1,214,993	(164,172)	1,050,821
Premiums written in the year	3,524,910	(421,653)	3,103,257	2,805,846	(469,084)	2,336,762
Premiums earned during the year	(3,029,475)	223,219	(2,806,256)	(2,363,155)	366,123	(1,997,032)
At 31 March	2,153,119	(465,567)	1,687,552	1,657,684	(267,133)	1,390,551

39 CURRENT TAX PAYABLES

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Income tax payables	2,176,711	1,251,639	141,244	84,563
VAT payables	1,162,445	664,399	431,589	218,989
WHT payables	119,688	45,292	9,925	2,625
ESC payables	20,707	499	-	-
NBT payables	44,896	22,802	-	-
Other tax payables (stamp duty…etc)	111,756	99,906	40,676	16,597
	3,636,203	2,084,537	623,434	322,774

40 TRADE AND OTHER PAYABLES

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Financial liabilities					
Trade payables		6,730,887	4,049,471	204,503	75,309
Creditors for leased equipment		3,240,108	2,878,370	-	-
Amount due to related companies	49.3.2	134,084	109,087	644,297	689,473
Insurance premium payable		569,621	198,403	-	-
Other financial liabilities		2,910,166	1,963,461	345,041	311,208
		13,584,866	9,198,792	1,193,841	1,075,990
Non-financial liabilities					
Unclaimed dividends		53,448	106,631	2,093	2,296
Accrued expenses		1,927,388	1,525,052	42,270	-
Other non-financial liabilities		2,116,561	742,194	-	37,149
		4,097,397	2,373,877	44,363	39,445
		17,682,263	11,572,669	1,238,204	1,115,435

Notes to the Financial Statements

41 DEFERRED INCOME RECEIVED

Group		2017				2016
As at 31 March	Capital grants	Operating lease receivables - PHDT	Transfer of shares	Income received in advance	Total 2016 / 2017	Total 2015 / 2016
Note	41.1	41.2	41.3			
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group						
Gross deferred income						
Balance as at 01 April	826,078	12,424	63,994	43,689	946,185	868,209
Deferred Income received	20,721	-	-	121,787	142,508	77,976
Transfers/re-classifications /Adjustments	-	-	-	-	-	-
Disposal of subsidiaries	(716,565)	-	-	-	(716,565)	
Balance as at 31 March	130,234	12,424	63,994	165,476	372,128	946,185
Accumulated amortisation						
Balance as at 01 April	242,488	5,714	12,223	34,739	295,164	260,554
Amortised to profit & loss	28,822	537	9,785	46,025	85,169	34,610
Transfers/re-classifications /Adjustments	-	-	-	-	-	-
Disposal of subsidiaries	(244,038)	-	-	-	(244,038)	
Balance as at 31 March	27,272	6,251	22,008	80,764	136,295	295,164
Carrying amount						
As at 31 March 2017	102,962	6,173	41,986	84,712	235,833	
As at 31 March 2016	583,590	6,710	51,771	8,950		651,021

41.1 Capital grants

The above capital grants represent the following;

1. Funds received from the Plantation Housing and Human Development Trust (PHDT), MTIP, MPI for the development of workers welfare facilities and improvements to institutional facilities.
2. Funds received from the Plantation Reform Project for the development of Forestry Plantations.

The amounts spent is capitalised under the relevant classification of Property, Plant and Equipment. The corresponding grant component is reflected under Deferred Income and is being amortised over the useful life span of the related asset.

Grant related to the biological assets which are measured at fair value less point to sell cost is directly charged to the carrying value of such assets in accordance with the Sri Lanka Accounting Standards.

41.2 Operating lease receivables - PHDT

Premises at St.Andrew's Drive in Nuwara Eliya has been leased out to Plantation Human Development Trust for a period of 20 years commencing from August'2005 at a total lease rental of Rs. 10.73 Mn.

Lease Rentals received are deferred and amortised over the lease period commencing from August 2005.

The timing of future operating lease rentals are as follows;

	Group	
As at 31 March	2017 Rs. '000	2016 Rs. '000
Less than one year	537	537
Between one and five years	2,147	2,147
More than five years	3,489	4,026
	6,173	6,710

41.3 Deferred income in respect of transfer of shares- Maturata Plantations PLC

This represents the value of 6,399,375 number of shares received by Maturata Plantations Limited originally equivalent to 20% of the issued Ordinary Shares of RFELL at Rs.10/-each in lieu of releasing the leasehold rights of 488 Hectares in Enselwatte , Deniyaya for Eco Tourism Project. The value of Ordinary Shares are deferred and amortised over the unexpired balance lease period. However, due to the rights issue shareholdings percentage has come down from 20% to 13.44% subsequently.

Notes to the Financial Statements

42 RETIREMENT BENEFIT OBLIGATION

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance as the beginning of the period		2,063,282	2,518,644	184,863	174,515
Acquisition of subsidiaries	30.6.3	754,429	-	-	-
Benefits paid by the plan		(236,596)	(284,887)	(7,534)	(4,630)
Expenditure recognised in the income statement	42.1	345,491	351,302	45,874	33,917
Re-measurement recognised in OCI		(35,918)	(520,882)	11,345	(18,939)
Disposal of subsidiaries	30.7.5	(714,786)	(895)	-	-
Balance as at the end of the period		2,175,902	2,063,282	234,548	184,863

42.1 Expense recognised in the income statement

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Current service costs	174,162	155,701	21,034	17,338
Interest Costs	171,329	195,601	24,840	16,579
	345,491	351,302	45,874	33,917

42.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date;

		Group		Company	
For the year ended 31 March		2017	2016	2017	2016
Discount rate	%	12%	9.5% - 10.5%	11%	9.50%
Future salary increases	%	5% - 18%	5% - 10%	9%	9%
Staff turnover factor	%	2.5% - 15%	5% - 10%	2.5% -15%	2.5% -15%
Retirement age	Yrs	55-60	55-60	55	55

42.3 Sensitivity of the actuarial assumptions

For the year ended 31 March		2017		2016	
Assumption	Rate change	Financial Position - Liability	Comprehensive Income - Charge for the period	Financial Position - Liability	Comprehensive Income - Charge for the period
Group					
Discount rate	+1	(145,066)	145,066	(121,908)	121,908
	-1	134,154	(134,154)	143,584	(143,584)
Future salary increases	+1	113,563	(113,563)	87,459	(87,459)
	-1	(128,637)	128,637	(83,278)	83,278
Company					
Discount rate	+1	(12,993)	12,993	(11,816)	11,816
	-1	14,582	(14,582)	13,321	(13,321)
Future salary increases	+1	14,364	(14,364)	15,882	(15,882)
	-1	(13,022)	13,022	(14,226)	14,226
Mortality					
Disability					
Retirement age					

The Group and company does not have any material issues pertaining to the employees and Industrial relations as of 31st March 2017.

42.4 Maturity analysis of the payments

The following payments are expected on employee benefit liabilities in future years

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Within the next 12 months	699,031	491,500	40,676	27,681
Between 1 and 2 years	524,924	323,721	73,725	72,935
Between 2 and 5 years	624,585	550,644	134,177	125,196
Between 5 and 10 years	803,531	917,479	232,440	178,630
Beyond 10 years	431,454	642,076	-	-
Total expected payments	3,083,525	2,925,420	481,018	404,442

Notes to the Financial Statements

43 STATED CAPITAL

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Issued and Fully Paid	43.1	**475,200**	475,200	**475,200**	475,200
No. of Shares	43.2	**475,200**	475,200	**475,200**	475,200

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

43.1 Movement in stated Capital

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance at the beginning of the period	**475,200**	475,200	**475,200**	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	**475,200**	475,200	**475,200**	475,200

43.2 Movement in no. of shares

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Balance at the beginning of the period	**475,200**	475,200	**475,200**	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	**475,200**	475,200	**475,200**	475,200

44 RESERVES

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Revaluation reserve	44.1	**6,601,609**	3,434,185	**3,139,620**	1,283,286
Cash flow hedge reserve	44.2	**118,356**	218,241	**-**	-
Fair value reserve on AFS	44.3	**(895,216)**	(1,105,365)	**33,007**	165,032
Translation reserve	44.4	**744,534**	929,777	**-**	-
Future taxation reserve	44.5	**205,000**	205,000	**205,000**	205,000
Statutory reserve fund	44.6	**2,158,161**	1,754,358	**-**	-
		8,932,444	5,436,196	**3,377,627**	1,653,318

Nature and purpose of reserves

44.1 Revaluation reserve

The revaluation reserve relates to the revaluation surplus of Property, Plant and Equipment . Once the respective revalued items have been disposed, the relevant portion of revaluation surplus if any is transferred to retained earnings.

44.2 Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in fair value hedges pending subsequent recognition of the hedged cash flows.

44.3 Fair value reserve on AFS

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

44.4 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

44.5 Future taxation reserve

This reserve was created in order to accommodate unexpected future tax liabilities that might arise at a future date.

44.6 Statutory reserve fund

The statutory reserve fund of the LOLC Micro Credit Limited involved in leasing business was created according to the Direction No. 05 of 2006 issued by the Central Bank of Sri Lanka under the Section 34 of the Finance Leasing Act No. 56 of 2000 which requires the Companies to transfer 5% of their annual profits to this reserve until the sum equals to Share Capital of those Companies.

The Statutory reserves of Lanka ORIX Finance PLC, Commercial Leasing and Finance PLC and BRAC Lanka Finance PLC were created in accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued under the Finance Business Act No. 42 of 2011 (which supercedes the Finance Companies Act No. 78 of 1988) which requires the Company to transfer 20% of its annual profit to this reserve.

45 RETAINED EARNINGS

The carrying amount of the retained earnings represents the undistributed earnings held by the Group and the Company. This could be used to absorb future losses and dividend declaration.

Notes to the Financial Statements

46 COMMITMENTS AND CONTINGENCIES

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefits is not probable or cannot be readily measured as defined in the Sri Lanka Accounting Standard – LKAS 37 (Provisions, Contingent Liabilities and Contingent Assets).

In the normal course of business, the Group makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

To meet the financial needs of customers and subsidiaries, the Company/ Group enters into various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letter of credit and other undrawn commitments to lend. Letter of credit, guarantees and acceptance commit the group to make payments on behalf of customers or subsidiaries in the event of a specific act, generally related to the import or export of goods. Guarantees and standby letters of credit carry a similar credit risk to loans.

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed unless its occurrence is remote.

Operating lease commitments of the Group (as a lessor and as a lessee) form part of commitments and pending legal claims against the Group form part of contingencies.

Even though these obligations may not be recognised on the Statement of Financial Position, they do contain credit risk and are therefore part of the overall risk of the group as disclosed in Note 54.

In the normal course of business, the group makes various irrevocable commitments and incurs certain contingent liabilities with legal recourse to its customers. Even though these obligations may not be recognised on the date of the Statement of Financial Position, they do contain credit risk and are therefore form part of the overall risk profile of the group.

46.1 Contingent liabilities

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Guarantees issued to banks and other institutions	**1,911,322**	916,415	**-**	379,026
Corporate guarantees given to subsidiaries to obtain loans	**7,756,350**	12,568,730	**3,550,000**	5,751,770
Stumpage payables	**-**	50,800	**-**	-
Other contingencies	**119,902**	84,959	**466,219**	29,471
	9,787,574	13,620,904	**4,016,219**	6,160,267

46.2 Commitments

		Group		Company	
As at 31 March	Note	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Forward exchange contracts	46.2.1	**47,651,713**	22,298,597	**447,361**	27,843
Capital commitments	46.2.2	**7,587,035**	7,647,189	**-**	-
Letter of credits opened		**558,347**	232,831	**-**	-
Facility limits not utilised		**15,158,641**	13,246,413	**-**	-
Operating lease commitments	46.2.3	**9,363,923**	4,937,218	**134,679**	51,899
		80,319,659	48,362,248	**582,040**	79,742

46.2.1 On the commitment for forward exchange contracts, the Group will receive USD 211,611,650/- Euro 47,413,712/- GBP 1,700,000/- AUD 4,274,001/- and the Company will receive USD 416,666/- and Euro 185,000/- on the conversion.

46.2.2 Capital commitments

The Group has commitments for acquisition of property, plant & equipment and intangible assets incidental to the ordinary course of business which have been approved by the Board of Directors, the details of which are as follows:

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Approved and contacted for	**6,477,448**	6,314,778	**-**	-
Approved but not contacted for	**1,109,587**	1,332,411	**-**	-
	7,587,035	7,647,189	**-**	-

Samudra Beach Resorts (Private) Limited

Samudra Beach Resorts (Pvt) Ltd. has entered into an agreement for a contract with Sierra Civil Engineering (Pvt) Ltd, as a designing and building contractor to construct a 4-Star Hotel at Kosgoda. The total cost was estimated to be Rs. 2,550 Mn. out of which Rs. 2,370 Mn already incurred.

Riverina Resorts (Private) Limited

Riverina Resorts (Private) Limited is in the process of putting up a 475 key, 5 star, 20 Acre Resort situated in Golden Mile Bentota. The total cost was estimated to be Rs. 7,200 Mn. out of which Rs. 2,325 Mn already incurred.

46.2.3 Operating lease commitments

The Group leases a number of Land, branch and office premises under operating leases. The leases generally run for a period of 10-50 years. The future minimum lease payments under non-cancellable operating leases, payable based on the maturity of the Lease Contracts as at 31st March are as follows:

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Less than one year	**669,472**	369,216	**49,759**	28,670
Between one and five years	**2,142,671**	654,531	**42,460**	23,229
More than five years	**6,551,780**	3,913,471	**42,460**	-
	9,363,923	4,937,218	**134,679**	51,899

46.3 Litigation against the Group

Litigation is a common occurrence in the finance industry due to the nature of the business undertaken. The Group has formal controls and policies for managing legal claims. Once professional advice has been obtained and the amount of loss reasonably estimated, the Group makes adjustments to account for any adverse effects which the claims may have on its financial standing. At the Reporting date the Group had several unresolved legal claims. The significant unresolved legal claims against the Group for which legal advisor of the Group is of the opinion that there is possible loss, however there is a probability that the action will not succeed. Accordingly, no provision for any claims has been made in these Financial Statements.

Notes to the Financial Statements

47 SUBSEQUENT EVENTS AND COMPARATIVE INFORMATION

47.1 Subsequent events

No circumstances have arisen subsequent to the reporting date which would require adjustment to or disclosure in the financial statements other than followings;

Sale of remaining stake in FLMC Plantations (Pvt) Ltd

Browns Capital PLC a sub-subsidiary of the LOLC Group has disposed remaining 9.9% stake (which represent through 990,000 shares) of FLMC Plantations (Pvt) Ltd to Piyestra Furniture (Pvt) Ltd for a total consideration of Rs. 1,948 Mn on 2nd June 2017.

Joint Investment agreement to develop Excel World Property

Browns Investment PLC, a sub-subsidiary of the Group entered into a joint investment agreement with Zhongtian Ding Hui (Pvt) Ltd on 6th April 2017. In terms of the agreement entered between Zhongtian Ding Hui (Pvt) Ltd and Browns Investments PLC, Zhongtian Ding Hui (Pvt) Ltd shall invest in the share capital of Excel Global Holdings (Pvt) Ltd, in order to co-develop the project location situated at No. 338, TB Jaya Mawatha, Colombo 10 of which the lease hold rights are held by Millennium Development (Pvt) Ltd.

Browns Investments PLC, at present holds 100% of Excel Global Holdings (Pvt) Ltd, and that shareholding is valued at USD 20 Mn. Browns Investments PLC shall further infuse USD 15 Mn, and arrange USD 20 Mn loan to Excel Global Holdings (Pvt) Ltd. Browns Investments PLC shall hold 51% of total shares of Excel Global Holdings (Pvt) Ltd and Zhongtian Ding Hui (Pvt) Ltd shall invest USD 35 Million in this project and acquire a shareholding of 49% of the total share capital in Excel Global Holdings (Pvt) Ltd. Both parties agreed that the total development cost for constructing the proposed life style shopping mall cum family leisure center shall be USD 70 Mn.

Acquisition of Pak Oman Microfinance Bank Ltd (POMB)

Persuant to the share holder agreement entered on 03 February, 2017, to acquire 50.1 per cent equity stake with controlling interest in Pak Oman Microfinance Bank Ltd (POMB). LOLC (Pvt) Ltd a subsidiary of the group has acquired the 50.1 per cent of POMB on 27th June 2017 at a consideration of USD 11.6 Mn. POMB is a Pakistan-based microfinance company promoted by the Oman government (with a 67 per cent shareholding) and Pak Oman Investment Co, a joint venture between the governments of Pakistan and the sultanate of Oman (with a 33 per cent holding).

47.2 Comparative information Re-classification

The presentation and classification of the following items in these Financial Statements are amended to ensure the comparability with the current year.

		Company		
For the year ended 31 March	Note	As Previously Reported 2016 Rs. '000	Re-classification Rs. '000	Current Period 2016 Rs. '000
Income	4.3			
Other operational income/ shared service income		-	2,930,915	2,930,915
Personnel Expenses	8			
Salaries, wages and other benefits		32,825	(1,526,341)	1,559,166
Other operating Expenses	11			
Administration cost		64,706	(841,698)	906,404
Operating and marketing cost		143,089	(562,875)	705,964

48 ASSETS PLEDGED

The Group pledges assets that are in its statement of financial position in day to day transaction which are conducted under the usual terms and conditions applying such agreements. The Group has pledged following assets including right to use assets of leasehold properties. The details of the pledged securities are given below.

		Carrying amount of the assets pledged			
		Group		Company	
Nature of assets	Nature of liability	2017 Rs.'000	2016 Rs.'000	2017 Rs.'000	2016 Rs.'000
Foreign currency term deposits	Interest bearing loans and borrowings	**11,391,600**	24,838,411	-	204,010
Lease, hire purchase and loans receivables	Term loan/bank drafts/short -term loan/ field and processing developments	**28,523,767**	26,922,176	**165,995**	1,294,475
Marketable shares	Bank overdrafts/term loans/investments in field development	**11,523,519**	2,363,185	**5,010,335**	2,613,049
Leasehold right	Finance lease	**3,329,889**	3,508,450	-	-
Leasehold property and vehicles	Term loan	**109,909**	104,910	**109,909**	63,283
Freehold land & buildings	Interest bearing loans and borrowings	**8,119,059**	3,321,601	-	-
Promissory Notes, Securitised debt certificates, Stock and book debts	Interest bearing loans and borrowings	**3,483,838**	622,879	-	-
Project assets	Interest bearing loans and borrowings	-	196,430	-	
		66,481,581	61,878,042	**5,286,239**	4,174,817

49 RELATED PARTY DISCLOSURES

49.1 Transactions with key management personnel

The Company and the group carries out transactions in the ordinary course of business with the parties who are defined as related parties in Sri Lanka Accounting Standard – LKAS 24 (Related Party Disclosures), the details of which are reported below.

Terms and conditions of transactions with related parties

The Group and Company carried out transactions in the ordinary course of business with the following related entities. The list of Directors at each of the subsidiary and associate companies have been disclosed in the Group directory under the Supplementary Information section of the Annual Report.

Transactions with related parties are carried out in the ordinary course of the business. These transactions carried at arm's length basis. Outstanding current account balances at year end are unsecured, interest free and settlement occurs in cash.

Non-recurrent related party transactions

There were no any non-recurrent related party transactions which aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2016 audited financial statements, which required additional disclosures in the 2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c)of the Security Exchange Commission Act.

Recurrent related party transactions

All the transactions which are disclosed under note 49.2.1 with Related Parties which are recurrent, of revenue or trading nature and which is necessary for day-to-day operations of the company and subsidiaries, in the opinion of the Related Party Transactions Review Committee, terms for all these transactions are not favourable to the Related Party than those generally available to the public.

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Except the above, there were no any recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2016 audited financial statements, which required additional disclosures in the2016/17 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Security Exchange Commission Directive issued under Section 13 (c) of the Security Exchange Commission Act."

Transactions with Key Management Personnel (KMP)

According to Sri Lanka Accounting Standard LKAS 24 – 'Related Party Disclosures', Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors, Director/Chief Executive Officer, Key Employees of the Company holding directorships in subsidiary companies have been classified as Key Management Personnel (KMP) of the Group.

Close family members are defined as spouse or dependent. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs. Close family members of the KMP are those family members who may be expected to influence or be influenced by that KMP in their dealings with the entity. They may include KMP's domestic partner, children of the KMP's domestic partner and dependants of the KMP.

As the Company is the Ultimate Parent of its subsidiaries mentioned in Note 1.3 and the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the group, the Directors of the Company and their immediate family members have been identified as the KMP of the Group.

Therefore, employees of the Company who are Directors of the subsidiary have also been classified as KMP of the subsidiary only.

Key management personnel compensation

49.1.1 Short term Employment benefits

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Includes:				
Director's emoluments	**137,796**	72,828	**19,868**	16,208
Other KMP emoluments and other short term benefits	**586,272**	286,749	**563,537**	196,624
	724,068	359,577	**583,405**	212,832

49.1.2 Long term employment benefits;

There are no long-term employment benefits paid to the Key Management Personnel during the year.

49.1.2 Other transactions with key management personnel

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Rentals paid	**31,144**	3,338	**31,144**	3,338
Deposits balance	**1,113,431**	778,965	-	-
Interest paid	**138,867**	100,908	-	-

49.2 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 "Related Party Disclosures".

The Group had the following financial dealings during the year 2016/17 with companies which are considered, related parties and unless otherwise stated, transactions were carried out in the ordinary course of business at commercial rates with companies mentioned below.

The parties given below are considered related parties mainly due to significant influence arising as a result of common directorships and through shareholdings. These companies, names of the Directors and the nature of transactions entered into are listed below.

49.2.1 Transactions with subsidiaries and associates

		Company	
For the year ended 31 March	Note	2017 Rs. '000	2016 Rs. '000
Subsidiaries			
Fund transfers in		115,781,233	115,493,843
Fund transfers out		117,617,520	118,579,319
Expenses shared		8,491,761	5,291,985
Asset hire income	5.1	248,169	633,472
Interest received on fund transfer		3,428,081	1,591,260
Treasury handling charges	5.1	893,389	-
Royalty income	5.1	635,900	3,000
Restructuring and arrangement charges	5.1	-	969,738
Franchise fees	5.1	159,271	287,397
Advisory services for handling		57,392	84,027
Guarantee fee income	5.1	51,225	237,165
Investments in subsidiaries		6,492,113	489,884
Dividend income		-	585
Rental income		3,000	3,000
Arrangement & Disbursement Fee		536,051	633,472
Show back income		269,284	-
Secretarial fee		6,774	-
Conversion of loan to equity		130,248	-
Interest received on facilities granted		1,902	-
Loans granted		-	1,392,193
Loans obtained		-	180,000
Associates			
Fund transfers in		-	1,720
Dividend received		-	282,915
Interest charged/received		10,266	83,810
Repayment of loans and finance leases obtained		299	172,366

Notes to the Financial Statements

Balance Outstanding on facilities granted to related parties as at 31 March

		Company	
For the year ended 31 March		2017 Rs. '000	2016 Rs. '000
Subsidiaries	Finance leases and loans granted	**7,998**	18,286
Associates	Finance leases and loans granted	**44,411**	172,366
		52,409	190,652

Notes 49.3 shows other balances with related parties.

	Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000
Associates		
Trading transactions		
- Sales	**139**	608
- Purchases	**817,761**	754,085
Settlement of cost of purchases	**99,119**	79,603
Interest charged/received	**732,656**	414,276
Fund transfers	**-**	5,790
Loans Granted	**1,548,921**	1,213,857
Repayment of loans and finance leases obtained	**1,408,950**	396,474
Expenses shared	**2,178**	12,889
Rental income	**536,445**	130,994
Factoring Income	**-**	47,136
Dividend income	**380,190**	300,023
Balances receivables on facilities granted	**490,409**	371,229
Commission income received	**54,482**	46,705

49.2.2 Transactions and balances with other related parties

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with key management personnel and their related parties were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

The transactions related to key management personnel and entities over which they have control were as follows;

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Loans obtained	10,047,047	4,420,000	-	-
Settlement of loans obtained	(7,733,736)	(2,306,093)	-	-
Interest paid on loans	2,168,051	1,370,478	264,499	220,021
Interest received on loans given	253,902	254,598	-	-
Interest paid on debentures	233,902	235,826	-	-
Balances payable on;				
- Loans obtained	15,147,973	12,836,158	-	-
- Debentures	2,745,000	2,745,000	-	-
Balances receivables on loans granted	2,744,890	2,744,890	1,750,579	-
Supply of leased vehicles	119,100	232,314	-	45,500

Notes to the Financial Statements

49.3 Balances with Related Parties

49.3.1 Amounts due from related parties

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Subsidiaries				
BRAC Lanka Finance PLC	-	-	1,714,343	318,897
Brown and Company PLC	-	-	59,506	12,928
Browns Hotel and Resorts Limited	-	-	2,213,391	278,429
Browns Investments PLC	-	-	3,277,824	735,979
Commercial Leasing & Finance PLC	-	-	63,597	136,366
Dikwella Resort Limited	-	-	489,570	227,210
Diriya Investments (Private) Limited	-	-	20	1,369,901
East Coast Land Holdings (Private) Limited	-	-	1,234	81
Eden Hotels Lanka PLC	-	-	1,089,226	711,671
Excel Restaurant (Private) Limited	-	-	4,253	34
LOLC Corporate Services (Private) Limited	-	-	25,729	-
LOLC Finance PLC	-	-	400,782	252,358
Green Paradise Resorts (Private) Limited	-	-	1,229	-
LOLC Factors Limited	-	-	99,515	691,068
LOLC Life Assurance Limited	-	-	78,466	30,450
LOLC General Insurance Limited	-	-	129,188	-
LOLC Investments Limited	-	-	5,297	-
LOLC Micro Credit Limited	-	-	13,102,718	8,903,029
LOLC Motors Limited	-	-	46,344	-
LOLC Myanmar Micro-Finance Company Limited	-	-	19,402	149,650
Green Orchard Property Investments Limited	-	-	6	11,880
Prospere Realty (Private) Limited	-	-	50,429	201,043
LOLC Securities Limited	-	-	356,589	149,577
LOLC Technologies Limited	-	-	-	34,181
Millennium Development Limited	-	-	9,359	9,320
Maturata Plantations Limited	-	-	764	-
PALM Garden Hotels PLC	-	-	731,443	74,542
Riverina Resort (Private) Limited	-	-	1,855,046	1,143,232
Speed Italia Limited	-	-	43,551	63,123
Sun & Fun Resorts (Private) Limited	-	-	1,068	-
Tropical Villas (Private) Limited	-	-	36,915	31,624
United Dendro Energy (Private) Limited	-	-	24,250	37,846
LOLC Asset Holdings (Private) Limited	-	-	-	10,314
LOLC General Insurance Limited	-	-	-	70,838
B G Air Services (Private) Limited	-	-	6,867	33
Ceylon Roots (Private) Limited	-	-	2,807	238,586
Browns Capital PLC	-	-	-	75,500
Associates				
Associates Battery Manufactures (Ceylon) Limited	21,170	138	-	-
Beira Parawood Products (Private) Limited	-	13,246	-	-
Galoya Plantations Limited	3,240,002	1,647,018	2,014	1,709
SEYLAN Bank PLC	15,604	-	-	-
Sierra Construction (Private) Limited	7,770	218	-	-
Taprobane Plantations (Private) Limited	-	21,810	-	11
Other related Parties				
Agalawatte Plantations PLC	26	-	26	-
Taprobane Holdings PLC	237	-	237	-
Ceylon Tea Estate (Private) Limited	105	-	105	2,217
Pussellawa Plantations Limited	1,166	-	1,166	-
(-) Allowance for impairment	-	-	(43,598)	-
	3,286,080	1,682,430	25,900,678	15,973,627

49.3.1.1 Movement in allowance of impairment

	Group		Company	
For the year ended 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Opening balance	-	-	476,779	476,779
Reversal for the period	-	-	(433,181)	-
Provided for the period	-	-	-	-
Closing balance	-	-	43,598	476,779

49.3.2 Amounts due to related parties

	Group		Company	
As at 31 March	2017 Rs. '000	2016 Rs. '000	2017 Rs. '000	2016 Rs. '000
Subsidiaries				
LOLC Finance PLC	-	-	13	-
Lanka ORIX Information Technology Services Limited	-	-	383,784	382,064
LOLC Eco Solutions Limited	-	-	4,331	4,403
LOLC Factors Limited	-	-	1,591	-
LOLC Investments Limited	-	-	-	136,560
LOLC Micro Investments Limited	-	-	235,301	145,306
LOLC Motors Limited	-	-	-	21,140
LOLC Technologies Limited	-	-	19,277	-
Associates				
Agstar Fertilizers PLC	16,382	22,146	-	-
Associates Battery Manufactures (Ceylon) Limited	79,888	69,513	-	-
Galoya Plantations Limited	15,140	14,181	-	-
SEYLAN Bank PLC	19,444	-	-	
Taprobane Plantations (Private) Limited	3,230	3,247	-	-
	134,084	109,087	644,297	689,473

Notes to the Financial Statements

50 ASSETS AND LIABILITIES MEARED AT FAIR VALUE AND FAIR VALUE HIERARCHY

50.1 Fair value hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.3.3.5

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

"When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis."

2 "Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using:

a) quoted market prices in active markets for similar instruments;

b) quoted prices for identical or similar instruments in markets that are considered less than active; or

c) other valuation techniques where all significant inputs are directly or indirectly observable from market data."

3 Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models comparison with similar instruments for which observable market prices exist, option pricing models and other valuation models.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, risk premiums in estimating discount rates, bond and equity prices, foreign exchange rates, expected price volatilities and corrections.

Observable prices or model inputs such as market interest rates are usually available in the market for listed equity securities and government securities such as treasury bills and bonds. Availability of observable prices and model inputs reduces the need for management judgement and estimation while reducing uncertainty associated in determining the fair values.

Models are adjusted to reflect the spread for bid and ask prices to reelect costs to close out positions, credit and debit valuation adjustments, liquidity spread and limitations in the models. Also, profit or loss calculated when such financial instruments are first recorded ('Day 1' profit or loss) is deferred and recognised only when the inputs become observable or on derecognition of the instrument.

The following table provides an analysis of assets and liabilities measured at fair value as at the Reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. These amounts were based on the values recognised in the Statement of Financial Position.

There were no material transfers between levels of fair value hierarchy during 2017 and 2016.

The independent valuers provide the fair value of land and buildings once in three years according to the Group's policy. Therefore the fair value exist in the recent valuation which was carried out by professionally qualified independent valuers in compliance with Sri Lanka Accounting Standards - SLFRS 13 (Fair Value Measurement) less subsequent accumulated depreciation and impairment losses is considered as the fair value exist as at the reporting date (31st March 2017).

In determining the fair value, highest and best use of the property has been considered including the current condition of the properties, future usability and associated redevelopment requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

		As at 31st March 2017			
		Level 1	Level 2	Level 3	
		Quoted prices in active markets	Significant observable inputs	Significant un-observable inputs	Total
Group	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trading assets- fair value through profit of loss					
Unit trusts	18.1	2,765,497	-	-	2,765,497
Government securities	18.2	-	1,895	-	1,895
Equity securities	18.3	665,826	-	-	665,826
Derivative assets held for risk management	18.4	-	216,343	-	216,343
		3,431,323	218,238	-	3,649,561
Investment securities					
Available-for-sale investment securities					
Government securities	19.1.1	-	8,009,170	-	8,009,170
Designated available-for-sale investment securities	19.1.2	348,508	-	-	348,508
Equity securities with readily determinable fair values	19.1.3	3,299	-	-	3,299
Unquoted equity securities	19.1.4	-	1,088,119	-	1,088,119
		351,807	9,097,289	-	9,449,096
Total financial assets at fair value		3,783,130	9,315,527	-	13,098,657
Non-Financial Assets					
Investment Properties	27	-	-	9,750,928	9,750,928
Consumable biological assets	28	-	-	2,984,091	2,984,091
Property, plant & equipment					
- Land (Leasehold & Freehold)	34	-	-	18,549,440	18,549,440
- Buildings (Leasehold & Freehold)	34	-	-	6,689,465	6,689,465
Total non-financial assets at fair value		-	-	37,973,924	37,973,924
Total assets at fair value		3,783,130	9,315,527	37,973,924	51,072,581
Financial Liabilities					
Derivative financial liabilities		-	65,287	-	65,287
Total liabilities at fair value		-	65,287	-	65,287

Notes to the Financial Statements

		As at 31st March 2016			
		Level 1	Level 2	Level 3	
		Quoted prices in active markets	Significant observable inputs	Significant un-observable inputs	Total
Group	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trading assets- fair value through profit of loss					
Unit trusts	18.1	1,010,003	-	-	1,010,003
Government securities	18.2	-	4,144	-	4,144
Equity securities	18.3	617,258	-	-	617,258
Derivative assets held for risk management	18.4	-	766,142	-	766,142
		1,627,261	770,286	-	2,397,547
Investment securities					
Available-for-sale investment securities					
Government securities	19.1.1	-	6,496,262	-	6,496,262
Designated available-for-sale investment securities	19.1.2	4,525,156	-	-	4,525,156
Equity securities with readily determinable fair values	19.1.3	3,321	-	-	3,321
Unquoted equity securities	19.1.4	-	68,095	-	68,095
		4,528,477	6,564,357	-	11,092,834
Total financial assets at fair value		6,155,738	7,334,643	-	13,490,381
Non-Financial Assets					
Investment Properties	27	-	-	9,073,216	9,073,216
Consumable biological assets	28	-	-	6,150,990	6,150,990
Property, plant & equipment					
- Land (Leasehold & Freehold)	34	-	-	14,540,131	14,540,131
- Buildings (Leasehold & Freehold)	34	-	-	7,067,393	7,067,393
Total non-financial assets at fair value		-	-	36,831,730	36,831,730
Total assets at fair value		6,155,738	7,334,643	36,831,730	50,322,111
Financial Liabilities					
Derivative financial liabilities		-	17,859	-	17,859
Total liabilities at fair value		-	17,859	-	17,859

		As at 31st March 2017			
		Level 1	Level 2	Level 3	
		Quoted prices in active markets	Significant observable inputs	Significant un-observable inputs	Total
Company	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	451,115	-	-	451,115
Derivative assets held for risk management	18.4	-	2,089	-	2,089
		451,115	2,089	-	453,204
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	19.1.3	348,508	-	-	348,508
		348,508	-	-	348,508
Total financial assets at fair value		799,623	2,089	-	801,712
Non-Financial Assets					
Investment Properties	27	-	-	376,600	376,600
Property, plant & equipment					
- Land (Leasehold & Freehold)	34	-	-	3,978,316	3,978,316
- Buildings (Leasehold & Freehold)	34	-	-	733,944	733,944
Total non-financial assets at fair value		-	-	5,088,860	5,088,860
Total assets at fair value		799,623	2,089	5,088,860	5,890,572
Financial Liabilities					
Derivative financial liabilities		-	1,252	-	1,252
Total liabilities at fair value		-	1,252	-	1,252

Notes to the Financial Statements

		As at 31st March 2016			
		Level 1	Level 2	Level 3	
		Quoted prices in active markets	Significant observable inputs	Significant un-observable inputs	Total
Company	Note	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Financial Assets					
Trading assets - fair value through profit or loss					
Equity securities	18.3	418,424	-	-	418,424
Derivative assets held for risk management	18.4	-	1,702	-	1,702
		418,424	1,702	-	420,126
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	19.1.3	480,533	-	-	480,533
		480,533	-	-	480,533
Total financial assets at fair value		898,957	1,702	-	900,659
Non-Financial Assets					
Investment Properties	27	-	-	353,000	353,000
Property, plant & equipment					
- Land (Leasehold & Freehold)	34	-	-	2,197,560	2,197,560
- Buildings (Leasehold & Freehold)	34	-	-	469,318	469,318
Total non-financial assets at fair value		-	-	3,019,878	3,019,878
Total assets at fair value		898,957	1,702	3,019,878	3,920,537
Financial Liabilities					
Derivative financial liabilities		-	-	-	-
Total liabilities at fair value		-	-	-	-

50.2 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

		2017		2016	
As at 31 March	Note	Carrying amount Rs. '000	Fair Value Rs. '000	Carrying amount Rs. '000	Fair Value Rs. '000
Group					
Financial Assets					
Loans & receivables	19.2	**45,930,225**	**44,279,785**	49,858,606	48,239,356
Finance lease receivables, hire purchases and operating leases	20	**51,886,989**	**51,641,070**	51,666,748	51,056,981
Advances and other loans	21	**366,809,378**	**365,261,117**	161,116,017	161,486,583
		464,626,592	**461,181,972**	262,641,371	260,782,920
Financial Liabilities					
Deposits liabilities	36.1	**211,128,007**	**211,937,220**	74,165,732	72,562,994
Interest bearing borrowings	37	**286,749,284**	**289,304,723**	205,774,163	204,361,672
		497,877,291	**501,241,943**	279,939,895	276,924,666
Company					
Financial Assets					
Loans & receivables	19.2	-	-	204,010	228,214
Finance lease receivables, hire purchases and operating leases	20	**4,422**	**4,422**	8,920	8,920
Advances and other loans	21	**785,112**	**634,577**	1,774,112	1,345,130
		789,534	**638,999**	1,987,042	1,582,264
Financial Liabilities					
Interest bearing borrowings	37	**51,006,998**	**52,027,138**	35,014,816	33,463,105
		51,006,998	**52,027,138**	35,014,816	33,463,105

For the cash and cash equivalents, short term receivables and payables, the fair value reasonably approximates its costs.

There are various limitations inherent in this fair value disclosure particularly where prices may not represent the underlying value due to dislocation in the market. Not all the Group's financial instruments can be exchanged in an active market. The Group obtains the fair values for investment securities from quoted market prices where available. Where securities are unlisted and quoted prices are not available, the Group obtains the fair values, by means of discounted cash flows and other valuation techniques that are commonly used by market participants. These techniques address factors such as interest rates, credit risk and liquidity.

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy in to which each fair value measurement is categorised.

Notes to the Financial Statements

	Group			
	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Significant observable inputs	Significant un-observable inputs	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31st March 2017				
Financial assets				
Loans & receivables	-	44,279,785	-	44,279,785
Finance lease receivables, hire purchases and operating leases	-	-	51,641,070	51,641,070
Advances and other loans	-	-	365,261,117	365,261,117
	-	44,279,785	416,902,187	461,181,972
Financial liabilities				
Deposits liabilities	-	-	211,937,220	211,937,220
Interest bearing borrowings	-	-	289,304,723	289,304,723
	-	-	501,241,943	501,241,943
As at 31st March 2016				
Financial assets				
Loans & receivables	-	48,239,356	-	48,239,356
Finance lease receivables, hire purchases and operating leases	-	-	51,056,981	51,056,981
Advances and other loans	-	-	161,486,583	161,486,583
	-	48,239,356	212,543,564	260,782,920
Financial liabilities				
Deposits liabilities	-	-	72,562,994	72,562,994
Interest bearing borrowings	-	-	204,361,672	204,361,672
	-	-	276,924,666	276,924,666

	Company			
	Level 1	Level 2	Level 3	
	Quoted prices in active markets	Significant observable inputs	Significant un-observable inputs	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
As at 31st March 2017				
Financial assets				
Loans & receivables	-	-	-	-
Finance lease receivables, hire purchases and operating leases	-	-	4,422	4,422
Advances and other loans	-	-	634,577	634,577
	-	-	638,999	638,999
Financial liabilities				
Interest bearing borrowings	-	-	52,027,138	52,027,138
	-	-	52,027,138	52,027,138
As at 31st March 2016				
Financial assets				
Loans & receivables	-	228,214	-	228,214
Finance lease receivables, hire purchases and operating leases	-	-	8,920	8,920
Advances and other loans	-	-	1,345,130	1,345,130
	-	228,214	1,354,050	1,582,264
Financial liabilities				
Interest bearing borrowings	-	-	33,463,105	33,463,105
	-	-	33,463,105	33,463,105

50.3 Assets measured at level 3

The following table shows a reconciliation from the beginning balances to the ending balances of fair value measurements in Level 3 of the fair value hierarchy.

Note 34.7 provides information on significant unobservable inputs used as at March 31, 2017 in measuring fair value of land and buildings categorised as Level 3 in the fair value hierarchy.

Note 34.7 provides details of valuation techniques used and sensitivity of fair value measurement to changes in significant unobservable inputs.

Notes to the Financial Statements

	Freehold Land and Buildings	
	Group Rs. '000	Company Rs. '000
Balance as at 1st April 2015	18,252,539	2,177,311
Additions	1,920,569	632,126
Revaluations	1,860,136	-
Disposals / deductions	(339,785)	(129,835)
Depreciation of buildings	(85,935)	(12,724)
Balance as at 31st March 2016	21,607,524	2,666,878
Additions	1,321,550	173,891
Revaluations	3,021,078	1,845,875
Disposals / deductions	77,093	41,239
Acquisition of subsidiaries	128,722	-
Disposal of Subsidiaries	(848,000)	-
Depreciation of buildings	(69,062)	25,616
Balance as at 31st March 2017	25,238,905	4,753,499

51 ANALYSIS OF FINANCIAL INSTRUMENTS BY MEASUREMENT BASIS

Financial instruments are measured on an on-going basis either at fair value or at amortised cost. The Accounting Policies describe how each category of financial instrument is measured and how income and expenses, including fair value gain and losses, are recognised. The following table analyses the carrying amounts of the financial instruments by category as defined in Sri Lanka Accounting Standards – LKAS 39 (Financial Instruments: Recognition & Measurement) under headings of the Statement of Financial Position.

	Group				
As at 31st March 2017	Held for Trading Rs. '000	Loans and receivables Rs. '000	Held to Maturity Rs. '000	Available for Sale Rs. '000	Total Rs. '000
Financial assets					
Cash in hand and favorable bank balances	-	54,215,239	-	-	54,215,239
Trading assets - fair value through profit or loss	3,649,561	-	-	-	3,649,561
Investment securities	-	45,930,225	-	9,449,096	55,379,321
Finance lease receivables, hire purchases and operating leases	-	51,886,989	-	-	51,886,989
Advances and other loans	-	366,809,378	-	-	366,809,378
Trade and other financial assets	-	14,979,118	-	-	14,979,118
Total financial assets	3,649,561	533,820,949	-	9,449,096	546,919,606
Financial liabilities					
Bank overdrafts	-	7,365,332	-	-	7,365,332
Trading liabilities	65,287	-	-	-	65,287
Deposits liabilities	-	211,128,007	-	-	211,128,007
Interest bearing borrowings	-	286,749,284	-	-	286,749,284
Trade and other financial payables	-	17,682,263	-	-	17,682,263
Total financial liabilities	65,287	522,924,886	-	-	522,990,173

	Group				
As at 31st March 2016	Held for Trading Rs. '000	Loans and receivables Rs. '000	Held to Maturity Rs. '000	Available for Sale Rs. '000	Total Rs. '000
Financial assets					
Cash in hand and favorable bank balances	-	13,725,794	-	-	13,725,794
Trading assets - fair value through profit or loss	2,397,547	-	-	-	2,397,547
Investment securities	-	49,858,606	-	11,092,834	60,951,440
Finance lease receivables, hire purchases and operating leases	-	51,666,748	-	-	51,666,748
Advances and other loans	-	161,116,017	-	-	161,116,017
Trade and other financial assets	-	10,480,953	-	-	10,480,953
Total financial assets	2,397,547	286,848,118	-	11,092,834	300,338,499
Financial liabilities					
Bank overdrafts	-	9,302,310	-	-	9,302,310
Trading liabilities	17,859	-	-	-	17,859
Deposits liabilities	-	74,165,732	-	-	74,165,732
Interest bearing borrowings	-	205,774,163	-	-	205,774,163
Trade and other financial payables	-	11,572,669	-	-	11,572,669
Total financial liabilities	17,859	300,814,874	-	-	300,832,733

Analysis of Financial Instruments by Measurement Basis

	Company				
As at 31st March 2017	Held for Trading Rs. '000	Loans and receivables Rs. '000	Held to Maturity Rs. '000	Available for Sale Rs. '000	Total Rs. '000
Financial assets					
Cash in hand and favorable bank balances	-	460,015	-	-	460,015
Trading assets - fair value through profit or loss	453,204	-	-	-	453,204
Investment securities	-	-	-	348,508	348,508
Finance lease receivables, hire purchases and operating leases	-	4,422	-	-	4,422
Advances and other loans	-	785,112	-	-	785,112
Trade and other financial assets	-	26,262,577	-	-	26,262,577
Total financial assets	453,204	27,512,126	-	348,508	28,313,838
Financial liabilities					
Bank overdrafts	-	1,691,299	-	-	1,691,299
Trading liabilities	1,252	-	-	-	1,252
Interest bearing borrowings	-	51,006,998	-	-	51,006,998
Trade and other financial payables	-	1,238,204	-	-	1,238,204
Total financial liabilities	1,252	53,936,501	-	-	53,937,753

Notes to the Financial Statements

	Company				
As at 31st March 2016	Held for Trading Rs. '000	Loans and receivables Rs. '000	Held to Maturity Rs. '000	Available for Sale Rs. '000	Total Rs. '000
Financial assets					
Cash in hand and favorable bank balances	-	63,407	-	-	63,407
Trading assets - fair value through profit or loss	420,126	-	-	-	420,126
Investment securities	-	204,010	-	480,533	684,543
Finance lease receivables, hire purchases and operating leases	-	8,920	-	-	8,920
Advances and other loans	-	1,774,112	-	-	1,774,112
Trade and other financial assets	-	16,524,924	-	-	16,524,924
Total financial assets	420,126	18,575,373	-	480,533	19,476,032
Financial liabilities					
Bank overdrafts	-	3,354,589	-	-	3,354,589
Trading liabilities	-	-	-	-	-
Interest bearing borrowings	-	35,014,816	-	-	35,014,816
Trade and other financial payables	-	1,115,435	-	-	1,115,435
Total financial liabilities	-	39,484,840	-	-	39,484,840

52 MATURITY ANALYSIS OF FINANCIAL ASSETS AND LIABILITIES

52.1 Maturity analysis of financial assets

	Note	Carrying amount	less than one month	1-3 months	4-12 months	13-60 months	> 60 months
As at 31 March 2017		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Group							
Cash and cash equivalents	17.1	54,215,239	38,234,986	15,972,663	7,590	-	-
Trading assets - fair value through profit or loss							
Unit trusts	18.1	2,765,497	2,765,497	-	-	-	-
Government securities	18.2	1,895	1,895	-	-	-	-
Equity Securities	18.3	665,826	659,226	6,600	-	-	-
Derivative assets held for risk management	18.4	216,343	3,427	141,932	70,984	-	-
Investment securities							
Available-for-sale investment securities	19.1	9,449,096	28,701	1,021,905	544,082	4,434,917	3,419,491
Loans & receivables	19.2	45,930,225	9,276,002	24,428,013	9,373,250	2,817,539	35,421
Finance lease receivables, hire purchases and operating leases							
Finance lease receivables	20.1	51,869,659	3,048,250	4,115,091	11,509,542	32,946,171	250,605
Hire purchase receivables	20.2	12,908	8,532	541	2,050	1,785	-
Operating lease receivables	20.3	4,422	4,422	-	-	-	-
Advances and other loans							
Advances and loans	21.1	342,626,367	18,613,436	28,709,398	103,580,698	187,701,682	4,021,153
Factoring receivables	21.2	22,376,268	498,874	16,129,504	307,497	5,440,393	-
Pawning advances	21.3	1,806,743	599,451	1,041,241	166,051	-	-
Trade and other current assets							
Financial Assets	25.	11,248,897	3,722,704	2,409,077	2,905,286	2,020,410	191,420
		543,189,385	77,465,403	93,975,965	128,467,030	235,362,897	7,918,090
Company							
Cash and cash equivalents	17.1	460,015	460,015	-	-	-	-
Trading assets - fair value through profit or loss							
Equity Securities	18.3	451,115	451,115	-	-	-	-
Derivative assets held for risk management	18.4	2,089	2,089	-	-	-	-
Investment securities							
Available-for-sale investment securities	19.1	348,508	-	-	-	-	348,508
Loans & receivables	19.2	-	-	-	-	-	-
Finance lease receivables, hire purchases and operating leases							
Operating lease receivables	20.3	4,422	4,422				
Advances and other loans							
Advances and loans	21.1	785,112	171,161	323	536,443	2,767	74,418
Trade and other current assets							
Financial Assets	25	26,034,584	25,838,514	20,972	17,145	19,028	138,925
		28,085,845	26,927,316	21,295	553,588	21,795	561,851

Notes to the Financial Statements

52.2 Maturity analysis of financial liabilities

As at 31 March 2017	Note	Carrying amount Rs. '000	less than one month Rs. '000	1-3 months Rs. '000	4-12 months Rs. '000	13-60 months Rs. '000	> 60 months Rs. '000
Group							
Non-derivative liabilities							
Bank overdrafts	17.2	7,365,332	5,634,908	1,606,236	124,188	-	-
Deposits liabilities							
Deposits from customers	36.1	211,128,007	35,788,426	45,146,714	109,682,613	14,503,655	6,006,599
Interest bearing borrowings							
Commercial papers & promissory notes	37	12,234,118	9,939,198	1,201,846	644,894	448,180	-
Short-term loans and others	37	76,237,144	37,364,182	16,476,665	22,396,297	-	-
Debentures	37	15,071,541	-	5,000,000	121,541	9,950,000	-
Finance lease liabilities	37.2	1,251,456	4,801	152,245	438,283	499,039	157,088
Long-term borrowings	37.3	181,955,025	3,849,257	11,685,259	22,363,055	133,448,309	10,609,145
Other current liabilities	40	13,584,866	6,610,224	3,093,677	3,499,734	381,231	-
Derivative liabilities	35	65,287	-	62,857	2,430	-	-
		518,892,776	99,190,996	84,425,499	159,273,035	159,230,414	16,772,832
Company							
Non-derivative liabilities							
Bank overdrafts	17.2	1,691,299	1,691,299	-	-	-	-
Interest bearing borrowings							
Commercial papers & promissory notes	37	11,241,493	9,939,198	1,201,846	100,449	-	-
Short-term loans and others	37	29,264,398	29,264,398	-	-	-	-
Debentures	37	5,000,000	-	-	-	5,000,000	-
Finance lease liabilities	37.2	97,405	4,635	8,459	37,910	46,401	-
Long-term borrowings	37.3	5,403,702	26,971	425,000	1,320,691	3,631,040	-
Other current liabilities	40	1,193,841	642,994	550,847	-	-	-
Derivative liabilities	35	1,252	-	1,252	-	-	-
		53,893,390	41,569,495	2,187,404	1,459,050	8,677,441	-

53 OPERATING SEGMENTS

	Financial services	Life & general insurance	Manufacturing & trading	Leisure & entertainment	Plantation & power generation	Equity accounted investees	Others & eliminations	Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
2016/17								
Gross income	83,040,289	5,099,982	18,567,797	2,785,890	11,422,106	-	(29,200,780)	91,715,284
Net Interest Cost	(34,407,470)	-	(1,231,633)	(971,794)	(634,777)	-	4,086,462	(33,159,212)
Cost of Sales	-	-	(11,343,469)	(1,112,339)	(1,725,405)	-	69,154	(14,112,059)
Profit before Operating Expenses	48,632,819	5,099,982	5,992,695	701,757	9,061,924	-	(25,045,164)	44,444,013
Operating Expenses	(28,856,495)	(4,467,909)	(3,803,924)	(1,604,664)	(4,238,306)		8,484,057	(34,487,241)
Results from Operating Expenses	19,776,324	632,073	2,188,771	(902,907)	4,823,618	-	(16,561,107)	9,956,772
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	3,827,962	-	3,827,962
Results on acquisition and divestment of Group investments	-	-	-	-	-	-	10,594,331	10,594,331
Profit Before Taxation	19,776,324	632,073	2,188,771	(902,907)	4,823,618	3,827,962	(5,966,776)	24,379,065
2015/16								
Gross income	49,013,466	4,271,572	15,384,503	1,319,006	5,734,203	-	(8,957,702)	66,765,048
Net Interest Cost	(20,677,797)	-	(792,472)	(455,481)	(319,433)	-	3,394,791	(18,850,392)
Cost of Sales	-	-	(10,247,716)	(303,285)	(2,255,059)	-	103,209	(12,702,851)
Profit before Operating Expenses	28,335,669	4,271,572	4,344,315	560,240	3,159,711	-	(5,459,702)	35,211,805
Operating Expenses	(18,659,128)	(4,347,920)	(3,220,298)	(1,177,761)	(3,828,987)	-	4,735,003	(26,499,091)
Results from Operating Expenses	9,676,541	(76,348)	1,124,017	(617,521)	(669,276)	-	(724,699)	8,712,714
Share of profits of equity accounted investees, net of tax	-	-	-	-	-	3,094,237	-	3,094,237
Results on acquisition and divestment of Group investments	-	-	-	-	-	-	50,963	50,963
Profit Before Taxation	9,676,541	(76,348)	1,124,017	(617,521)	(669,276)	3,094,237	(673,736)	11,857,914

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. All other adjustments and eliminations are part of detailed reconciliations presented further below.

2016/17								
Depreciation and Amortisation	857,531	47,896	269,199	282,151	393,989	-	19,025	1,869,791
Net impairment loss on financial assets	4,081,329	861	197,488	-	-	-	-	4,279,678
2015/16								
Depreciation and Amortisation	588,567	45,338	305,651	260,094	353,605	-	24,591	1,577,846
Net impairment loss on financial assets	2,965,890	13,493	(1,323)	-	-	-	-	2,978,061
As at 31 March 2017								
Total Assets	623,139,736	9,030,458	31,631,751	40,999,938	19,428,821	-	(83,305,864)	640,924,840
Total Liabilities	525,837,051	5,920,706	14,146,667	15,062,881	8,254,854	-	(30,913,156)	538,309,003
As at 31 March 2016								
Total Assets	353,254,187	6,817,848	28,552,395	26,914,287	19,364,499	-	(55,308,658)	379,594,558
Total Liabilities	304,171,205	4,427,509	12,951,776	7,693,670	8,206,692	-	(24,232,519)	313,218,333

Notes to the Financial Statements

54 FINANCIAL RISK MANAGEMENT

trade and other receivables and cash and short-term deposits that arise directly from its operations. The Group also holds other financial instruments such as available for sale and fair value through profit or loss financial instruments and may enter into derivative transactions. The Group's principal financial liabilities, comprise of loans and borrowings, trade and other payables and financial guarantee contracts. The main purpose of these financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The financial risk governance framework provides assurance to the Group's senior management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives

The Group has exposure to the following risks from financial instruments:

1 Credit risk

2 Liquidity risk

3 Market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The board of directors of each Company has overall responsibility for the establishment and oversight of Group's risk management framework for the companies within the group. The Board has established Integrated Risk Management Committees (IRMC) for each financial sector company, which are responsible for developing and monitoring financial services risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by Group , to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee of each Company is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the each Group of Company. Each financial sector Company's audit committee is assisted in these functions by Enterprise Risk Management division (ERM). ERM undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to each financial sector Company's Audit Committee.

1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Management of credit risk

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to each Credit Committees, is responsible for management of the Financial sector Companies' credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
2. Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Credit Committee or the board of directors as appropriate.
3. Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subjected to the same review process.
4. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit who may require appropriate corrective action to be taken.
5. Providing advice, guidance and specialist skills to business units to promote best practice throughout the financial sector in the management of credit risk.

Impaired facilities and loans

Individually impaired loans and securities are loans and advances for which each financial sector Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but each financial sector Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to each Company.

The following table shows the overdue amounts for the financial assets categories.

	Group		Company	
	Neither past due nor impaired Rs. '000	Overdue Rs. '000	Neither past due nor impaired Rs. '000	Overdue Rs. '000
Cash in hand and favourable bank balances	54,215,239	-	460,015	-
Trading assets - fair value through profit or loss	3,649,561	-	453,204	-
Investment securities	55,379,321	-	348,508	-
Loan portfolio	412,742,040	5,954,327	620,812	168,722
Trade and other current assets	11,248,897	-	26,034,584	-

Impairment losses related to each of the above asset classes are shown in note 9 to these financial statements.

The following table shows the maximum exposure and net exposure to credit quality by class of financial assets.

Notes to the Financial Statements

	Group		Company	
	Gross exposure Rs. '000	Net exposure Rs. '000	Gross exposure Rs. '000	Net exposure Rs. '000
Cash in hand and favourable bank balances	54,215,239	54,215,239	460,015	460,015
Trading assets - fair value through profit or loss	3,649,561	3,647,666	453,204	453,204
Investment securities	55,379,321	34,811,296	348,508	348,508
Loan portfolio	418,696,367	(60,529,574)	789,534	789,534
Trade and other current assets	11,248,897	11,248,897	26,034,584	26,034,584

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position. In respect of some of these loans, financial sector companies have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

Allowances for impairment

Each financial sector Company establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loan. The main components of this allowance are a specific loss component that relates to individually significant exposures, and, for assets measured at amortised cost, a collective loan loss allowance established for each financial sector Company's homogeneous assets as well as for individually significant exposures that were subject to individual assessment for impairment but not found to be individually impaired. Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

Write-off policy

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

Each financial sector Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Trade & Other Receivables

Each group of Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for each group of Company's similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of the portfolio.

2 Liquidity risk

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

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's entities.

For the financial sector companies, a Central Treasury manages the liquidity risk for financial sector. Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers and other inter-group facilities, to ensure that sufficient liquidity is maintained within the financial sector as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When a financial sector subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with central Treasury.

The financial sector relies on deposits from customers and issued debt securities and borrowings as its primary sources of funding. While the Group's debt securities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the financial sector's liquidity risk and the sector actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Maturity analysis for financial liabilities

Note 53 to these financial statements shows the discounted cash flows on the Company's non-derivative financial liabilities on the basis of their earliest possible contractual maturity.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities for which there an active and liquid market is available.

3 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall non-trading interest rate risk positions are managed by Financial sector's Central Treasury, which uses investment securities, advances to customers, deposits from customers and derivative instruments to manage the overall position arising from the Group's market based activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows;

	net interest income		reported equity	
Sensitivity of projected Group	1% parallel increase Rs. '000	1% parallel decrease Rs. '000	1% parallel increase Rs. '000	1% parallel decrease Rs. '000
For the year ended 31 March 2017	1,015,833	(1,015,833)	631,878	(631,878)

Notes to the Financial Statements

Sensitivity of projected Company	net interest income 1% parallel increase Rs. '000	 1% parallel decrease Rs. '000	reported equity 1% parallel increase Rs. '000	 1% parallel decrease Rs. '000
For the year ended 31 March 2017	123,420	(123,420)	88,862	(88,862)

Currency risk

The Group has exposure to the currency fluctuations through its foreign assets and liabilities held by following main foreign subsidiaries.

Subsidiary	Country of incorporation	Functional currency
Bodufaru Beach Resorts (Private) Limited	Maldives	United State Dollar - USD
LOLC Cambodia PLC	Cambodia	Cambodian riel - KHR
LOLC Myanmar Micro-Finance Company Limited	Myanmar	Burmese kyat - MMK
LOLC (Pvt) Ltd	Singapore	United State Dollar - USD
LOLC International (Pvt) Ltd	Singapore	United State Dollar - USD
PRASAC Micro Finance Institution Limited	Cambodia	United State Dollar - USD

Sensitivity analysis

A reasonably possible strengthening (weakening) of KHR, USD and MMK against all other currencies as at 31 March 2017, would have affected the measurement of individual assets and liabilities denominated in a foreign currency and affected equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates remain constant and any change in assets liability positions

As at 31 March 2017	100 basis points movement in strengthening Rs. '000	 Weakening Rs. '000
KHR	323,743	(323,743)
MMK	(10,674)	10,674
USD	638,351	(638,351)

55 CURRENT/NON-CURRENT DISTINCTION

		Group			Company		
	Note	Carrying amount	Non-current	Current	Carrying amount	Non-current	Current
As at 31 March 2017		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Assets							
Cash in hand and favorable bank balances		54,215,239	-	54,215,239	460,015	-	460,015
Trading assets - fair value through profit or loss		3,649,561	-	3,649,561	453,204	-	453,204
Investment securities		55,379,321	10,707,368	44,671,953	348,508	348,508	-
Finance lease receivables, hire purchases and operating leases		51,886,989	33,198,561	18,688,428	4,422	-	4,422
Advances and other loans		366,809,378	197,163,228	169,646,150	785,112	77,184	707,928
Insurance premium receivables		1,080,758	-	1,080,758	-	-	-
Inventories		4,070,523	-	4,070,523	364,029	-	364,029
Current tax assets		1,404,425	-	1,404,425	131,566	-	131,566
Trade and other current assets		14,979,118	2,211,830	12,767,288	26,262,577	568,995	25,693,582
Prepaid lease rentals on leasehold properties		741,279	741,279	-	-	-	-
Investment properties		9,750,928	9,750,928	-	376,600	376,600	-
Biological assets;							
Consumable biological assets		2,984,091	2,984,091	-	-	-	-
Bearer biological assets		1,151,494	1,151,494	-	-	-	-
Investments in group of companies;							
Subsidiary companies		-	-	-	61,670,676	61,670,676	-
Equity accounted investees - Associates		15,764,522	15,764,522	-	4,314,001	4,314,001	-
Deferred tax assets		1,492,249	1,492,249	-	-	-	-
Intangible assets		13,299,451	13,299,451	-	203,084	203,084	-
Property, plant and equipment		42,265,514	42,265,514	-	6,633,567	6,633,567	-
Total assets		640,924,840	330,730,515	310,194,325	102,007,361	74,192,615	27,814,746

Notes to the Financial Statements

		Group			Company		
	Note	Carrying amount	Non-current	Current	Carrying amount	Non-current	Current
As at 31 March 2017		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Liabilities and equity							
Liabilities							
Bank overdrafts		7,365,332	-	7,365,332	1,691,299	-	1,691,299
Trading liabilities		65,287	-	65,287	1,252	-	1,252
Deposits liabilities		211,128,007	20,510,254	190,617,753	-	-	-
Interest bearing borrowings		286,749,284	155,111,761	131,637,523	51,006,998	3,677,441	47,329,557
Insurance provision - life		2,048,422	2,048,422	-	-	-	-
Insurance provision - general		2,729,985	2,729,985	-	-	-	-
Current tax payables		3,636,203	-	3,636,203	623,434	-	623,434
Trade and other payables		17,682,263	381,231	17,301,032	1,238,204	-	1,238,204
Deferred tax liabilities		4,492,485	4,492,485	-	219,926	-	219,926
Deferred income		235,833	235,833	-	-	-	-
Retirement benefit obligations		2,175,902	2,175,902	-	234,548	234,548	-
Total liabilities		538,309,003	187,685,873	350,623,130	55,015,661	3,911,989	51,103,672

Supplementary Information

Property Details of the Company

		Land Extent	Building Extent	Cost Land	Cost Building	Accumulated Depreciation
		A-R-P	Sq. Ft.	Rs.	Rs.	Rs.
1	No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya	1A-0R-04.86P	57,585	535,795,000	149,205,000	-
2	No. 100 A, Sri Jayawardenapura Mawatha, Rajagiriya	0A-2R-20.00P		245,000,000	-	-
3	No. 25/7, Wimalawatta Road, Mirihana, Nugegoda	0A-0R-33.40P		20,000,000	-	-
4	No. 103, Sri Jayawardenapura Mawatha, Rajagiriya	0A-1R-12.50P		166,399,000	-	-
5	No. 28A, Badulla Road, Nuwara Eliya	0A-0R-21.03P	5,426	56,974,000	57,425,000	-
6	No. 52/40, Stanly Road, Jaffna	0A-0R-37.31P		64,630,000	-	-
7	No. 241 A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-13.01P	13,182	18,129,736	-	-
8	No. 240, Moragahayata, Colombo Road, Ratnapura	0A-0R-15.80P	10,173	20,919,000	8,400,000	-
9	Boralukanda, Athabendiwewa, Thalakiriyagama, Dambulla	2A-1R-15.9P	440	2,647,000	-	-
10	No. 54, Queen Mary Road, Gampaha	0A-0R-19.4P		27,500,000	-	-
11	Ampara Yard			-	7,164,540	1,662,566
12	No. 245, Katugastota Road, Mahaiyawa, Katugastota, Kandy	0A-0R-25.40P	9,136	63,924,800	48,904,024	-
13	No. 189, Puttalam Road, Kurunegala	1A-1R-12.83P		261,999,000	-	-
14	No. 538 & 538A, Main Street, Kalutara South, Kalutara	0A-1R-10.76P		94,694,000	-	-
15	Kaluwamodara, Beruwala, Aluthgama	0A-1R-22.55P		75,461,000	-	-
16	Attikkagahawatta, Kochchikade	0A-0R-30P		42,679,000	-	-
17	No. 249/1, Katugastota Road, Kandy	0A-0R-7.3P		8,760,000	-	-
				1,705,511,536	271,098,563	1,662,566

Investment Property Details

1	No.156, Kolonnawa Road, Gothatuwa	1A-1R-33.71P	39,940	57,802,500	107,197,500	-
2	No.246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,831	11,000,000	-	-
				68,802,500	107,197,500	-

Last Valuation		Carrying Amount	
Land	Building	2017	2016
Rs.	Rs.	Rs.	Rs.
1,648,000,000	420,000,000	**2,068,000,000**	1,129,204,420
760,000,000	-	**760,000,000**	375,000,000
36,000,000	-	**36,000,000**	30,000,000
525,000,000	-	**525,000,000**	236,000,000
63,000,000	41,000,000	**104,000,000**	72,761,695
149,200,000	84,800,000	**234,000,000**	112,000,000
45,000,000	78,000,000	**123,000,000**	26,000,000
23,700,000	44,300,000	**68,000,000**	55,174,503
15,156,500	2,343,500	**17,500,000**	14,893,705
48,500,000	-	**48,500,000**	27,500,000
-	-	**5,501,974**	6,218,428
102,000,000	58,000,000	**160,000,000**	107,293,399
324,000,000	-	**324,000,000**	261,999,000
101,000,000	-	**101,000,000**	94,694,000
84,000,000	-	**84,000,000**	75,461,000
45,000,000	-	**45,000,000**	42,679,000
10,000,000	-	**8,760,000**	-
3,979,556,500	728,443,500	**4,712,261,974**	2,666,879,149
233,710,000	125,290,000	**359,000,000**	337,000,000
17,600,000	-	**17,600,000**	16,000,000
251,310,000	125,290,000	**376,600,000**	353,000,000

Decade at a Glance

For the year ended 31 - March	2008	2009	2010
Group			
Operating results			
Gross income	6,248,148	13,621,721	14,901,831
Revenue	-	3,495,607	3,571,367
Cost of sales	-	(2,993,076)	(2,869,272)
Income	5,934,772	9,843,454	9,941,904
Other income/(expenses)	313,376	282,660	1,388,560
Interest costs	(3,403,965)	(6,441,182)	(6,178,137)
Profit before operating expenses	2,844,183	4,187,463	5,854,422
Other operating expenses	(1,880,700)	(3,080,622)	(4,386,721)
Results from operating activities	963,483	1,106,841	1,467,701
Negative goodwill	131,293	-	1,423,837
Profit/(loss) on disposal of subsidiaries and associates	-	-	(167,088)
Share of profit of equity accounted investees net of tax	88,277	140,458	116,337
Profit before tax	1,183,053	1,247,299	2,840,787
Income tax expense	160,443	(192,122)	(455,382)
Net profit after tax	1,343,496	1,055,177	2,385,405
As at 31 March			
Assets			
Net lending portfolio	21,434,958	32,697,993	35,084,686
Total assets	32,994,258	46,287,066	75,371,319
Liabilities			
Total liabilities	27,816,389	40,195,588	55,631,672
Shareholders' funds			
Share capital	475,200	475,200	475,200
Reserves & Retained earnings	4,649,019	5,536,270	7,428,554
Minority interest	53,650	80,008	11,553,927
Shareholders' funds	5,177,869	6,091,478	19,457,681
Investor ratios			
Return on assets (%)	5.00	3.00	4.00
Return on equity (%)	29.84	18.72	18.67
Other information			
No. of branches	22	26	48
No. of service centres	10	25	49
No. of subsidiary companies	9	9	41
No. of associate companies	2	2	7
No. of joint ventures	1	1	15

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

2011	2012*	2013*	2014*	2015*	2016*	2017*
32,505,970	35,532,754	42,391,175	40,204,723	44,585,605	66,765,048	**91,715,284**
15,531,630	16,849,174	16,988,149	10,783,295	10,728,830	20,228,126	**23,441,032**
(9,911,222)	(10,958,288)	(10,721,916)	(7,430,790)	(7,239,535)	(12,702,851)	**(14,112,059)**
11,971,270	18,020,866	22,890,876	27,524,846	32,527,184	45,406,578	**62,260,539**
5,003,070	662,714	2,512,150	1,896,582	1,329,591	1,130,344	**6,013,713**
(6,504,682)	(9,345,806)	(14,527,658)	(14,849,178)	(12,508,370)	(18,850,392)	**(33,159,212)**
16,090,066	15,228,660	17,141,601	17,924,755	24,837,700	35,211,805	**44,444,013**
(8,373,770)	(11,345,046)	(15,182,502)	(15,516,766)	(19,286,758)	(26,499,091)	**(34,478,017)**
7,716,296	3,883,615	1,959,099	2,407,989	5,550,942	8,712,714	**9,956,772**
271,911	2,914,536	1,500,943	493,586	538,138	50,963	**-**
-	-	-	79,845	-	-	**10,594,331**
178,522	269,649	246,129	1,454,158	2,080,221	3,094,237	**3,827,962**
8,166,729	7,067,801	3,706,171	4,435,578	8,169,301	11,857,914	**24,379,065**
(1,259,279)	(1,364,033)	(1,153,884)	(1,366,889)	(1,870,647)	(2,526,527)	**(3,458,452)**
6,907,450	5,703,768	2,552,287	3,068,689	6,298,654	9,331,387	**20,920,613**
58,416,332	79,353,502	88,118,116	90,544,883	139,860,426	212,782,765	**418,696,357**
113,070,643	145,204,176	162,981,531	167,175,043	244,917,412	379,594,558	**640,924,840**
78,255,809	101,990,824	119,608,773	127,519,528	188,830,107	313,218,333	**538,309,003**
475,200	475,200	475,200	475,200	475,200	475,200	**475,200**
12,581,747	19,093,875	20,413,040	22,162,352	27,758,485	37,223,180	**58,374,448**
21,757,886	23,644,277	22,484,518	17,017,963	27,853,620	28,677,845	**43,766,139**
34,814,834	43,213,352	43,372,758	39,655,515	56,087,305	66,376,225	**102,615,837**
8.00	4.42	2.00	3.82	3.06	2.99	**2.05**
25.88	14.62	5.90	7.05	13.16	15.24	**24.76**
73	80	80	87	85	89	**99**
103	112	112	47	55	52	**42**
48	66	84	69	121	105	**102**
7	9	10	13	12	11	**11**
18	18	19	18	-	-	**-**

Decade at a Glance

For the year ended 31 - March	2008	2009	2010
Company			
Operating results			
Gross income	5,222,233	6,697,753	5,744,617
Income	4,960,979	6,626,308	4,722,479
Other income/(expenses)	261,254	71,445	1,022,138
Interest costs	(2,972,057)	(4,205,474)	(3,090,912)
Profit before operating expenses	2,250,176	2,492,279	2,653,705
Other operating expenses	(1,408,840)	(1,910,159)	(2,162,578)
Profit before tax	841,336	582,120	491,127
Income tax expense	217,901	(76,532)	(164,187)
Net profit after tax	1,059,237	505,588	326,940
As at 31 March			
Assets			
Total assets	28,996,068	31,335,180	29,737,969
Liabilities			
Total liabilities	24,233,931	26,233,467	24,309,315
Shareholders' funds			
Share capital	475,200	475,200	475,200
Reserves & Retained earnings	4,286,937	4,626,513	4,953,454
Shareholders' funds	4,762,137	5,101,713	5,428,654
Investor ratios			
Gross dividends	106,920	133,056	-
Total assets to shareholders' funds (times)	6.00	6.00	5.00
Return on assets (%)	4.00	2.00	1.00
Return on equity (%)	25.00	10.00	6.00
Other information			
No. of employees	521	664	787

* The figures are derived from financial statements prepared in accordance with SLFRS/LKAS. Figures for the remaining periods are derived from financial statements prepared in accordance with previous SLASs.

2011	2012*	2013*	2014*	2015*	2016*	2017*
6,344,361	7,561,277	4,683,628	5,460,558	2,914,376	7,762,465	**20,265,814**
3,511,733	3,016,783	3,541,670	2,111,378	1,046,238	4,885,984	**7,799,736**
2,832,627	4,544,494	1,141,958	3,349,180	1,868,138	2,876,481	**12,466,078**
(2,384,015)	(2,571,566)	(3,464,147)	(2,720,484)	(1,686,278)	(3,191,053)	**(5,270,261)**
3,960,346	4,989,712	1,219,481	2,740,074	1,228,098	4,571,412	**14,995,553**
(2,062,356)	(1,917,994)	(1,151,579)	(2,051,032)	(769,894)	(3,736,480)	**(4,846,183)**
1,897,989	3,071,718	67,902	689,042	458,204	834,932	**10,149,377**
(374,646)	(94,464)	(33,718)	5,218	45,408	(146,152)	**(372,071)**
1,523,343	2,977,254	34,184	694,260	503,612	688,780	**9,777,299**
54,212,952	58,028,455	53,239,340	49,254,147	62,609,260	75,493,914	**102,007,361**
23,602,917	24,776,791	20,518,752	15,124,870	27,712,892	39,992,477	**55,015,661**
475,200	475,200	475,200	475,200	475,200	475,200	**475,200**
30,134,835	32,776,464	32,245,388	33,654,077	34,421,168	35,026,237	**46,516,500**
30,610,035	33,251,664	32,720,588	34,129,277	34,896,368	35,501,437	**46,991,700**
-	-	237,600	-	-	-	**-**
1.77	1.75	1.63	1.00	1.79	2.13	**2.17**
3.63	5.31	0.06	1.35	0.90	1.00	**11.02**
24.00	9.32	0.10	2.08	1.46	1.96	**23.70**
848	948	1,007	1075	1086	1198	**1,235**

Summarised Quarterly Statistics

Income Statement - Rs '000	2016/17				2015/16			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Gross income	19,442,672	22,014,277	23,668,106	27,753,057	14,388,365	16,442,847	16,571,252	19,394,958
Revenue	5,058,548	6,194,657	6,290,599	6,697,735	4,064,938	5,189,030	5,351,834	5,622,324
Cost of sales	(3,148,814)	(3,722,702)	(3,846,377)	(3,701,990)	(2,178,656)	(3,585,261)	(3,662,953)	(2,839,659)
Income	14,029,196	15,690,868	17,031,240	15,471,862	9,747,107	11,287,217	12,023,736	12,348,518
Other income/(expenses)	354,928	128,752	346,267	5,583,460	576,320	(33,400)	(804,318)	1,424,116
Interest costs	(6,682,711)	(7,244,196)	(8,010,733)	(11,415,296)	(3,812,400)	(4,508,243)	(4,059,271)	(6,470,478)
Profit before operating expenses	9,611,147	11,047,379	11,810,996	12,635,771	8,397,309	8,349,343	8,849,028	10,084,821
Other operating expenses	(7,488,836)	(8,848,599)	(8,996,928)	(9,749,538)	(6,297,595)	(5,851,609)	(6,445,201)	(8,393,184)
Results from operating activities	2,122,311	2,198,780	2,814,068	2,886,233	2,099,714	2,497,734	2,403,827	1,691,637
Results on acquisition and divestment of group investments	-	196,208	-	10,398,123	-	-	-	50,963
Share of profit of associate companies	1,046,664	955,693	1,079,822	796,107	577,046	679,600	1,050,163	787,428
Profit before tax	3,168,975	3,350,681	3,893,890	14,080,463	2,676,760	3,177,334	3,453,990	2,530,028
Income tax expense	(763,910)	(770,074)	(926,519)	(1,046,484)	(626,798)	(784,543)	(779,153)	(333,719)
Net profit after tax	2,405,065	2,580,607	2,967,371	13,033,979	2,049,962	2,392,791	2,674,837	2,196,309

Balance Sheets - Rs '000	2016/17				2015/16			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Group								
Assets	394,590,272	412,723,891	428,854,994	640,924,839	264,664,186	291,284,757	317,413,478	379,594,558
Liabilities	325,887,011	342,660,240	356,274,134	538,309,001	206,787,414	230,654,775	255,023,812	313,218,333
Net Assets	68,703,261	70,063,651	72,580,860	102,615,838	57,876,772	60,629,982	62,389,666	66,376,225
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	39,528,862	41,406,590	44,012,827	58,374,498	29,795,213	32,001,026	35,089,729	37,223,180
Minority interest	28,699,199	28,181,861	28,092,833	43,766,140	27,606,359	28,153,756	26,824,737	28,677,845
Share capital,reserves & minority interest	68,703,261	70,063,651	72,580,860	102,615,838	57,876,772	60,629,982	62,389,666	66,376,225

Summarised Quarterly Statistics

Income Statement - Rs '000	2016/17				2015/16			
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Gross income	1,658,272	1,889,052	2,076,703	14,641,787	865,872	1,000,405	1,111,223	1,854,050
Income	677,950	838,413	1,160,977	5,122,396	290,547	489,750	597,379	577,393
Other Income/(Expenses)	980,322	1,050,639	915,726	9,519,391	575,325	510,655	513,844	1,276,657
Interest Costs	(1,044,260)	(1,245,535)	(1,442,081)	(1,538,385)	(621,218)	(741,707)	(855,972)	(972,156)
Profit before operating expenses	614,012	643,517	634,622	13,103,402	244,654	258,698	255,251	881,894
Other operating expenses	(254,382)	(281,202)	(250,789)	(4,059,803)	(148,812)	(223,923)	(151,418)	(281,410)
Profit before tax	359,630	362,315	383,833	9,043,599	95,842	34,775	103,833	600,482
Income tax expense	(84,332)	(52,185)	(101,468)	(134,086)	-	-	(65,646)	(80,506)
Net profit after tax	275,298	310,130	282,365	8,909,513	95,842	34,775	38,187	519,976

Balance Sheets - Rs '000	2016/17				2015/16			
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Company								
Assets	81,510,556	86,037,017	89,004,594	102,007,362	68,564,134	72,552,852	81,371,931	75,493,914
Liabilities	45,717,370	49,906,467	52,657,692	55,015,655	33,487,071	37,469,167	46,239,380	39,992,477
Net Assets	35,793,186	36,130,550	36,346,902	46,991,707	35,077,063	35,083,685	35,132,551	35,501,437
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	35,317,986	35,655,350	35,871,702	46,516,507	34,601,863	34,608,485	34,657,351	35,026,237
Share capital & reserves	35,793,186	36,130,550	36,346,902	46,991,707	35,077,063	35,083,685	35,132,551	35,501,437

Value Addition

Value Addition	2016/17		2015/16	
	Rs'000	(%)	Rs'000	(%)
Group				
Value added				
Income	71,589,512		52,931,853	
Other income	6,013,713		1,130,344	
Cost of borrowing and services	(46,289,138)		(28,977,837)	
Provisions	(4,279,678)		(2,978,061)	
Results on acquisition and divestment of Group investments	10,594,331		50,963	
Share of profits of associate companies	3,827,962		3,094,237	
	41,456,702		25,251,499	
Distribution of value added				
To employees				
Remuneration and other benefits	12,617,864	30	10,309,111	41
To government				
Indirect taxes	2,589,982	6	1,506,628	6
Direct taxes	3,458,453	8	2,526,527	10
To Providers of capital				
Dividends to shareholders	-		-	
Minority interest	3,762,850	9	812,697	3
To expansion and growth				
Retained profits	17,157,762	41	8,518,690	34
Depreciation and amortisation	1,869,791	5	1,577,846	6
	41,456,702	100	25,251,499	100

Value Addition	2016/17		2015/16	
	Rs'000	(%)	Rs'000	(%)
Company				
Value added				
Income	7,799,736		1,955,069	
Other income	12,466,078		2,876,481	
Cost of borrowing and services	(7,656,845)		(3,398,850)	
Provisions	4,908		1,811	
Value added tax	-		-	
	12,613,877		1,434,511	
Distribution of value added				
To Employees				
Remuneration and other benefits	1,896,478	15	175,455	12
To Government				
Indirect taxes	131,098	1	63,377	4
Direct taxes	372,071	3	146,152	10
To Providers of Capital				
Dividends to shareholders	-		-	
Reserves	-		-	
To Expansion and Growth				
Retained profits	9,777,299	78	688,780	48
Depreciation and amortisation	436,931	3	360,747	25
	12,613,877	100	1,434,511	100

Indicative US Dollar Financial Statements

Statement of Financial Position for Information Purposes Only

As at 31 March 2017	Group		Company	
	2017	2016	2017	2016
	USD.'000	USD.'000	USD.'000	USD.'000
Assets				
Cash in hand and favourable bank balances	356,714	95,345	3,027	440
Trading assets - fair value through profit or loss	24,013	16,654	2,982	2,918
Investment securities	364,374	423,393	2,293	4,755
Finance lease receivables, hire purchases and operating leases	341,395	358,898	29	62
Advances and other loans	2,413,458	1,119,177	5,166	12,324
Insurance premium receivables	7,111	5,565	-	-
Inventories	26,782	25,322	2,395	3,215
Current tax assets	9,241	7,029	866	1,239
Trade and other current assets	98,557	72,805	172,797	114,789
Prepaid lease rentals on leasehold properties	4,877	5,158	-	-
Investment properties	64,157	63,026	2,478	2,452
Biological assets;				
Consumable biological assets	19,634	42,727	-	-
Bearer biological assets	7,576	33,422	-	-
Investments in group of companies;				
Subsidiary companies	-	-	405,768	296,027
Associates	103,724	114,571	28,384	54,296
Deferred tax assets	9,818	3,405	-	1
Intangible assets	87,505	17,241	1,336	1,459
Property, plant and equipment	278,090	233,078	43,646	30,435
Total assets	4,217,027	2,636,817	671,167	524,411

Indicative US Dollar Financial Statements

Statement of Financial Position for Information Purposes Only

As at 31 March 2017	Group		Company	
	2017	2016	2017	2016
	USD.'000	USD.'000	USD.'000	USD.'000
Liabilities and equity				
Liabilities				
Bank overdrafts	48,461	64,618	11,128	23,302
Trading liabilities	430	124	8	-
Deposits liabilities	1,389,137	515,185	-	-
Interest bearing borrowings	1,886,695	1,429,390	335,605	243,227
Insurance provision - life	13,478	10,555	-	-
Insurance provision - general	17,962	14,841	-	-
Current tax payables	23,925	14,480	4,102	2,242
Trade and other payables	116,342	80,388	8,147	7,748
Deferred tax liabilities	29,559	27,304	1,447	-
Deferred income	1,552	4,522	-	-
Retirement benefit obligations	14,317	14,332	1,543	1,284
Total liabilities	3,541,856	2,175,741	361,981	277,804
Equity				
Stated capital	3,127	3,301	3,127	3,301
Reserves	58,772	37,762	22,223	11,485
Retained earnings	325,309	220,805	283,836	231,822
Equity attributable to shareholders of the Company	387,207	261,868	309,186	246,607
Non-controlling interests	287,964	199,208	-	-
Total equity	675,171	461,076	309,186	246,607
Total liabilities & equity	4,217,027	2,636,817	671,167	524,411
Net assets per share (USD.)	0.81	0.55	0.65	0.52
Exchange rate USD/LKR	151.99	143.96	151.99	143.96

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 151.99 (2016 : 143.96) have been used to convert the income statement and statement of financial position

Income Statement for Information Purposes Only

For the year ended 31 March	Group		Company	
	2017	2016	2017	2016
	USD.'000	USD.'000	USD.'000	USD.'000
				Reclassified
Gross income	603,450	463,777	133,341	53,921
Interest Income	359,069	268,511	25,213	13,086
Interest expenses	(218,174)	(130,942)	(34,676)	(22,166)
Net interest income	140,895	137,568	(9,463)	(9,080)
Revenue	154,233	140,513	-	-
Cost of sales	(92,852)	(88,239)	-	-
Gross profit	61,381	52,274	-	-
Income	50,580	46,902	26,106	20,854
Other income/(expenses)	39,568	7,852	82,022	19,981
Profit before operating expenses	292,424	244,595	98,665	31,755
Operating expenses				
Direct expenses excluding finance expenses	(47,372)	(35,869)	(863)	(440)
Personnel expenses	(83,020)	(71,611)	(12,478)	(11,821)
Net impairment loss on financial assets	(28,159)	(20,687)	32	13
Depreciation and amortisation	(12,302)	(10,960)	(2,875)	(2,506)
Other operating expenses	(56,059)	(44,946)	(15,703)	(11,200)
Results from operating activities	65,512	60,522	66,779	5,800
Share of profits of equity accounted investees, net of tax	25,186	21,494	-	-
Results on acquisition and divestment of Group investments	69,706	354	-	-
Profit before income tax expense	160,404	82,370	66,779	5,800
Income tax expense	(22,755)	(17,550)	(2,448)	(1,015)
Profit for the year	137,649	64,820	64,331	4,785
Profit attributable to;				
Equity holders of the Company	112,891	59,174	64,331	4,785
Non-controlling interests	24,758	5,645	-	-
	137,649	64,820	64,331	4,785
Basic earnings per share (USD.)	0.24	0.12	0.14	0.01
Exchange rate USD/LKR	151.99	143.96	151.99	143.96

This information does not constitute a full set of financial statements in compliance with SLFRS/LKAS. The above should be read together with the Auditors' opinion and the notes to the financial statements. Exchange rates prevailing at year end USD/LKR 151.99 (2016 : 143.96) have been used to convert the income statement and statement of financial position

Milestones

1992

- Launched its first subsidiary - LOFAC

1995

- First branch office opened in Kandy
- Negotiated the first long-term Rupee loan from FMO

1996

- The first to extend Dollar denominated leases to BOI companies

1997

- The first to introduce export factoring through LOFAC
- Branch office opened in Matara

1998

- Branch offices opened in Badulla and Ratnapura

1999

- LOFAC enters into strategic alliance with Dunn and Bradstreet
- Branch office opened in Anuradhapura
- Launched its insurance subsidiary, LOIB

2000

- Negotiated the second tranche of long-term Rupee loan from FMO
- Branch office opened in Kochchikade

2001

- Launched its finance subsidiary - LOFC
- Branch offices opened in Kurunegala and Kalutara

2002

- The first leasing company to be recognised as a Participating Financial Institution for the Indian Line of Credit
- Branch office opened in Galle

2003

- Received the first US Dollar long-term Loan from OPEC Fund
- The first to win the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka
- Negotiated the third tranche of longterm Rupee loan from FMO
- Branch offices opened in Nuwara Eliya and Kiribathgoda

2004

- Entered into stock broking through LOSEC
- Launched LOITS, the Information Technology arm
- The first to win the 'Non-Banking Sector Award' at the South Asian Federation of Accountants (SAFA) for Best Presented Accounts Competition
- Branch office opened in Gampaha

2005

- The first Leasing Company to be ranked among the Top 10 Brands by Sting Consultants Brand Power Index
- Launched LOPD, the project development subsidiary
- LOLC cricket team emerged Mercantile 'C' Division Champions
- Negotiated the second tranche of longterm US Dollar Loan from OPEC Fund
- Negotiated the fourth tranche of long-term Rupee loan from FMO
- Negotiated the long-term US Dollar Loan from Praparco
- Branch offices opened in Kegalle, Embilipitiya and Polonnaruwa

2006

- Negotiated the long-term US Dollar Loan from DEG
- Negotiated the long-term US Dollar Loan from OPEC Fund
- Branch office opened in Wattala
- The first Regional Expansion to Cambodia through 18% holding of PRASAC
- First to introduce a branded product 'Guardian' range from an insurance broker through LOIB
- Won the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka for 2005/06

2007

- Branch offices opened in Chilaw and Mahiyangana
- Ranked among the Top 50 brands by Super Brands
- Launched the New Strategic Plan for the Company and its Subsidiaries
- Opened the first Hospital Savings Centre in Oasis

- Opened the first Student Savings Centre at Royal College - Polonnaruwa
- LOFC operations expanded to Wattala, Kegalle, Mahiyangana, Mount Lavinia and Chilaw
- LOPD received Cabinet sub-committee approval for the project on Off-Shore Sand Mining, Washing, Sieving and Grading to supply construction and related industries
- Signed up with LIOC to establish LOLC sub-branches at LIOC filling stations
- LIOC Centres opened in Morawaka and Trincomalee
- Set up the Islamic BU with an in-house Shari'ah Supervisory Board
- Dairy farmer loans, cultivation loans, business set up loans and skills enable loans were introduced
- Partnered with GTZ for capacity building of the microfinance staff, setting up low cost branch network and development of a microbanking system

2008

- Launched a lottery for customers with a house as the prize
- Launched Western Union Money transfer services at LOLC branches
- Entered into a joint venture agreement with Agri Tec for manufacture of precipitated silica and allied products using rice husk ash
- LIOC Centres opened in Pilimathalawa, Seeduwa, Aluthgama, Kadawata, Ambalangoda, Debarawewa, Beliatta and Talawakelle
- Won Bronze Award at Effie Awards 2008 in the Financial Services/ Products Category
- Spin-off of Micro Finance Business Unit as LOLC Micro Credit Ltd. (LOMC) together with FMO
- LOLC Micro Credit Ltd. was appointed as the only representative from the private sector to the Micro Finance Steering Committee appointed by the Department of Development Finance attached to Ministry of Finance and Planning
- Won the International Assets and Liability Management competition held by FMO and DEG
- Joined with Sri Lanka Post to open up Isuru Diriya Centres at post offices and sub-post offices

2009

- Opened 40 Service Centres in Post Offices around the country consequent to the agreement with Sri Lanka Post to offer products of LOLC Micro Credit Ltd. to the rural community
- Opened branches in Jaffna, Ampara, Batticaloa, Vavuniya and Trincomalee, thereby making our services available to the Northern and Eastern Regions of the country
- Opened the first dedicated Shari'ah finance branches in Kathankudi, Oddamavadi and Kalmunai.
- Selected as the Winner of the Specialised Banking and Finance Category at the National Business Excellence Awards
- Received BOI status for Lanka ORIX Information Technology Services Ltd. (LOITS - the IT arm)
- IT arm, Lanka ORIX Information Technology Services Ltd. earns 'ISO/IEC 27001:2005' certification for its enterprise data and software development functions
- Ranked amongst the Top 20 Brands in Sri Lanka by Brand Finance Lanka
- Won Best Annual Report Award and a Merit Award for Best Website from ADFIAP (Association of Development Finance Institutions in Asia and the Pacific)
- Won the Silver Award at the Sri Lankan HR Awards 2010 organised by the Association of HR Professionals Sri Lanka together with the Hewitt Associates, India Milestones
- LOLC Micro Credit Ltd. (LOMC) received a total of $14 Mn from Symbiotics and Three Triodos Funds to expand Microfinance Operations in Sri Lanka
- Lanka ORIX Finance Company Ltd. started to transact in international financial markets via SWIFT
- Received a USD 5.0 Mn guarantee facility from USAID
- Invested in United Dendro Energy (Pvt) Ltd. through LOLC Eco Solutions Ltd.

2010

- Opened 29 Service Centres in Post Offices around the country
- Opened branches in Avissawella, Pettah, Moneragala, Trincomalee, Matugama, Homagama, Nawalapitiya, Kohuwala, Hatton, Ambalangoda and Elpitiya
- Acquisition of Confifi Hotel Holdings PLC, Riverina Hotels PLC and Tropical Villas (Pvt) Ltd.
- National Business Excellence Awards 2010 - conducted by the National Chamber of Commerce, Sri Lanka - Gold Award for 'Diversified Group of Companies Sector', Silver Award for Best 'Capacity Builder'

Milestones

and Bronze Award for 'Extra Large Sector'. LOLC Leisure Ltd. was awarded Silver for 'Hospitality' for Eden Resorts and Spa.

- IT arm - Lanka ORIX Information Technology Services Ltd. (LOITS) earns re-certification for its conformance with the ISO/IEC 27001:2005, covering 'The Management of Information Security for Providing IT Services at Enterprise Data Center'
- LOITS was the only winner in the category of programme and application security at the ISACA Security Awards last year
- Investments made in Sierra Holdings, Sierra Constructions and AgStar Fertilizers
- Received a long-term loan from Symbiotics
- Received a long-term loan from Triple Jump
- Received a long-term loan from Minlam
- Received a long-term loan from Praparco
- Received a long-term loan from Triodos
- Most Outstanding Financial Performer 2010/11 in the Global ORIX Network
- Top 20 Most Valuable Stocks in the Colombo Bourse

2011

- Excellent Performance in the Overseas Operations Category for FY 2012 in the Global ORIX Network
- LOLC won the Achievement Award for Governance, Risk Management and Compliance (GRC) from the Open Compliance and Ethics Group (OCEG), USA
- First Money Exchange Outlet opened in Matara
- Launch of eZ pay services
- LOLC Micro Credit (LOMC) became the largest agriculture implement financier in Sri Lanka with an excess of over 100,000 customer base
- Commencement of operations of LOLC Insurance Co. Ltd.
- Formation of LOLC Securities Ltd.
- Formation of LOLC Motors and authorised distributors for FIAT in Sri Lanka
- The LOLC team won the Mercantile Basketball Championship in their respective division
- The LOLC Badminton team were placed second at the Mercantile Badminton Team Championships for 2011
- LOLC obtained the consent of the Central Bank of Sri Lanka (CBSL) to relinquish its leasing license from April 2011 and LOLC consolidated its position as a Holding Company
- LOFC obtained CBSL approval to list on the CSE and was renamed as Lanka ORIX Finance PLC
- LOLC Leisure acquires 100% ownership of Dickwella Resort & Spa
- LOFC became one of the largest deposit base holders in the Registered Finance Company sector
- LOLC was awarded the Most Outstanding Financial Performer 2010/11 in the global ORIX network, by the ORIX Corporation of Japan
- LOLC Annual Report 2010/11 won Gold at the ARC Awards 2011 and won the Grand Prize in its category
- LOLC Annual Report 2010/11 won Gold at the League of American Communications Professionals (LACP) Vision Awards 2010 in the 'Conglomerates and Holding Companies' category
- LOLC Annual Report 2010/11 wins the ADFIAP Awards 2012 for 'Best Annual Report' in the Special Awards category
- 2010 Annual Report of Al-Falaah - the Islamic Business Unit of LOFC, won Bronze at the League of American Communications Professionals (LACP) Vision Awards 2011
- LOLC becomes the Overall Silver Winner; Winner for Best 'Capacity Builder'; First Runner-up for 'Extra Large Sector' and Runners-up for 'Diversified Group of Companies' and 'Excellence in Business & Financial Performance' at the National Business Excellence Awards 2010/11
- Eden Resort & Spa of LOLC Leisure Ltd. was awarded Runners-up in the 'Hospitality' category at the National Business Excellence Awards 2010/11
- Eden Resort & Spa won an overall 36 medals at the 14th Culinary Art 2011 organised by the Chefs Guild of Sri Lanka and was also placed 7th in the overall ranking amongst 211 hotels and other catering establishments in Sri Lanka
- Eden Resort & Spa received the ISO 9001:2008+HACCP certificate for an additional period of 3 years, effective from January 2012
- LOLC was ranked among Business Today's Top 20 Corporates of Sri Lanka 2011
- LOLC's Brand was listed among the Most Valuable Brands of 2011 by Brand Finance Lanka
- LOLC was ranked among LMD's Top 50 Listed Companies of Sri Lanka
- LOLC became the Top 20 Most Valuable Stocks/Companies in the Colombo Bourse 2011
- LOLC was placed among the Top 20 Most Respected Entities in Sri Lanka 2010/11
- During the FY, a total of 36 service points were opened across the island
- LOLC records highest ever profits of Rs. 10.3Bn PBT

2012

- LOLC, Lanka ORIX Finance and Commercial

Leasing & Finance were independently assigned Issuer Rating of '[SL] A-'with stable outlook by ICRA Lanka Ltd.

- LOLC Micro Credit secures the largest micro finance syndicated loan of USD 55.5Mn in Sri Lanka
- LOLC was awarded the Best Financial Services Provider at SLIM – Nielsen Peoples Awards 2013
- LOLC ranks 5th top corporate at Business Today Top 25 Awards 2012
- LOLC amongst LMD's top 100 leading listed companies of Sri Lanka
- LOLC amongst Sri Lanka's Leading Brands for 2012 by Brands Finance
- ICRA Lanka assigns [SL]A- with stable outlook to the Rs 1.25 Bn unsecured debenture programmes of LOLC
- Newly constructed LOLC CARE Child Development Centre was opened.
- Eden Resort & Spa emerged Runners-up (Large Category) at the National Business Excellence Awards 2012
- Eden Resort & Spa becomes the only leisure brand honoured with a National Level Merit Award (National Level Extra Large category -Services sector) at the CNCI Achiever Award 2012 organised by The Ceylon National Chamber of Industries.
- Eden Resort & Spa wins Gold for Sri Lanka at the World Culinary Olympics 2012, wins Travelers' Choice 2013 award and receives Certificate of Excellence by Tripadvisor for 2012
- Al-Falaah opens first Shari'ah Compliant Student Savings Centre in Sri Lanka
- Al-Falaah opens 5th branch in Akkaraipattu.
- Al-Falaah renews identity of Al-Falaah Junior Minor Savings Account
- Al-Falaah wins Gold for 'Financial services – General' Summary Annual Review Category at the 2012 ARC International Annual Report Awards and wins 2 bronze awards for 'Written Text and Printing & Production", and 2 Honors awards for 'Cover / Photo Design and Interior Design' for the 2010/11 Annual review 'Values Generate Value'.
- Al-Falaah wins Silver Award in the "Financials – Diversified Services" category at the 2011 League of American Communications Professionals (LACP) Vision Awards and is placed among the Top 25 Sri Lankan Annual Reports for the year in review.
- Lanka ORIX Finance expands foot print to North & East with new branches opened in Mannar, Mullaitivu, Nelliady, Chunnakam and Chavakachcheri.
- Branches were also opened in Dehiattakandiya, Medawachchiya, Aralaganwila, Nikaweratiya, JaEla, Balangoda, Kekirawa and Tissamaharama.

2013

- LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.
- LOLC Technologies achieves ISO/IEC 20000: 2011 certification.
- LOLC wins the first ever Gold at SLITAD People Development Award.
- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.
- Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.
- Al-Falaah Ladies launch "Empress" the first ever discount card for ladies.
- LOLC lays foundation stone for new regional office in Anuradhapura.
- LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.
- LOLC Technologies achieves ISO/IEC 20000: 2011 certification.
- LOFC introduces product extensions and benefits for "Speed Draft".
- LOLC wins the first ever Gold at SLITAD People Development Award.
- LOLC Insurance launches new life products.
- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.
- Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.
- LOLC, LOMC & CLC among the Top 5 Best Companies to work in Sri Lanka.
- Al-Falaah Ladies launched.
- BRAC & LOLC acquires Nanda Investments.
- LOLC ranked among Business Today's Top 25 Corporates for the year 2013.
- LOFC & CLC ranked among LMD's 100 Leading Listed Companies of Sri Lanka.
- LOLC & CLC among the Brand Annual's most valuable brands.
- New branches were opened in Ambalantota and Matale.

2015

- LOLC Technologies wins the Gold Award for Best Islamic Finance IT Solutions Provider at the 3rd consecutive Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.
- Al-Falaah was adjudged the Islamic Finance Entity of the Year 2014 at the 4th Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.
- At the 4th SLBFI Awards, Al-Falaah also emerged at the top for the Social Upliftment Award (CSR) category by winning Gold and a Silver award in the category for the Rising Islamic Personality of the Year 2014.

Milestones

- LOFC introduces "Fixed Deposit Bond" which is the first transferable term investment product introduced to the financial services sector in Sri Lanka.
- LOLC Insurance holds Inaugural Sales Convention & Awards Night.
- LOLC ranked among the top 20 most respected entities in Sri Lanka.
- LOLC Group acquires 60% stake in Cambodian Microfinance Company, TPC.
- LOLC Leisure rebranded as Browns Hotels and Resorts.
- LOLC Insurance and Al-Falaah joins in partnership to introduce "Al-Falaah Takaful".
- LOLC announces record breaking production at Hingurana Sugar Factory.
- LOLC wins "Silver Award" at HRP awards organised by the Human Resources Professionals Sri Lanka.
- LOFC Joins LankaPay's Electronic Fund Transfer Network.

2015-16

- Al-Falaah wins three accolades at the 1st IFFSA Awards, organised by UTO EduConsult and Adjudicated KPMG Sri Lanka. Al-Falaah bagged the Silver Award for the Islamic Finance Entity of the Year, Sri Lanka, Gold in the Social Upliftment Award, Sri Lanka and Gold for the Rising Islamic Finance Personality of the Year.
- LOLC Group was bestowed a Silver Award at the SLITAD People Development Awards 2015.
- LOLC Finance enters Kaduwela
- Kandy Branch which is the first branch office of LOLC Finance moved to its very own premises.
- LOLC Securities Limited won Gold and Silver awards for the Best Equity Research report at the Capital Market Awards & Forecast Dinner organised by CFA Society Sri Lanka.
- LOLC is ranked among the TOP 10 Most Respected Firms in Sri Lanka.
- The LOLC Finance Branch in Ambalangoda moved to a new location.
- Al-Falaah Takaful Celebrates a Successful First Year
- LOLC Finance connects to CEFTS (Common Electronic Fund Transfer Switch) enabling faster and reliable real-time electronic payment
- BRAC Lanka Finance opens its first regional office in Matara
- LOLC was placed 7th in the Business Today's TOP 25 Edition 2014-15.
- ICRA Lanka Limited, a Group Company of Moody's Investor Services upgraded the credit rating of LOLC, LOLC Finance PLC and Commercial Leasing & Finance PLC to [SL] A with stable outlook from [SL] A- with stable outlook.
- LOLC was ranked 13th among Sri Lanka's Leading Listed Companies in the 22nd edition of the LMD 100 annual magazine.
- Al Falaah, BRAC and Browns Tours moved to its new corporate office at Darley Road, Colombo 10.
- The LOLC Finance City office at Union Place was relocated to T.B. Jayah Mawatha (Darley Road), Colombo 10.
- Lanka ORIX Finance PLC changes name to LOLC Finance PLC
- LOLC invests US $ 35 Mn in four Male Hotels
- The name Thaneakea Phum (Cambodia) Ltd, was changed to LOLC Cambodia PLC.
- Al-Falaah receives top recognition at the IFN Best Banks Poll global awards 2015. Al-Falaah was adjudged Runners-Up in the category of "Best Islamic Leasing Provider (Overall) 2015" at the Redmoney's Annual Global Awards - Islamic Finance News (IFN) Best Banks Poll 2015.
- 3 LOLC Group Companies Receive Largest Syndicated Loan in History of Sri Lanka's NBFI Sector.
- The 2nd LOLC Vasana Super Draw, took place awarding 6 winners with brand new Fiat Linea motor cars.
- The LOLC Finance Jaffna office moved into its very own premises at No. 62/40, Stanley Road, Jaffna.
- The LOLC Finance City office moved to No. 481, T.B. Jayah Mawatha (Darley Road), Colombo 10.
- The HR Team organised its Annual CSR project this year at the Missionaries of Charity Sisters of Mother Teresa Shanthi Nivasa, Home for the Elders in Mattakkuliya.

2016-2017

- The Eden Resort & Spa Inaugurated the New wing at the Moragalla Junior School.
- LOLC Finance PLC successfully issued a Rs. 500 million (US$3.37 million) Sukuk from the domestic market, setting a precedent for corporate Sukuk issuances in South Asia.
- LOLC Finance PLC relocated its Anuradhapura branch to its very own sophisticated premises at No. 242/2, Maithripala Senanayake Mawatha, Anuradhapura.
- LOLC Micro Credit felicitates over 750 top-achieving Grade 5 Scholars at its annual Isuru Diriya Sisu Upahara Scholarship Awards Ceremony.
- LOLC Group inked a Landmark Agreement with Club Med S A S, France, the World's Most Prestigious Club Resort Operator, to Pave the Way for Sri Lanka's First Club Med Resort.

- LOLC Group was crowned as the overall Gold Award Winner at the National Business Excellence Award (NBEA) 2016. LOLC Group also won a number of other sub-sector awards at the awards ceremony.
- The head office of LOLC Life Assurance relocated to their modern premises at No. 481, T. B. Jaya Mawatha (Darley Road), Colombo 10.
- LOLC Group company, Sagasolar Power (Private) Limited (Sagasolar) launched the first ever Utility Scale Solar Power plant in Sri Lanka.
- LOLC launched a Group-wide competition titled 'Rewarding you for Sustainability' to increase the awareness and promote the adoption of sustainability amongst the staff.
- LOLC Group stepped into the year 2017 with its tree planting campaign named, 'Ratak Surakinna, Gasak Sitawanna – Plant a tree and Preserve the Country'.
- The Eden Resort & Spa was crowned the best in the Hospitality & Tourism Sector of Sri Lanka for the 2nd Consecutive year at the National Business Excellence Awards (NBEA) 2016.
- The LOLC Group inked a historic joint venture with Pak Oman Microfinance Bank Limited to introduce LOLC's exceptional and globally accepted Microfinance model to the people of Pakistan.
- LOLC Finance PLC unveiled a comprehensive payment platform named, LOLC Real Time.
- LOLC was crowned the Financial Services Provider of the Year 2017 at the SLIM-Nielsen People's Awards 2017.
- BEA Partners with LOLC to Acquire Shares in Cambodia's PRASAC Microfinance - Under the new ownership structure, the LOLC Group's stake in PRASAC increased to 70%.
- LOLC Al-Falaah won top awards at the 6th Sri Lanka Islamic Banking & Finance Industry (SLIBFI) awards 2017 including the Gold award for being adjudged the Islamic Finance Entity of the Year. LOLC Al-Falaah also clinched the Silver award for Social Upliftment in the CSR category and the Gold award for the Best Deal of the year.
- LOLC records historic PBT of Rs. 24 Billion.

List of Directors

Company	Directors
Lanka ORIX Leasing Co. PLC	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe, M D D Pieris, Dr. R A Fernando, H Yamaguchi, H Nishio, K Okuno (Alternate to H Nishio), K Ishinabe (Alternate to H Yamaguchi),
LOLC Finance PLC	I C Nanayakkara, Mrs K U Amarasinghe, Dr H Cabral, Mrs. D P Pieris, Justice R K S Suresh Chandra, A Nissanka
Commercial Leasing & Finance PLC	I C Nanayakkara , W D K Jayawardena, Mrs. K U Amarasinghe, P D J Fernando, D M D K Thilakaratne, L Jayarathne
LOLC Micro Credit Ltd	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe (also alternate to Mr. I C Nanayakkara), R D Tissera, I Wijesiriwardena, P Kooi
LOLC Life Assurance Ltd	I C Nanayakkara, Mrs. K U Amarasinghe, Dr H Cabral
LOLC General Insurance Ltd	W D K Jayawardena, K A K P Gunawardena, Dr. J M Swaminathan
LOLC Securities Ltd	W D K Jayawardena, S Gurusinghe, K A K P Gunawardena, Dr. J M Swaminathan
LOLC Factors Ltd	K A K P Gunawardena, J B W Kelegama, F G A Lawrence
LOLC Investments Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
LOLC Micro Investments Ltd	K A K P Gunawardena, R D Tissera, J B W Kelegama
BRAC Lanka Finance PLC	I C Nanayakkara, W D K Jayawardena, R D Tissera, A J L Peiris, W R A Dharmarathne
Browns Hotels and Resorts Ltd	K A K P Gunawardena, Mrs V G S S Kotakadeniya, J B W Kelegama, D S K Amarasekera
Eden Hotels Lanka PLC	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, M T A Furkhan, S Furkhan, Dr. J M Swaminathan
Palm Garden Hotels PLC	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, Dr. J M Swaminathan
LOLC Asset Holdings Ltd	K A K P Gunawardena, J B W Kelegama
Lanka ORIX Information Technology Services Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
LOLC Technologies Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
LOLC Eco Solutions Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
United Dendro Energy Walawewatte (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena
United Dendro Energy Ambalantota (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena
Thurushakthi (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena
Sundaya Lanka (Pvt) Ltd	M R Adema, R D Tissera, K A K P Gunawardena, J B W Kelegama
LOLC Motors Ltd	K A K P Gunawardena, P D G Jayasena, Mrs. V G S S Kotakadeniya
Speed Italia (Pvt) Ltd	W D K Jayawardena, K A K P Gunawardena, P D G Jayasena
Dickwella Resorts (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Tropical Villas (Pvt) Ltd	D S K Amarasekera, K A K P Gunawarden, J B W Kelegama
Riverina Resorts (Pvt) Ltd	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, K A K P Gunawardena
Lanka ORIX Project Development Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Commercial Factors (Pvt) Ltd	K A K P Gunawardena, D M D K Tilakeratne, J B W Kelegama
LOLC Capital One (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, S Gurusinghe, B D T Rohan Perera

Company	Directors
LOLC Corporate Services (Pvt) Ltd	K A K P Gunawardena, Miss C S Emmanuel, Mrs. R T Seneviratne, Mrs. J K Vaas
East Cost Land Holdings (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Prospere Realty (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green Orchard Property Investments (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Eagle Recoveries (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green Valley Asset Holdings (Private) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Fairview Lands Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
NPH Investments Pvt Ltd	M Manik, I Mohamed, A Niman, D S K Amarasekera, T S Selviah, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Bodufaru Beach Resort Pvt Ltd	I Rishwaan, M Niham, K A K P Gunawardena, D S K Amarasekera
B P P L Holdings Limited (formerly known as Biera Parawood Products (Pvt) Ltd)	S D Amarasinghe, Dr.K A Amarasinghe, R P Pathirana, V Selvaraj, B D P D Perera, R P Pathirana, M H De Silva, Ms. S T Ratwatte
Seylan Bank PLC	W M R S Dias, I C Nanayakkara, Ms M C Pietersz, K P Ariyaratne, Rear Admiral B A J G Peiris, S P S Ranatunga, W D K Jayawardena, P L S K Perera, S V Corea, Mrs. S K Salgado, A S Wijesingha
Agstar Fertilizers PLC	N G R Karunaratne, D N N Lokuge, A P Weerasekara, W A P Perera, I C Nanayakkara, D S K Amarasekera, H P J De Silva, A G Weerasinghe, Ms S Wickramasinghe
Commercial Insurance Brokers Ltd	M P Jayawardena, R A M Seneviratne, D M D K Thilakaratne, U I S Thilakawardana, S P S Ranatunga
Sierra Construction (Private) Limited	F A W Irugalbandara, D N N Lokuge, W A P Perera, E A D T B Perera, J H P Ratnayeke, E M M Boayagoda, I C Nanayakkara, D S K Amarasekera, A C P Irugalbandara (Alternate to F A W Irugalbandara), Ms. S N Lokuge (Alternate to D N N Lokuge), N Perera (Alternate to E A D T B Perera)
Sierra Holdings (Private) Limited	F A W Irugalbandara, D N N Lokuge, W A P Perera, E A D T B Perera, D S K Amarasekera, Ms. S N Lokuge (Alternate to D N N Lokuge)
Virginia International Investments Limited	A R Gunawardena, D S K Amarasekera, E M M Boyagoda, T N M Peiris, E K I De Zoysa
PRASAC Micro Finance Institution	R Fernando, A T M Bruijninckx, H Halbertsma, I C Nanayakkara, J Hoess, O S Oeun, P Touch
LOLC Cambodia PLC	B C G De Zylva, R D Tissera, I Wijesiriwardena, Miss F P L De Lima, H M T Moormann
LOLC Myanmar Micro Finance Co. Ltd	I C Nanayakkara, R D Tissera, B C G De Zylva, K A K P Gunawardena
Brown & Company PLC	I C Nanayakkara, H P J De Silva, W D K Jayawardena, Mrs. K U Amarasinghe, T Bandaranayake
Browns Investments PLC	I C Nanayakkara, D S K Amarasekera, Mrs. K U Amarasinghe, S Furkhan, W D K Jayawardena, Dr. H Cabraal, Dr. J M Swaminathan
Browns Capital PLC	W D K Jayawardena, D S K Amarasekera, A I Fernando, U H Palihakkara, Mrs. K U Amarasinghe, Mrs. V G S S Kotakadeniya
Associated Battery Manufacturers Ceylon Ltd	S Chakraborty, I C Nanayakkara, W Wong, A K Mukherjee, S Arnab, M Ramachandran
S.F.L. Services (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Engineering Services (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, K A K P Gunawardena
Masons Mixture Limited	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, K A K P Gunawardena
Browns Group Motels Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara

List of Directors

Company	Directors
C.F.T.Engineering Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Browns Group Industries (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
The Hatton Transport And Agency Company (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Walker & Greig (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Browns Tours (Pvt) Ltd	Mrs. R N A Nanayakkara, T Selviah, D S K Amarasekera, P A D F Perera, N Perera
B.G.Air Services (Pvt) Ltd	Mrs. R N A Nanayakkara, D S K Amarasekera
Samudra Beach Resorts (Pvt)Ltd	D S K Amarasekera, Mrs. R L Nanayakkara, T Selviah (Alternate Director to D S K Amarasekera), K A K P Gunawardena
Millennium Development (Pvt) Ltd	D S K Amarasekera, T Selviah, K A K P Gunawardena, E C Wijeratne
Excel Global Holdings (Pvt) Ltd	D S K Amarasekera, T Selviah (Alternate Director to D S K Amarasekera), K A K P Gunawardena
Taprobane Plantations Ltd	Mrs. R N A Nanayakkara, Mrs. M S R Jayaweera
Excel Restaurants (Pvt) Ltd	D S K Amarasekera, T Selviah, K A K P Gunawardena, E C Wijeratne
Ajax Engineers (Pvt) Ltd	S Karunarathne, J Sheriff, D S K Amarasekera, Mrs. V G S S Kotakadeniya
Ceylon Roots (Pvt) Ltd	S A N Perera, P A D F Perera, D S K Amarasekera, K A K P Gunawardena
Green Paradise (Pvt) Ltd	D S K Amarasekera, Mrs. K U Amarasinghe, K A K P Gunawardena, T Selviah (Alternate Director to D S K Amarasekera)
Sun & Fun Resorts Ltd	C Melappati, T Rusiripala, V K Vemuru, D S K Amarasekera, Mrs. K U Amarasinghe, K A K P Gunawardena, T Selviah (Alternate Director to D S K Amarasekera)
Creations Wooden Fabricators (Pvt) Ltd	A P Weeratunga, Ms. H M Mangalika, K A K P Gunawardena, D S K Amarasekera
Browns Global Farm (Pvt) Ltd	Mrs. R N A Nanayakkara, D S K Amarasekera
B I Commodities and Logistics (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, A Vithanage
BI Zhongtian Holdings (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, T Selviah (Alternate Director to D S K Amarasekera) W Z Feng, W Z Shan
Browns Capital Holdings (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
F L P C Management (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Browns Power Holdings (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
Dolekanda Power (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Enselwatte Power (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Browns Properties (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya
F L C Estate Bungalows (Pvt) Ltd	D S K Amarasekera, Mrs. V G S S Kotakadeniya
Maturata Plantations Ltd	D S K Amarasekera, K A K P Gunawardena, Mrs. V G S S Kotakadeniya, M J R Puviraj
F L M C Sudima Timber Products (Pvt) Ltd	J M S De Mel
Klevenberg (Pvt) Ltd	Mrs. R N A Nanayakkara, K A K P Gunawardena

Company	Directors
Sifang Lanka Trading (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Sifang Lanka (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara, Z Haifeng, H Yilin
Galoya Holdings (Pvt) Ltd	R M G K B Ratnayake, K A K P Gunawardena, W K D T Abeyrathne, S G Kaliyadasa, Ms. J Chandramohan
Galoya Plantations (Pvt) Ltd	Dr.K B Kotagama, K A K P Gunawardena, R M G K B Ratnayake, D Abeyrathne, Ms.C S Perera, T Wanigasinghe, M M Fouz, B M D Bandara Basnayake
Browns Thermal Engineering (Pvt) Ltd	Mrs. R L Nanayakkara, D Fernando, A K D Munidasa
Browns Health Care Negombo (Pvt) Ltd	Mrs. I Nanayakkara, Mrs. R N A Nanayakkara
Browns Industrial Park Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Snowcem Products Lanka (Pvt) Ltd	Mrs. R N A Nanayakkara, K A K P Gunawardena
Browns Healthcare (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Browns Real Estates (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Browns Health Care North Colombo (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
E.S.L. Trading (Pvt) Ltd	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara
Browns Holdings Ltd	Mrs. R N A Nanayakkara
Browns Pharma Ltd	C N Rathakrishnan, T Sanakan
LOLC International Pvt Ltd	I C Nanayakkara, W D K Jayawardena, W Y Fei
LOLC Private Ltd	I C Nanayakkara, Ms. N S M Doreen

Share Distribution

Shareholding as at 31st March

	2017			2016		
Range	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
1 - 1,000	1,960	690,209	0.15	1,919	695,769	0.15
1,001 - 10,000	850	3,313,354	0.69	844	3,262,305	0.69
10,001 - 100,000	281	8,203,310	1.73	287	8,666,361	1.82
100,001 - 1,000,000	46	11,073,042	2.33	42	10,708,506	2.25
Over 1,000,000	14	451,920,085	95.10	15	451,867,059	95.09
	3,151	475,200,000	100.00	3,107	475,200,000	100.00

Categories of Shareholders

	2017			2016		
Range	No. of Shareholders	No. of Shares	%	No. of Shareholders	No. of Shares	%
Local Individuals	2,865	279,840,745	58.90	2,837	286,989,658	60.39
Local Institutions	240	32,512,879	6.84	224	25,366,080	5.34
Foreign Individuals	37	593,343	0.12	37	563,268	0.12
Foreign Institutions	9	162,253,033	34.14	9	162,280,994	34.15
	3,151	475,200,000	100.00	3,107	475,200,000	100.00

Share Prices for the Year

	As at 31/03/2017	As at 31/03/2016
	(Rs.)	(Rs.)
Market price per share		
Highest during the year	93	116.2
Lowest during the year	59	64.1
As at end of the year	61	72

Public Holding

The percentage of shares held by the public is 15.50% (2016-15.50%) comprising 3,144 shareholders.

The shareholding of Mr. R. M. Nanayakkara (deceased) was considered as 'Non Public' as at 31/03/2017, in his capacity as a Director. However since the 36.30% shares held by him are being processed to be transferred to Mr. I .C Nanayakkara pursuant to a nomination given to the Company by the late Mr. R. M. Nanayakkara, the shareholding of the late Mr. R. M. Nanayakkara has been included in the 'Non Public' category as the beneficiary of the shares. Mr. I.C. Nanayakkara is a Director.

Twenty Largest Shareholders of the Company as at 31st March

	Name of the Shareholder	31.03.2017		31.03.2016	
		No. of Shares Rs. '000	% of Issued Capital Rs. '000	No. of Shares Rs. '000	% of Issued Capital Rs. '000
1	R M Nanayakkara (Deceased)	172,492,292	36.30	172,492,292	36.30
2	ORIX Corporation	142,560,000	30.00	142,560,000	30.00
3	I C Nanayakkara	59,895,500	12.60	59,895,500	12.60
4	Mrs K U Amarasinghe	23,760,000	5.00	23,760,000	5.00
5	Employees Provident Fund	15,182,259	3.20	15,182,259	3.20
6	HSBC INTL Nom Ltd-BBH- Matthews International Funds-Matthews Asia Growth Fund	12,121,473	2.55	12,121,473	2.55
7	Renaissance Capital (Pvt) Ltd	8,671,625	1.83	NIL	NIL
8	HSBC INTL Nom Ltd-State Street Luxembourg C/O SSBT-ABN Amro Multi-Manager Funds	6,937,775	1.46	6,937,775	1.46
9	Mrs. I Nanayakkara	2,827,948	0.60	2,827,948	0.60
10	Employees Trust Fund Board	2,740,493	0.58	3,407,737	0.72
11	R C De Silva	1,150,000	0.24	1,150,000	0.24
12	G G Ponnambalam	1,044,960	0.22	1,044,960	0.22
13	Dr M. Ponnambalam	1,044,960	0.22	1,044,960	0.22
14	Swastika Mills Ltd	1,006,800	0.21	1,006,800	0.21
15	Mrs. S N Fernando	818,440	0.17	818,440	0.17
16	National Savings Bank	606,900	0.13	606,900	0.13
17	Confifi Management Services (Pvt) Ltd	600,000	0.13	600,000	0.13
18	HSBC INTL Nom Ltd-BBH- Matthews Emerging Asia Fund	573,466	0.12	573,466	0.12
19	G C Gunetilleke	525,000	0.11	525,000	0.11
20	Ms. A Radhakrishnan	500,000	0.11	NIL	NIL
		455,059,891	95.76	446,555,510	93.97
	Others	20,140,109	4.24	28,644,490	6.03
	Total	475,200,000	100.00	475,200,000	100.00

Corporate Information

Name of the Company
Lanka ORIX Leasing Company PLC

Country of Incorporation
Sri Lanka

Date of Incorporation
14 March 1980

Legal Form
A quoted public company with limited liability.

Company Registration No.
PQ 70

Stock Exchange Listing
The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Registered Office
100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka.

Head Office
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Telephone: 011-5880880
Fax: 011-2865606 (Gen)
Website: www.lolc.com

Directors
Rajah Mahinda Nanayakkara
Non Executive Chairman (Deceased on 22.03.2017)

Ishara Chinthaka Nanayakkara
Executive Deputy Chairman

Waduthantri Dharshan Kapila Jayawardena
Managing Director / Group CEO

Kalsha Upeka Amarasinghe
Executive Director

Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Dr. Ravindra Ajith Fernando
Independent Director

Harukazu Yamaguchi
Non Executive Director

Hiroshi Nishio
Non Executive Director

Takehisa Kaneda
Non Executive Director
(Alternate to H Yamaguchi)
(Resigned w.e.f. 17th April 2017)

Keiji Okuno
Non Executive Director
(Alternate to H Nishio)

Kiyokazu Ishinabe
Non Executive Director
(Alternate to H Yamaguchi)
(Appointed w.e.f. 17th April 2017)

Board Sub Committees
Audit Committee

M D D Pieris - Committee Chairman

Dr. R A Fernando

Talent Development and Remuneration Committee

Dr. R A Fernando - Committee Chairman

M D D Pieris

Related Party Transactions Review Committee

M D D Pieris - Committee Chairman

W D K Jayawardena
Mrs. K U Amarasinghe

Corporate Governance Committee

M D D Pieris - Committee Chairman

W D K Jayawardena
Mrs. K U Amarasinghe
Dr. R A Fernando

Integrated Risk Management Committee

M D D Pieris - Committee Chairman

W D K Jayawardena

Mrs. S Wickremasekera

Mrs. S Kotakadeniya

F K C P N Dias
K A K P Gunawardena
B D T R Perera
J B W Kelegama
A Dharmaprema
P Uluwaduge
P Pathirana

Company Secretaries
L O L C Corporate Services (Private) Limited

Auditors
Ernst & Young,
Chartered Accountants

Lawyers
Julius & Creasy
Nithya Partners

Registrars
P.W. Corporate Secretarial (Pvt) Ltd.

Principal Activities
Monitoring and managing the Group's investments and providing centralised support services to its subsidiaries and associates.

Bankers
Bank of Ceylon
Standard Chartered Bank, Citi Bank N A.,
Hatton National Bank PLC,
Hongkong & Shanghai Banking Corporation,
Deutsche Bank AG,
Nations Trust Bank PLC,
Commercial Bank of Ceylon PLC,
NDB Bank PLC, Sampath Bank PLC,
Seylan Bank PLC, Union Bank PLC, MCB Bank
Pan Asia Banking Corporation PLC,

Glossary

A

Accrual Basis

Recognising the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.

Amortisation

Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate

An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Available-for-Sale Financial Instruments

Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Cash Basis

Recognising the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

Cash Equivalents

Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.

Consolidated Financial Statements

Financial Statements of a Group presented as those of a single company.

Corporate Governance

The process by which corporate entities are governed. It covers the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

D

Depreciation

Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to profit or loss for the period either directly or indirectly.

E

Executions

Advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Earned Premium The proportion of net written premium recognised for accounting purposes as income in a given period.

F

Fair Value

Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction.

Financial Asset

Any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity.

Finance Lease

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

Financial Liability

Contractual obligation to deliver cash or another financial asset to another entity.

G

Goodwill

Any excess of the cost of the acquisition over the acquirer's interest in the fair value of the identifiable assets and liabilities acquired as at the date of the exchange transaction and is recognised as an asset.

Gross Dividend

The proportion of profit distributed to shareholders inclusive of tax withheld.

Gross Portfolio

Total rental installment receivable of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

H

Hire Purchase

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

I

Impairment

Amount by which the carrying amount of an asset or cash-generating unit exceeds its recoverable amount.

Insurance Provisions

Amounts set aside on the basis of actuarial calculations to meet obligations to policyholders.

Intangible Asset An intangible asset is an identifiable non- monetary asset without physical substance held for use in the production or supply of goods or services, for rental to others, or for administrative purposes.

Interest Cost

The sum of monies accrued and payable to the sources of borrowed working capital.

Glossary

Interest in Suspense

Interest income of non-performing portfolio; these interests are accrued but not considered as part of income.

Investment Property

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

J

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity which is subject to joint control.

K

Key Management Personnel

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

L

Lease

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

M

Minority Interest

Part of the net results of operations and of net assets of a subsidiary attributable to interests who are not owned, directly or indirectly through subsidiaries, by the Parent.

N

Negative Goodwill

Any excess, as at the date of the exchange transaction, of the acquirer's interest in the fair values of the identifiable assets and liabilities acquired over the cost of the acquisition and is treated as income in the period it arises.

Net Portfolio

Total rental installment receivable excluding interest of the advances granted to customers under leasing, hire purchase, installment sales and loan facilities.

Non-Performing Portfolio

Facilities granted to customers who are in default for more than six months.

O

Operating Lease

An operating lease is a lease other than a finance lease.

P

Provision

Amounts set aside against possible losses on net receivable of facilities granted to customers, as a result of them becoming partly or wholly uncollectible.

R

Reinsurance

An arrangement whereby Insurers transferring portions of risk portfolios to other parties (Reinsurers) in order to reduce part or all of the liability assumed by the insurer under a policy or policies of insurance.

Related Parties

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

Related Party Transactions

A transfer of resources or obligations between related parties, regardless of whether a price is charged.

Residual Value

The estimated amount that is currently realisable from disposal of the asset, after deducting estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life.

Revenue Reserve

Reserves set aside for future distribution and reinvestment.

S

Segmental Analysis

Analysis of information by segments of an enterprise, specifically the different industries and the different geographical areas in which it operates.

Shareholders' Funds (Equity)

Total of issued and fully-paid ordinary share capital and reserves.

Stated Capital

All amounts received by the Company or due and payable to the Company - (a) in respect of the issue of shares, (b) in respect of calls on shares.

Subsidiary Company

Subsidiary is a company that is controlled (power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities) by another company known as the Parent.

Substance Over Form

The consideration that the accounting treatment and the presentation in Financial Statements of transactions and the events should be governed by their substance and financial reality and not merely by legal form.

U

Unearned Premium

Premiums received by an insurer outside the current accounting period (unearned premium). Such premiums are not treated as income until they become earned during the period to which they relate.

V

Value Addition

Value of wealth created by providing leasing and other related services considering the cost of providing such services.

RATIOS

Method of computation and indicates

C

Cost to Income Ratio

Operating expenses excluding provision for bad and doubtful debts as a percentage of total operating income, net of interest cost. Efficiency of cost management in generating income.

D

Debt to Equity (Gearing) Ratio

Total debts divided by equity. The extent to which debt contributes to fund total assets, compared to the contribution from equity.

Dividend Cover

Profit attributable to ordinary shareholders divided by gross dividends of ordinary shares. Number of times dividend is covered by current year's distributable profits.

Dividend Per Share (DPS)

Value of the dividend proposed and paid out to ordinary shareholders divided by the number of ordinary shares in issue. Share of current year's dividend distributable to an ordinary share in issue.

E

Earnings Per Share (EPS)

Profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares outstanding during the year. Share of current year's earnings attributable to an ordinary share in issue.

I

Interest Cover

Earnings before interest and tax divided by interest charges. Ability to cover or service interest charges of the debtholders.

M

Market Capitalisation

Number of ordinary shares in issue multiplied by market value of a share. Total market value of all ordinary shares in issue.

N

Net Asset Value Per Ordinary Share

Ordinary shareholders' funds divided by the number of ordinary shares in issue. Book value of an ordinary share.

Non-Performing Facilities Ratio

Total gross non-performing portfolio divided by total gross portfolio. Percentage of total gross non-performing portfolio against the total gross portfolio.

P

Price Earning Ratio (PER Ratio)

Market price of a share divided by Earnings Per Share (EPS). Number of years that would be taken to recoup shareholders' capital outlay in the form of earnings.

R

Return On Assets (ROA)

Net profits expressed as a percentage of average total assets. Overall effectiveness in generating profits with available assets; earning power of invested total capital.

Return On Equity (ROE)

Net profit, less preference share dividends if any, expressed as a percentage of average ordinary shareholders' funds. Earning power on shareholders' book value of investment (equity).

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY EIGHTH ANNUAL GENERAL MEETING of the Company will be held on 20th September, 2017 at 11. 00 a. m. in the LOLC Auditorium, Head Office, Rajagiriya for the following purposes:

1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 31st March 2017 with the Report of the Auditors thereon.

2. To re-elect as a Director Mrs. K U Amarasinghe who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.

3. To re-elect as a Director H Yamaguchi who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.

4. To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 4 below)

5. To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuring financial year at a remuneration to be fixed by the Directors

By order of the Board
LANKA ORIX LEASING CO. PLC

Miss Chrishanthi Emmanuel
Director – LOLC Corporate Services (Private) Limited
Secretaries

25th August 2017
Rajagiriya (in the greater Colombo)

NOTE:

1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company

2) The completed Form of Proxy should be deposited at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, not later than 11. 00 a.m. on 18th September 2017.

3) A Form of Proxy accompanies this Notice

4) Special Notice was received by the Company from a shareholder of the Company giving Notice of intention to move the following Resolution at the above Annual General Meeting :

   "Resolved that Deshamanya M D D Pieris who reached the age of 70 years in 2007, be and is hereby re-elected a Director of the Company and it is further specifically declared that the age limit of 70 years referred to in Section 210 of the Companies Act No. 7 of 2007 shall not apply to the said Director, Deshamanya M D D Pieris."

Notes

Notes

Form of Proxy

I/ We...

of ....

being a member/members of the above named Company hereby appoint;

....

of .... whom failing

I C Nanayakkara	of Colombo or failing him
W D K Jayawardena	of Colombo or failing him
Deshamanya M D D Pieris	of Colombo or failing him
Mrs. K U Amarasinghe	of Colombo or failing her
Dr. R A Fernando	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Eighth Annual General Meeting of the Company to be held on 20th September 2017 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

		For	Against
1	To re-elect as a Director Mrs. K U Amarasinghe who retires by rotation in terms of Articles 88(i) of the Article of Association of the Company.		
2	To re-elect as a Director H Yamaguchi who retires by rotation in terms of Articles 88(i) of the Article of Association of the Company.		
3	To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
4	To re-appoint as auditors M/s Ernst and Young Chartered Accountants for the ensuring financial year at a remuneration to be fixed by the Directors		

dated this .... day of 2017

....

Signature of Shareholder

Note:

1) a proxy need not be a member of the company

2) Instructions as to completion appear on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1. Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2. The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not less than 48 hours before the time appointed for the holding of the Meeting.

Designed & produced by
emagewise
Digital Plates & Printing by Softwave Printing
and Publishing (Pvt) Ltd

LOLC
imagine
the possibilities

www.lolc.com