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Ulpatha

LOLC REPORTS & ACCOUNTS

2012/13

REPORTS

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‘Ulpatha’ Translates to Wellspring...

Just like wellsprings feed great rivers, LOLC’s core business in Financial Services nurtures life and enterprise in Sri Lanka’s metropolis and hinterland alike. LOLC itself has transformed from a purely financial services enterprise to a diversified conglomerate within a relatively short space of time. Each of the constituent sectors of the conglomerate represents a wellspring of its own.

LOLC REPORTS & ACCOUNTS
2012/13

LOLC
imagine
the possibilities

FINANCIAL HIGHLIGHTS

For the year ended 31 March	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GROUP										
Performance Indicators *(Rs. Mn)*										
Profit before tax	402	572	709	998	1,183	1,247	2,841	8,282	7,068	3,706
Profit after tax	391	575	689	1,050	1,343	1,055	2,385	7,023	5,704	2,552
Total assets	8,987	10,706	16,227	24,484	32,994	46,287	75,371	113,070	145,204	162,981
New executions	4,740	5,591	10,064	13,340	14,320	14,906	21,963	47,392	58,233	48,119
Gross portfolio (rentals receivable)	8,517	10,112	14,806	23,057	29,282	44,824	47,351	70,077	105,932	107,038
Deposits from customers	197	716	1,194	1,746	3,340	5,229	10,095	17,899	26,233	34,278
Outstanding borrowings	5,952	6,634	10,475	17,001	22,887	31,764	38,235	49,256	65,425	72,217
Non-performing portfolio	883	865	113	137	526	1,933	1,431	1,159	1702	3,071
Return on equity (%)	21	27	26	31	30	19	26	37	39	6
Key Indicators *(Rs. per share)*										
Net asset value per share (adjusted)	3.92	4.92	6.10	7.96	10.78	12.65	16.63	27.53	41.22	44.01
Earnings per share (adjusted)	0.85	1.21	1.44	2.19	2.82	2.22	3.88	8.08	12.00	5.37
COMPANY										
Performance Indicators *(Rs. Mn)*										
Profit before tax	418	562	677	910	841	582	491	1,898	3,072	68
Profit after tax	418	562	664	987	1,059	505	327	1,523	2,977	34
Total assets	7,617	8,747	13,298	20,889	28,996	31,335	29,738	54,213	58,028	53,239
New executions	4,427	4,972	8,858	12,068	12,127	12,170	4,569	5,036	3,926	271
Gross portfolio (rentals receivable)	8,082	9,144	12,858	19,851	25,056	25,185	17,958	11,897	7,704	3,881
Outstanding borrowings	5,396	6,025	9,824	16,250	22,273	24,850	23,087	22,379	23,807	19,381
Non-performing portfolio	883	865	113	137	443	538	769	545	500	357
Key Indicators *(Rs. per share)*										
Dividends per share	0.19	0.23	0.30	0.15	0.23	0.28	–	–	–	0.50
Market price per share	6.00	8.50	10.10	10.75	11.78	6.95	16.50	119.60	54.00	60.70
Net asset value per share	3.88	4.86	6.00	7.77	10.02	10.74	11.42	15.67	69.97	68.86
(Times)										
Debt to equity ratio	2.93	2.61	3.45	4.40	4.66	4.87	4.25	3.00	0.72	0.59
Interest cover	1.85	2.56	1.96	1.63	1.28	1.14	1.16	1.80	2.19	1.02
Dividend cover	4.50	5.09	4.64	13.86	9.53	3.79	–	–	–	0.14

REPORTS

Kindling the **entrepreneurial spirit** of the hinterland

CHAIRPERSON'S STATEMENT ■ Dear shareholders, it is with great pride that I present to you the Annual Report and Financial Statements of LOLC for the fiscal year 2012/13. In a little over a decade, we have evolved from a mere leasing company to a total financial services provider, and now to a veritable conglomerate operating in six diverse industries with over 100 subsidiaries and associates, serving customers through our island-wide network.

Aligning ourselves with the development goals of the nation and capitalising on the emerging opportunities brought forth by the peace dividend, our innovative spirit, our commitment and adherence to global best practices and our ORIX connection has enabled us to position ourselves today as the largest non-banking financial institution in Sri Lanka.

IN TRANSITION ■ The evolution of LOLC continues... we are now in the process of consolidating our conglomerate status, with LOLC transitioning into a holding company in late 2011. Amalgamating with the Browns Group, a conglomerate with a rich heritage of over 135 years, we are now in the process of strengthening synergies between the two conglomerates. This strategic acquisition was in line with our expansion strategy of developing a sustainable value chain by exploiting synergies between our various investments. This has created a strong platform for us to maximise potential for growth in LOLC, Browns Group of companies and other strategic investments to function as an even stronger conglomerate.

CHALLENGING ECONOMIC CONDITIONS ■ Looking back on the operating environment of the year under review, global economic growth weakened further with an increasing number of developed economies falling into a double-dip recession. Those in severe sovereign debt distress moved even deeper into recession, caught in the downward spiralling dynamics from high unemployment, financial sector fragility, weak aggregate demand compounded by fiscal austerity and high public debt burdens. Economies in Developing Asia weakened considerably as the region's growth engines, China and India, both shifted into lower gear due to significant deceleration in exports while effects of policy tightening in the previous two years lingered on.

The weakened global economy had its repercussions on the local economy with external demand being undermined by continued weakness in the global economy. However, resisting this downward trend, Sri Lanka achieved a commendable growth reflecting the country's resilience in an environment of globally heightened risk. Domestically, agriculture production was hampered by erratic weather conditions, while high interest rates, currency depreciation, excessive credit demand and high imports impacted the business environment. The economy adjusted well to bold policy measures undertaken by the authorities early last year to address the emerging imbalances. The credit and domestic demand slowed down to a more sustainable pace while trade deficit narrowed and a small balance of payments (BoP) surplus was achieved last year.

Foreign remittances reached a record high to US$ 6 Bn, from over one million Sri Lankans working overseas. This had a positive impact on BoP while the benefits flowed through the banking system, to people in all regions of the country. In particular Lanka ORIX Finance PLC, a subsidiary of the LOLC Group, is the only finance company with approval to engage in foreign remittances. They engaged actively with exchange houses in inward remittances and marketing operations overseas to penetrate this segment.

SUSTAINABLE DEVELOPMENT ■ Sustainability is at the very core of our strategy. We consciously adopted ethical and sustainable measures in all our business practices. Moving into the renewable energy sector, our vision is to possess a portfolio consisting of mini hydro and biomass which is in line with the national energy policy, according to which, by 2020, at least 20% of power generation will be via renewable energy sources.

EMPOWERING WOMEN THROUGH MICRO CREDIT ■ We have been relentlessly involved in microfinance, since the initiation of the RERED project in 2003, with the vision of empowering the grass root level. LOLC Micro Credit Ltd. (LOMC) which is the microfinance arm of LOLC Group is the only leasing company that is exclusively dedicated for micro credit in the country and the largest microfinancier in the country and among the first to penetrate the North and the East on post war. Through LOMC, we engaged in empowering working women in the microfinance sector, to alleviate poverty and uplift the living standards of their families within three loan cycles. Providing a total solution, we strive to bring the women entrepreneurs to the mainstream by providing necessary training to foster the right skills, and enhancing their knowledge in the areas of marketing and financial management.

FOSTERING A DYNAMIC TEAM ■ We have a very young and dynamic team mainly recruited from indigenous areas. Doing away with the general practice of mass recruitment, we follow a decentralised recruitment process to attract the best talent from the localities; mainly school leavers, with a clear process to develop and facilitate career progression in a sustainable manner. In this context, I am happy to state that we have provided career opportunities to many school leavers especially in the North and the East to foster their skills and engage them in the development process of our nation. Our human resources strategies have worked perfectly for us to be recognised as one of the Great Places to Work in Sri Lanka. Great Place to Work survey is a global initiative where they conduct an independent survey to see whether the employees are happy and think that they work for one of the ethical and sound entities in the country. This survey was conducted here in Sri Lanka for the first time and all our landmark financial services companies - i.e., Lanka ORIX Finance PLC, Commercial Leasing & Finance PLC and LOLC Micro Credit Ltd. took part in this inaugural survey. And I'm proud to note that all three companies not only were recognised among the top 15 best companies to work in Sri Lanka but also was ranked in the top 5 band of 15 best companies. This significant achievement alone is testimony to the talent management of LOLC Group.

ORIX JAPAN, A TOWER OF STRENGTH ■ ORIX Corporation of Japan which is one of the largest finance houses in the world has maintained their position as the single largest shareholder of LOLC since inception. ORIX has always been a tower of strength, transferring their know-how, operational excellence and some of the international governance and compliance standards to us throughout the years, which has inevitably placed us ahead of our peers.

SUSTAINABLE PERFORMANCE ■ Against the backdrop of a challenging macroeconomic environment, we achieved a Profit After Tax of Rs. 2.55 Bn. The prolonged drought and floods affected our business adversely, which in turn affected our profitability, as our customer base represented by the SME and micro sector are primarily involved in the agriculture sector.

LOOKING AHEAD WITH CONFIDENCE ■ Though the macroeconomic conditions are likely to remain bleak with global growth forecasted to slow down to 3.3% in 2013, we remain confident in our capability, ability and zeal to surmount challenges, mitigate risks and take advantage of profitable opportunities to record sound results in the ensuing years. We will continue to maintain our status as a dominant partner in the nation's post-war development process.

IN CONCLUSION ■ I extend my sincere appreciation to the Board of Directors for their unstinted support and guidance, our shareholders and customers for the unblemished confidence and loyalty placed in us. My appreciation goes out to our international funding partners and banks for their continued contribution to our success. I sincerely thank the LOLC team for their tremendous efforts and uncompromised commitment at all times.

With the strength of our management, unflinching professionalism, work ethics, combined with absolute trust created in our brand, we remain optimistic of becoming a true global player nurturing enterprises and creating sustained value for all our stakeholders.

Rohini Nanayakkara
Chairperson

A confluence of **strategy** cascades through

DEPUTY CHAIRMAN'S STATEMENT ■ As you all know, we have evolved from being the pioneering leasing company in Sri Lanka to a dominant player in the financial services sector and then to a diversified conglomerate and, amidst a transition to becoming a holding company in a couple of years. With the increased diversification we have also created strong links between sectors that are important for the country as well as our core businesses. Today, we are the largest non-bank financial institution in the country catering to a wider spectrum of the society. With our foray into financial services, leisure, agriculture and plantations, renewable energy, construction, manufacturing and trading we have aligned our business model with the growth sectors of the economy and maximised opportunities brought forth by the peace dividend.

All this was possible with the pioneering spirit of LOLC which has been the DNA of the Company since inception.

Laying the foundation to strengthen our holding company status we currently hold 90% of Lanka ORIX Finance PLC, 90% of Commercial Leasing & Finance PLC, 80% of LOLC Micro Credit Ltd. (LOMC), 100% of LOLC Insurance Company Ltd., 100% of LOLC Factors Ltd., 100% of LOLC Securities Ltd., 22.25% of PRASAC Cambodia, and 35% of Seylan Bank. Through these ventures, we have established ourselves as a leading conglomerate with a major share of core income coming from financial services.

Having a broad spectrum of financial services under our wings has not only given us stability but also the capacity to serve a wider section of society with diverse needs. For example, through Lanka ORIX Finance PLC we provide innovative, tailor-made financial solutions to meet diverse needs of our customers ranging from grass root level entrepreneurs to multinationals. Through Commercial Leasing & Finance PLC, which is one of the largest finance companies in the country, we offer a lending portfolio consisting of loans, hire purchase and factoring receivables, on a different business model, to a wider customer base.

LOLC Insurance offers an extensive range of insurance solutions for both the general market as well as the life insurance market, targeting the SME and Micro sectors where the Group has strong roots. The pioneers in the field of factoring, LOLC Factors together with the factoring arm of CLC brings a whole new level of financial stability to business entities by catering to the growing demand of working capital requirements. Encouraging the masses to take up the practice of investing for future development, LOLC Securities Ltd. empowers individuals to become seasoned investors in the stock market, with the comprehensive facilities on offer.

LOMC, which is the fastest growing microfinance institution in Sri Lanka, uses a different business model to that of famous grameen micro model, promotes sustainable development from within the rural based communities it works with. Providing an unparalleled service to over 150,000 active borrowers, LOMC prides itself on being Sri Lanka's leading microfinance provider in the private sector. Having aggressively widened its footprint over its four years of existence, LOMC has a strong national focus island-wide. Through empowerment of budding entrepreneurs to overcoming income disparities at the grass roots level, a significant contribution is made towards poverty eradication and subsequently, towards the overall socioeconomic development of the country. It is noteworthy that LOLC Group's experience of working with the SME sector over three decades has undoubtedly helped LOMC in designing microfinancing catered rural Sri Lanka.

The success of micro model, in particular our success story with PRASAC, the largest microfinance institution in Cambodia has propelled us to expand our presence in overseas markets in the micro financial sector. In this regard we look forward to establishing joint ventures with internationally reputed financial services organisations in the ensuing years.

We have diversified into new businesses and new markets by growing organically and making selective, highly disciplined acquisitions that align with our diversification strategy. In creation of a sustainable value chain, we took over the controlling interest of Browns Group. The rationale for the acquisition was clear. In Browns we saw a tremendous opportunity that includes complementing portfolios of strong brands, the geographic fit and the scope for synergy gains. Synergising our strengths of agriculture financing and agriculture implements importing, now both the largest agriculture equipment importer and the financier in the country.

With Browns Group, we have also maintained a healthy portfolio of investments, ranging from banks to hotels, construction to forestry; plantation to agri inputs, enabling us to reap the full benefits of the many opportunities that has emerged in post war Sri Lanka. Through our investment in Browns we entered the construction industry through Sierra, which is a market leader in telecommunication engineering, water supply and sewerage sector. The boom in the construction industry has opened up many opportunities for Sierra and it currently handles large engineering and construction projects relating to electrical engineering, roads and bridges, buildings, irrigation and piling projects.

We have also gained entry into the fertiliser industry through our interest in Agstar Fertilizer, one of the leading fertilizer companies in Sri Lanka. Agstar is the 3rd largest fertilizer in the country with a product range of agri inputs such as fertilizers, seeds etc to farmers.

Further we have two plantations under our wing, namely Mathurata and Pussellawa plantations. Mathurata Plantations Ltd. is one of the largest tea producing companies in Sri Lanka and is world renowned for superior quality tea and rubber. Pussellawa Plantations Ltd. is among the top five out of 25 corporate entities in the plantation sector having over 4,900 hectares of rubber and the only company to have successfully established a biologically effluent treatment plant in one of our rubber manufacturing facilities. As one of the associate companies through Browns Investments, Mathurata Plantations together with Pussellawa Plantations have jointly planted over 3.2 million timber trees in an effort to combat global warming.

Having gained majority of controlling interests in five hotels, we now own and manage four properties on the Golden Mile of the Southern Coast of Beruwela, comprising Eden Resort & Spa, Riverina, Club Palm Garden and Tropical Villas, with the latest addition to the hotel chain being Dickwella Resort & Spa, which operates in the deep down south coastal belt of Sri Lanka. In tandem with the boom in the tourism sector, we have strategised to expand our leisure portfolio with the addition of over 900 rooms among Beruwela Golden Mile, Samudra Hotel, Kosgoda which are under construction at the moment Eden Resort & Spa, Dickwella Resort & Spa and Green Paradise, Dambulla. Plans are also underway to expand in scenic locations of the Eastern Province.

Our growth momentum has increased and reaffirmed our standing as a market leader in the corporate landscape and we continue to make an outstanding success on our sustainability agenda which is at the heart of our business model. In this context we set up LOLC Eco Solutions with the aim of taking the Group's sustainability commitment a step further. As the Holding Company of United Dendro Energy (Pvt) Ltd., LOLC Eco Solutions specialises in generating renewable energy, which is in line with the national energy policy of Sri Lanka. To mitigate the risk of sourcing in adequate raw material for power generation from biomass, we have established our own plantation of Gliricidia, in identified land mass across the island. The project, which is in design stage, is due to be commissioned in the ensuing months.

We bring a strong culture and best practices from our ORIX partner and international funding partners, and I am proud that we have earned the reputation of a trusted partner in the local and international markets with an excellent record of contributing to development goals and economic growth of our nation. Having strictly adhered to compliance requirements of our international funding partners since inception, our commitment and adherence to global best practices in corporate governance and risk management is second nature to us. For example we had anti-money laundering statutes, KYC regulations in place with the assistance of PROPARCO (the French Development Bank), long before these were made mandatory by the Central Bank of Sri Lanka (CBSL).

LOLC has come a long way since 1980. We have grown from a specialised leasing company to a diversified conglomerate. We have consistently delivered shareholder value even in the most challenging times. And we are a family of over 4,000 employees committed to delivering enduring value and establishing ourselves as a true global player, touching many lives positively in our nation and around the world.

Ishara Nanayakkara
Deputy Chairman

Coalescing fountainheads...**growing into a diversified conglomerate**

GROUP MANAGING DIRECTOR/CEO'S REVIEW ■ During the year, the Sri Lankan economy recorded a growth of 6.4% when compared to the successive 8% growths recorded in the two consecutive years.

The high interest rates experienced towards the end of the previous year continued its upward movement during the first half of the year under review. The Central Bank of Sri Lanka (CBSL) tightened monetary policy by raising policy rates in February and April 2012, and imposed an 18% ceiling on licensed banks' credit growth. Accordingly, repurchase and reverse repurchase rates were increased by 75 and 125 basis points in total from those of 2011.

Exchange rate policy in 2012 moved toward greater flexibility by limiting CBSL intervention in the foreign exchange market. The Rupee rapidly depreciated approximately by 15% against the US Dollar in the first half of the year, then gradually moved upward, appreciating by about 3% during the second half of the year.

In the service sector, which is the largest component of GDP, contributing some 59% to GDP, growth slowed to 4.6% in 2012, well below 8.6% a year earlier. Agriculture, which contributes some 11% to GDP, performed well in the first half of 2012, reaching double-digit growth of 10%. However, severe drought followed by floods during the second half brought growth for the year to 5.8%.

Against this backdrop, the regulators took series of measures through the monetary policy to maintain a stable domestic economic condition. Contrary to the increases in the first half of the year, Repurchase rate and the Reverse Repurchase rate were reduced by 25 basis points in December 2012 and another 50 basis points in May 2013 and allowed the ceiling on credit growth to the private sector to expire at the end of 2012.

To add to the positive momentum of the economy in the latter part of 2012, the BOP improved from a deficit of US$ 1,061 Mn in 2011, to a surplus of over US$ 100 Mn in 2012. The per capita income increased to US$ 2,923 graduating Sri Lanka as a middle income country.

The Government envisages a sustained progress towards a US$ 4,000 plus per capita income and a US$ 100 Bn economy by 2016. This will offer endless opportunities to our Group as the share of wallet of SME and micro entrepreneurs' increases, we will be right there to facilitate their diverse needs as not only as one of the largest non-bank financial institutions in the country but also as a rising conglomerate that supports sunshine industries.

Also it is evident that the GDP contribution from the regions is on the rise as opposed to the Western Province which shows a decline. This again complements our strategy of rural development, as LOLC focus more on the deep rural areas over urban markets.

In this economic context, the Groups' performance was resilient with its primary focus on the consolidation of the businesses as a conglomerate and establishing LOLC as a Holding Company. Focus of the management ensured we stay on course, with a view to enhance the deposit base of the two finance houses, stringent collection mechanism to improve on NPLs, group's wide effective cost control measures, optimise on international funding and above all to increase Group synergy.

Speaking of synergy, we entered into an arrangement with the owners of Diriya Investments (Pvt) Ltd., (Diriya) the holding company of Brown & Company PLC to acquire the balance 50% of Diriya. On post balance sheet, LOLC now has a control holding of the Browns Group. This enables us to significantly maximise synergy between Browns and LOLC in many facets, reflecting the Group as even a bigger conglomerate. The Group strategy also encompasses the rest of the Group and many initiatives have been undertaken to foster cross selling among Group companies.

The majority of the customer base of our three financial institutions is either SME or micro clients. Although having a SME/Micro portfolio is a risk averse approach in most facets, they are exposed to erratic weather patterns. During the year under review, the country was affected by significant droughts followed by floods that negatively impacted the agriculture sector as a whole. These unfavourable weather patterns adversely affected recoverability of prompt repayments by customers which in return impacted the collection and non-performing loans ratios of the Groups' financial institutions. However, pragmatic collection mechanism coupled with proactive provisioning has enabled the Group to mitigate these negative implications.

During the year we also focused on expanding our portfolio. Through our many strategic initiatives, deposit mobilisation was driven across the organisation. I highly commend the efforts of the LOLC Group staff, as we saw our deposit base increase substantially during the year. We also secured sizeable funds from our overseas partners which strengthened our balance sheet further. Our funding partners have been a tremendous support to us over the years. Going forward, we strategise to increase our funding from overseas partners in tandem with the initiatives granted by the Central Bank of Sri Lanka and Ministry of Finance and Planning for financial institutions to increase overseas funding. These funds will be utilised to further expand our operations in the ensuing year.

With the resurgence of activities in the North and East, we have played an active role in the development process in the region with our lending portfolio in the region seeing a significant increase.. We expect a similar growth trend in the year ahead especially with Lanka ORIX Micro Credit Ltd. (LOMC), the largest micro financier in North and East, playing a crucial role in uplifting the lives of our customers in the province. We also continued to grow our footprint in strategic locations, enhancing customer loyalty and creating lasting value for our shareholders.

As a leading organisation in Sri Lanka, we invest in innovative and sustainable initiatives to uplift the communities in which we operate. LOLC Care has been established as a conduit for all CSR initiatives engaged across the nation undertaken by the Group. As a signatory to the UN Global Compact we also encourage sustainable operations throughout the Group. Further, our business model has been designed to drive social value generation, through financial empowerment of rural farmers, women and small entrepreneurs.

Looking ahead, one of the key challenges that I foresee is managing diverse customer expectations. Sri Lanka has an increasing per capita income. As the purchasing power increases, customer expectations also rise in tandem. In order to satisfy the increasing expectations of the customers, the financial services need to offer innovative financial solutions. In the last decade, there were no major innovations in the financial services industry unlike in telecommunication and information technology sectors. Innovation is key to the sustainability of the financial services sector. With our innovative spirit and unparalleled customer service we have always successfully met these varying needs of our customer segments over the years.

In conclusion, I extend my sincere appreciation to the Chairperson and the Board for their guidance and continued support. I thank all stakeholders of the Group for their continued patronage and loyalty. A special thank you goes out to the LOLC team for their dedication and commitment to duty at all times.

We are in a unique position to chart new frontiers in the financial services sector. I am confident with our ability to adapt to new environments and conditions, our values and service-first mindset and the synergies between our Group companies; we will forge ahead creating true and lasting value to all our stakeholders.

Kapila Jayawardena
Group Managing Director/CEO

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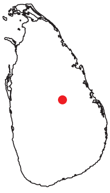
Seven Wellsprings

A quick overview of our 7 wellsprings

WASGAMUWA NATIONAL PARK



Ulpath Hatha meaning seven wellsprings is found deep in the jungles of Wasgamuwa National Park of Sri Lanka.

The seven springs of Wasgamuwa National Park feed Mahaweli, the longest river in Sri Lanka. Likewise, our seven 'Springs of Endeavour' have grown in a relatively short span, into what is today a fully diversified conglomerate - LOLC.

LOLC REPORTS & ACCOUNTS
2012/13

imagine
the possibilities


92%
Contribution
to Group PBT

Financial Services

The LOLC Group is strongly committed to national development and the empowerment of the most vulnerable sectors of society, particularly for those people and grass root businesses that are not adequately reached by conventional financial service providers.

Contribution to Group PBT - 92%

Net Portfolio Growth - 11% YoY

Service Points 320

Deposit Base - Rs. 34 Bn

Gross Written Premium value - Rs. 1 Bn


More than
20,000
hectares
cultivated

Agriculture and Plantations

LOLC's portfolio consists of Maturata Plantations Ltd. and Pussellawa Plantations Ltd. - two of the largest tea producing companies in Sri Lanka.

Highest yield on Rubber Production - 1,264 kilos per hectare

The highest planted extent of Cinnamon in a single year - 155.08 hectares

More than 20,000 hectares cultivated in the Plantation Sector

16 MW of renewable energy projects in the pipeline

Renewable Energy

Steeped as our business is in the heartlands of microfinance and the SME sector, we have had a head start in the area of renewable energy. In another sense, it reflects LOLC's forward thinking strategies that find us active in this vital sector of enterprise.

16 MW of renewable energy projects in the pipeline


Rs. 3.8 Bn
worth
investments

Leisure

Strategy and foresight led LOLC to enter the leisure sector, where we have several properties on the books at present.

Rs. 3.8 Bn worth investments

Number of properties under the sector - 4

Rs. 7 Bn

Worth projects secured

Construction

LOLC's enterprise in this sector is spearheaded by Sierra Construction, one of Sri Lanka's largest and most visible institutions in the construction sector.

2,500+ Employees

110+ Engineers

Rs. 7 Bn worth projects secured

100+ product segments from 100+ top brands

Manufacturing and Trading

Building diversity in the LOLC portfolio helps us ‘channel and stream’ yet more resources, products and services to more people across the land abundantly and in full flow. These products come from some of the world’s most renowned brands.

Market leader in consumer electronics segments

100+ product segments from 100+ top brands

33% contribution to Group revenue

60% market share in marine engines sector


33%
increase in Net
Profit After Tax

Overseas Investments

LOLC has a 22.25% stake in PRASAC, the leading microfinancier in Cambodia. It has the largest branch network and portfolio and is the most profitable.

PRASAC is the largest microfinance institution in Cambodia.

- Non-performing loans - 0.20%
- Savings and deposit balance - US$ 57 from 133,443 depositors
- Net profit after tax increase - 33% to US$ 11.5 Mn
- ROE - 39%
- ROA - 5.64%

Multiple Streams of Business...**One Wellspring...**Enriching Lives Across Sri Lanka

BUSINESS REVIEW

Wellspring...

Defined, wellspring means - 'an abundant source of something unique and valuable' and is an apt description of what the LOLC Group achieves through the scope and impact of its business activities. Today, LOLC reaches every strata of society, particularly at the grass root level, and our enterprise touches and enriches lives across myriad needs and wants.

To place our endeavours and achievements in perspective, it is pertinent to examine briefly the climate within which we operated.

In the global context, economies of countries in the Eurozone as well as the USA continued to struggle, whilst higher growth economies predominantly in Asia experienced a reduction in growth from levels attained in 2011/12 (from 4% in 2011 to 3.2% in 2012).

Firstly, to correct trade deficit and reduce a growing import bill, the Government significantly increased import duty on vehicle imports, which was a virtual about turn in policy when compared with the very favourable climate of 2011. Then, the Rupee was allowed to 'free float' against the US Dollar. These measures served to significantly increase vehicle pricing and exert pressure on the market.

Then there was the liquidity crunch that followed the decision to place a cap on lending to the private sector. An increase in interest rates to curtail inflation also did not work in favour of certain businesses.

Strategic Direction

As diversified as LOLC Group is today, our core strength lies in the financial services sector and we will continue to pursue a strategy that ensures growth in this area.

In respect of financial services, we will continue to build our flagship finance companies and leasing entities by expanding our channel network, through which we will offer attractive interest rates facilitated by our sources of low cost funding, whilst promoting cross selling via uniquely packaged products and solutions derived from Group entities. Effective collection systems and further back-end integration through insurance, fleet management and vehicle repairs will also help drive growth. The medium-term growth expectation from this sector is significantly higher than the last year considering the volatile interest rate environment that prevailed during 2012/13. The comprehensive product offering of the Group will position the companies above the rest while the customer will enjoy the benefit of satisfying all financial services needs through the Group.

The Group has also made significant investments in a variety of other business sectors in line with its diversification strategy. We have extensive interests in leisure, manufacturing and trading, agriculture and plantations, renewable energy and construction and will consolidate and grow our presence and positioning in these sectors. From the national perspective, these are considered to be growth sectors in the medium to long-term and are important components of the overall economic growth plans of the Government. Our strategy is to look for long-term value generation and continued growth.

Whatever be the sector and the strategy, maintaining the closest proximity to customers, particularly those at grass root level is an overarching priority.

Financial Services

It was initially within this sector that the wellspring of LOLC's enterprise began to flow, enriching lives across the country with a profusion of products and services.

Our commitment to business interests in this sector is a given, as it lies within the core of our being. The success we achieve within the sector fuels the wider business agenda of LOLC.

Microfinance

Microfinance is the quintessential 'vehicle' to offer financial solutions at the grass root level in Sri Lanka. LOLC Micro Credit Ltd. (LOMC) has been in the field for a mere four years - yet today, it is Sri Lanka's premier microfinance solutions provider, with a loan portfolio of Rs. 16.81 Bn (up by 36% from Rs. 12.35 Bn in 2011/12) disbursed through a total of 106,299 loans of which Rs. 16.30 Bn were in the year under review.

Our active borrower base grew by 40% to a total of 160,740 clients of which 66% were women.

Of note is our progress in the North and East of Sri Lanka. Commencing operations in these areas in 2009, we have been at the forefront of post-war development by promoting access to financial services and providing microfinancing to target groups such as women, farmers and micro enterprises. Today, in these regions, LOMC has a clientele numbering 28,257 with a portfolio of Rs. 3,012 Mn.

In the year under review, LOMC recorded a profit before tax of Rs. 971 Mn and a profit after tax of Rs. 697 Mn.

LOMC's outreach grew by 40% and consists of 34 branches and 94 *Isuru Diriya* Service Centres serving all 25 districts of the country. We increased our human resource base by 18% during the year under review and continue to provide the Company's 296 loan officers with training and development opportunities at our new T & D Centre set up last year.

A highlight of the year was when LOMC secured the largest syndicated loan of US$ 55.5 Mn, which was facilitated by a global consortium of Development Financial Institutions. We were the first ever organisation to achieve this feat. The funds will be channelled towards increasing access to finance for the underprivileged which will help uplift their living standards and livelihoods.

In the year ahead, LOMC will continue to expand its outreach, penetrate identified new market segments, step up service standards, introduce new products and services and leverage technology to improve efficiency and productivity. In terms of products and services, LOMC will focus on the small and medium scale entrepreneur to meet identified needs.

Small and Medium Enterprise Finance

The LOLC Group is strongly committed to national development and the empowerment of the most vulnerable sectors of society. We see our role as a provider of access to a larger and more expansive reservoir of financial resources, particularly for those people and grass root businesses that are not adequately reached by conventional financial service providers.

The journey begins for us in the microfinance sector, which we have already reported on. As budding entrepreneurs benefit from microfinancing, they graduate to the small and medium enterprise category, which is what this segment of the report is about.

SME financing falls under the purview of Lanka ORIX Finance PLC (LOFC).

According to Government estimates, around 80% of the businesses in Sri Lanka are SMEs and collectively, they contribute over 50% to the Gross Domestic Production (GDP) of the country.

Businesses within this sector avail themselves to a great degree of lease financing and this has allowed LOFC to be at the forefront of sector development over the years.

Unfortunately, our performance in this segment of operations did not yield the same high growth as in the previous year. This was mainly due to many factors which we have highlighted in the introduction to the Business Review, pertaining to the local economy and prevailing fiscal, tariff and administrative measures as initiated by the Government.

In brief, high import duty on vehicles and the fall of the Rupee against the US Dollar led to significantly higher vehicle prices than those of 2011, prompting consumers to postpone vehicle purchases. The liquidity crunch and a cap on lending to the private sector resulted in a reduction of local funding from banks, impacting our targets.

These factors significantly reduced the appetite for credit in the country.

During the year under review, although there was a sizeable dip in LOFC's lending activity to the SME sector, we did open 14 new branches in areas indicating greater business potential, thereby growing our footprint to 139 service points across the country. We have not wavered but have held firm to our strategic goals by continuing to focus on increasing our reach, providing improved access to financing for regional entrepreneurs.

Looking ahead, we expect the same moderate levels of business to prevail at least through the first quarter of 2013/14. Thereafter, we would expect the Rupee to strengthen and hopefully this will have a positive effect on the SME sector.

Lanka ORIX Finance PLC

Lanka ORIX Finance PLC (LOFC) is a Licensed Finance Company with the Central Bank of Sri Lanka (CBSL) and is also listed on the Colombo Stock Exchange (CSE). Consolidating its status as a premier finance company in the country, LOFC was rated [SL] A- with stable outlook by ICRA Lanka Ltd.

LOFC has performed commendably during the year under review, displaying strong growth in all areas of operation.

Total assets grew by 24%. Income increased by Rs. 2.5 Bn to Rs. 8 Bn (a 42% increase over the previous year), with Public deposits growing by 28% to reach Rs. 32 Bn.

The economic climate that prevailed in the year under review, which has already been discussed, exerted a material impact on the credit LOFC could grant to the SME sector, already experiencing a drying up of liquidity. This led LOFC to increase provisioning for bad and doubtful debts by Rs. 1.2 Bn.

After accounting for these provisions the Company recorded a PBT of Rs. 995 Mn and a PAT of Rs. 686 Mn.

Auto Financing

In the area of auto financing, the growth of our hire purchase and finance leasing portfolios was affected due to the unfavourable operating environment as has already been discussed.

We introduced 'Speed Draft', a loan scheme targeting small businesses, which soon gained in popularity and helped us maintain our credit portfolio, whilst cushioning the negative impact of the reduction in new vehicle registrations.

Total accommodations grew by 18%, fuelled by the growth in loans and Speed Draft facilities.

Fixed and Savings Deposits

LOFC was able to maintain strong deposit growth in the period under review. In fact, the Company maintains one of the largest non-bank deposit bases in the country, reflecting the strength of the public's confidence in us as well as testifying to the effectiveness of our relationship-based approach in attracting the long-term customer.

In line with the demographic transition playing out in Sri Lanka today, where the 'over 55s' are set to double in number over the next three decades, LOFC has aligned its products and services to cater to the developing trend.

The efficacy of our initiatives may be gauged by the fact that Senior Citizen Deposits account for 30% of total deposits, up by 5% over the previous year.

Foreign Currency Business

LOFC holds a unique position amongst Licensed Finance Companies (LFCs) as it is the only LFC to hold approval to engage in Foreign Currency business, with capacity to maintain NRFC, RFC and SFIDA accounts for its customers and to engage in worker remittance business.

Our Inward Worker Remittance business places the welfare of the migrant workers and their beneficiaries high on our list of priorities. Built around the conventional transactional regime, we offer savings schemes and credit facilities for income-generating initiatives of the workers, thereby playing a role in uplifting the economic status of beneficiaries of migrant workers. In collaboration with the Financing Facility for Remittances (FFR) of the International Fund for Agricultural Development (IFAD) LOFC, through the project 'Economic Prosperity for Rural Poor Through Remittances', has been able to reach over 10,000 migrant worker families from across the country. We have provided them with assistance in the form of Goal Setting prior to departure as well as training in financial literacy.

For the period under review, remittances exceeding US$ 6 Mn were processed at a daily average of 100 transactions.

LOFC continued to expand its footprint, to gain 'first mover' advantage in new geographies whilst improving accessibility to our products. Our reach extended in the Northern Province as new branches opened in Nelliady, Chunnakam, Chavakachcheri, Mannar and Mullaitivu.

Commercial Leasing & Finance PLC

Joining the LOLC 'fold' in 2008, Commercial Leasing & Finance PLC (CLC) is today one of the Group's and Sri Lanka's best performing companies. CLC stands on the eve of celebrating its 25th Anniversary (in 2013).

For the year under review, CLC maintained an assets/lending base of Rs. 25 Bn; a factoring portfolio of approximately Rs. 3 Bn and recorded profit before tax of Rs. 1.5 Bn, thereby substantially contributing to the LOLC Group's own solid performance.

The CLC brand has been built over time into one of real strength and reach. Its two arms - CLC and Commercial Factors - are leaders in their respective leasing and factoring markets.

CLC is a registered finance company with the Central Bank of Sri Lanka (CBSL) and is listed on the Colombo Stock Exchange. CLC is rated [SL] A- with stable outlook by ICRA Lanka Ltd.

Working Capital and Factoring

Across the business spectrum, many businesses often find it difficult to source working capital to either sustain existing operations or fuel expansion. This is particularly so amongst micro enterprises and the SME sector.

This is where LOLC Factors Ltd. (LOFAC) comes into its own, offering factoring as a solution to the problem.

The year under review began on a moderate note, especially where portfolio growth was concerned. However, by mid-year, a strengthened LOLC Factors brand fuelled robust gains.

Our year end portfolio reached its highest ever level of Rs. 4.8 Bn, which included Rs. 546 Mn in loans.

A record turnover exceeding Rs. 1 Bn enabled us to record the highest profit per marketing employee within the Group.

LOFAC continues to have the lowest expense margin and the best net return amongst all business units of the Group.

For the year ahead, we expect to roll out a new factoring software system that will help address the shortcomings of the previous system and increase our reach.

Islamic Finance

Established in 2007, Al-Falaah, the Islamic Business Unit of Lanka ORIX Finance PLC (LOFC), offers alternative financing founded on Shari'ah principles. It is one of the key brand names within the Islamic finance industry of Sri Lanka.

In the period under review, Al-Falaah's contribution to LOFC comprised - 10% of its total assets; 10% of its liabilities and 09% of its average business volumes.

Whilst Al-Falaah offers a comprehensive portfolio of Shari'ah compliant concepts across the areas of Asset Financing and Lending, Investments and Deposits, we also offer specially formulated solutions under Al-Falaah Junior and Al-Falaah Ladies, targeting the hitherto largely untapped markets of minors and female customers respectively.

Our product portfolio is supported by fully trained, dedicated staff, a growing branch network, which leverages the LOFC network in addition to our own stand alone facilities and a meticulous supervisory regime overseen by our Shari'ah Supervisory Board and supported by our in-house Shari'ah advisory.

As a matter of transparency and accountability, Al-Falaah publishes its own Annual Review which comprises the Shari'ah Audit Report and audited financials. These reviews have been accepted and recognised in both local and global forums such as 'LACP Vision Awards' by the 'League of American Communications Professionals' and 'International ARC Awards' by the 'International Academy of Communications Arts and Sciences/MerComm Inc.' In the United States of America.

In the years ahead we are looking to expand business into areas such as Takaful and Micro Financing.

Fleet Management

This division had its beginnings a few years ago in the Operating Lease Market before venturing into the short-term rent-a-car market, the latter being largely patronised by individuals.

The year under review has not been a productive one for this sector of our business. Growth was stagnant. Volumes fell drastically due to the high cost of borrowing as a consequence of the high interest regime that prevailed during the period under review.

In such an inclement operating climate, unsavoury outcomes were an increase in bad debts and a rise in the non-performing portfolio of the division, the latter due to overexposure in certain categories.

Prices of spare parts increase significantly, a problem we foresee as having an impact even in the foreseeable future.

The free availability of vehicle permits in the market, which depressed the second-hand vehicle segment in which we have interests, negatively impacted sale prices of our vehicles.

In the year ahead, we will need to - concentrate on improving the portfolio mix; seek cheaper sources of funding, source more cost effective supplies of spare parts/evolve a strategy to manage spiralling spare part costs; improve collection ratios; increase the vehicles available in the short-term rent-a-car market; improve the service levels and vehicle turnaround times of our maintenance service provider and address and improve our own service levels.

LOLC Motors Ltd.

LOLC Motors Ltd. (LOMO), owns a state-of-the-art automotive workshop with a floor area of 5,600 sq. metres which has capacity to handle more than 100 vehicles at any given time - which makes it one of the largest automotive workshops in Colombo. This facility is equipped to handle mechanical repairs, preventive maintenance, lubrication service, quick lube service, collision repairs, paint refinishing or touch-ups, wheel-alignment, wheel-balancing unit repairs, etc.

The Company has a qualified panel of valuers spread across the country, providing valuation services to the Group's financial services entities as well as to external customers who require vehicle valuations.

LOMO holds the dealership in Sri Lanka for the Fiat range of motor vehicles, via its subsidiary Speed Italia.

During the year in review, LOMO was appointed the exclusive distributor and agent for Hitachi Construction Machinery in Sri Lanka. Within the short span of operations, we have been successful in building a commendable customer portfolio from both state and private sector institutions.

All construction machinery under the Hitachi brand is imported from Japan and is customised to suit local requirements.

LOLC Insurance Company Ltd.

LOLC Insurance Company Ltd., is the newest Group entity, just closing its first year of operations in the period under review. We hold a composite insurance licence and at present are one of the fastest growing companies in the local insurance industry.

In terms of regulatory matters, we have seen the introduction and application within the insurance industry, of the Sri Lanka Financial Reporting Standards, which have been developed in line with International Financial Reporting Standards. A new Risk Based Capital regime is being readied for introduction by the year 2015.

The Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 requires composite insurance companies to segregate their businesses into two entities - Life and General - by February 2015.

Against this backdrop, LOLC Insurance was able to post a modest profit before tax of Rs. 26.7 Mn in this our first full year of operations.

This maiden year has been one of heightened activity as we put infrastructure, personnel and service regimes in place to optimally serve customers.

We are currently setting up multiple distribution networks, especially to market Life Assurance products which we believe will yield strong growth and profitability in the years ahead.

Here are the salient highlights of performance for 2012/13.

Company revenue reached Rs. 1,063.6 Mn in 2012, compared to Rs. 124 Mn in 2011. Revenue was boosted by growth in gross written premiums and investment income over the previous year, a result of timely execution of prudent investment strategies. A combination of the increase in interest rates as well as the increase in the portfolio size resulted in the significant growth in investment income.

The achieved GWP of the Company was commendable given the challenging economic environment which impacted the entire financial services sector. Gross written premium of the Company grew at 260%, exceeding the non-life insurance industry estimated growth of 20%. Gross written premium of Life Assurance business grew at 108%, the reported life GWP is Rs. 106 Mn.

	2012	2011	Change	
Indicator	Rs. Mn	Rs. Mn	Rs. Mn	%
Gross written premium - General	1,314	365	949	260
Gross written premium - Life	106	51	55	108

LOLC Securities Ltd.

LOLC Securities Ltd., the Group's stockbroking arm, is a relatively new addition to the portfolio, which commenced operations in July 2011.

The stockbroking industry went through a lacklustre year in 2012 in a low credit high interest environment, which saw low activity from the retail local investors. But attractive valuations at the bourse drew foreign investors to the Colombo Stock Exchange enabling it to record its highest ever net foreign inflow in 2012.

Despite the low activity in the market, LOLC Securities Ltd., was able to maintain profitability with aggressive investor promotions and a streamlined cost structure.

The Company conducted several investor awareness programmes during the year, educating different communities and groups on investing in the Colombo Stock Exchange. We were at the forefront of promoting investments at the bourse and were one of the few stockbroking companies actively promoting business even amidst gloomy market conditions.

So successful were these measures that we were able to almost double our client base over the year in review.

We also concentrated on expanding our reach in the industry in Sri Lanka as well as overseas. The Company opened a new branch in Matara, which joined the two existing branches in Kurunegala and Galle.

Growing our foreign business component remains a pivotal aspect of Company strategy. To this end we have already met with some success and will look to further expand our agent-based overseas business model.

In addition, we are fortunate to be able to leverage LOLC Group's equity and debt partners worldwide, through whose good offices we enjoy opportunities to broaden the investor base in their respective countries.

Looking to the future, the equity market has started to attract interest in the latter part of the year in review, with the easing down of interest rates and a more favourable credit environment in the country. We can therefore reasonably expect retail investor interest to gradually build. LOLC Securities is well placed, in such a situation, to reap significant benefits.

Strategic Investments

Seylan Bank

One of the highlights of the year under review was LOLC's acquisition of Seylan Bank. Currently, LOLC holds a 35% stake in Seylan Bank. With the concurrence of the Central Bank of Sri Lanka, the Bank takes its place within the LOLC portfolio as a Group company.

The year under review has been a remarkable one for Seylan Bank.

Despite the less than ideal macroeconomic conditions that prevailed during the year, the Bank was able to maintain sustained growth and increased profitability, crossing the Rs. 2 Bn mark in profits at Rs. 2.05 Bn, which reflects a 208.20% increase over the previous year. Deposits grew by 18.35% YoY to reach Rs. 146.73 Bn. Gross advances grew by 14.06% to reach Rs. 132.97 Bn. Earnings per share rose to Rs. 6.06 from Rs. 2.18.

One of the key factors that has led to the continued success of the Bank is its adherence and commitment to strategy. The Bank rolled out a comprehensive strategic plan in January 2012, which provided the strategic vision and direction for the next four years, encompassing important areas such as asset growth, branch expansion, customer service excellence, staff development, NPA reduction and enhancing shareholder value.

The value of the Bank's stringent focus and commitment to strategy and its successful enactment is to be seen, not only through the exemplary results already mentioned, but through many other factors such as proven excellence in customer relations and service, continued investment in our employees' development and training and an expanding footprint via a growing branch network and proliferating ATM network.

Highly successful rights issues in 2009 and 2011 are compelling indicators of the commitment and loyalty shareholders have for the Bank.

Today, Seylan Bank is one of the best capitalised banks in Sri Lanka, with a total Capital Adequacy Ratio well above the statutory requirement of 10%.

For the future, the Bank intends to capitalise on the broad economic prospects of Sri Lanka. It will also concentrate on sourcing foreign funding for credit requirements and focus on enhancing corporate governance, compliance, risk management and customer service protocols even further. It will seek further reduction in NPL levels and continue with branch network expansion.

Overseas Investments

PRASAC

LOLC has a 22.25% stake in PRASAC, the leading microfinancier in Cambodia. It has the largest branch network and portfolio and is the most profitable.

The year under review was one of great success for PRASAC. The total assets at year end reached US$ 252 Mn, up 61% from the previous year. The total loan portfolio increased by 42% to US$ 215 Mn and counted a client base numbering 134,146.

PRASAC is a leader in loan portfolio quality, with non-performing loans at 0.20%.

Savings and deposit balance reached US$ 57 Mn from 133,443 depositors.

Net profit after tax increased by 33%, to US$ 11.5 Mn.

ROE was 39% whilst ROA was 5.64%.

During the period under review, PRASAC launched its own ATM services, moved into a new head office and established a quality data centre.

PRASAC is positioned as a leading financial institution with a strong infrastructure and capacities to match, which constitute an ideal platform to offer premium financial services and solutions to both rural and urban clients. Its footprint reflects this positioning with a nation-wide office network present in all 24 provinces of Cambodia, represented by 167 outlets in 10,874 villages. More than 100 of its offices are on-line. PRASAC has a human resource base numbering 2,135, to serve clients.

PRASAC is close to its communities and from the CSR perspective; it partnered several like-minded institutions in supporting financial literacy and financial education across targeted communities in Cambodia. We also constructed two libraries for public primary schools in Kampong Cham and Kampong Thom provinces as a community development initiative. These libraries will benefit more than 20,000 children, helping them acquire the reading habit and aspire to a better level of education and bright future.

Looking to the future, PRASAC is laying the groundwork for its transformation into a commercial bank and is seeking to diversify funding sources by increasing its savings and deposits. PRASAC will also enhance customer services to create an excellent customer service culture; maintain strong loan portfolio growth through increasing the SME segment; strengthen risk management through constant review of a risk register and continue to strengthen our branding.

In the long-term, LOLC is exploring the possibilities of expanding its overseas operations further.

Diversified Activities

LOLC today, in shape, form and context, is the embodiment of a 'multi-spring source fountain' of enterprise that flows across many sectors touching lives far beyond our core.

LOLC has evolved well beyond its beginnings as a predominantly financial service and solution provider into one of Sri Lanka's premier diversified conglomerates. This process of evolution and diversification follows a carefully laid strategic path that has envisioned life beyond the financial services niche.

In laying this strategic path, LOLC has been motivated and inspired by post-war promise and the forward looking national agenda for development of the country. Herein lies sustained growth and opportunity and being already attuned to the well-being and advancement of the nation and its peoples, it required but a small step to decide to participate directly in the national effort.

Such strategic thinking led us to diversify into the fields of agriculture and plantations, leisure, renewable energy and construction.

Leisure

The 'powerful flow and current' of the leisure sector sustains many and contributes mightily to national prosperity and growth. LOLC's presence in this sector constitutes a relatively new 'spring' in its portfolio - yet one that flows freely and powerfully.

Tourism is on the national agenda as a prime growth sector. Country statistics seem to vindicate this expectation as we achieved one million tourist arrivals during the year in review and are well on course to reach the 2.5 million mark that has been targeted for 2015.

Strategy and foresight led LOLC to enter the leisure sector, where we now have holdings in the Hotel and Leisure Industry. We have several properties in the books at present.

Currently, the Group is in the process of crafting the total leisure offering according to agreed upon strategy. This means that, during the year under review, only two of our resorts, Eden Resort and Spa and Dickwella Resort & Spa were in operation. We are consolidating Riverina Hotel and Club Palm Garden into a single property and one entity. It means that we are looking to place the new single resort under a top tier hotel management entity. As for our plans for the single entity (Riverina, Club Palm Garden). We are looking at a 475 key, 5 star situated on 20 acres of prime 'tourist country' on Sri Lanka's golden Southern Coast, on the famed 'Golden Mile' location in Beruwala, to be developed in two stages. In the meantime, our new project in Kosgoda is on course and the property is currently being constructed and will be ready for occupancy in early 2014. It is proposed to be managed by a leading, international hotel chain.

As a consequence, the general performance of our leisure sector has still to deliver to full potential.

Eden Resort & Spa

This is a 158 room, five star property, whose excellence has made it a preferred destination for a clientele that runs the gamut of the market.

Though occupancy levels remained the same as the previous year, the hotel recorded a remarkable increase in profits mainly through prudent cost management and an optimal pricing strategy.

Eden recorded a profit before tax of Rs. 254.3 Mn up by 49% over the previous year's Rs. 170.4 Mn. Profit after tax reached Rs. 211.8 Mn.

A major refurbishment programme is planned to keep the resort at the cutting edge of hospitality standards in the coming years.

Eden is a much 'awarded' and recognised property. 'Trip Advisor' placed Eden amongst its Best 25 Hotels in Sri Lanka, just one of other awards and accolades won.

Dickwella Resort & Spa

Dickwella Resort & Spa is a 76 room luxury property uniquely located on a promontory, bounded by sea on three sides, with attractive beach frontage.

Dickwella benefits greatly from point of view of accessibility, from the Southern Highway and the latter's proposed extension beyond Galle to Matara, which trims travel time from the International Airport at Katunayake to the resort. The new Mattala airport too is expected to generate similar benefits.

For the year under review, Dickwella reported a profit before tax of Rs. 29.4 Mn, whilst gross revenue recorded reached Rs. 150 Mn. Its total asset base amounted to Rs. 1.6 Bn. Average occupancy stood at 33%, which was marginally below budget.

Leisure Holdings of Brown & Company PLC and Browns Investments PLC

Brown and Company PLC is one of Sri Lanka's premier destination management companies. The Company holds General Sales Agency status for Austrian Airlines and Scandinavian Airlines, whilst its Tours arm operates in both inbound and outbound categories. Inbound tours are marketed under the 'Holiday Sri Lanka' brand whilst outbound tours operate under the 'Wild Holiday' brand. To fulfil the role of a total DMC product it has now ventured into handling MICE activity through its latest brand 'Browns Tours Events'.

Total turnover for these two segments of Browns' business amounted to Rs. 641 Mn for the year under review.

Browns Investments PLC is currently constructing a new resort - Samudra Beach Hotel, Kosgoda. The property lies within the famed turtle hatchery belt in Kosgoda. A 173 room 5 Star resort is envisaged and construction began in April 2012, with its soft opening scheduled for January 2014.

Through its subsidiary Excel Global Holdings, Browns Investments have interests in Excel World - a well renowned entertainment complex. Plans are being made for mega development of this property which will see its facilities expanded further to encompass - shopping, super markets, conferencing, gymnasiums and spas as well as restaurants, pubs and entertainment arcades.

Agriculture and Plantations

Many springs and waterways dot the landscape everywhere you look in Sri Lanka. In many ways their profusion and abundance reflect the manner in which the LOLC Group has reached across people and nation.

Whilst Sri Lanka's 'landscape' reflects an evolutionary trajectory, embracing technological and other advances of the present, it would be true to say that we remain an agri-based country, with an agri-driven economy.

LOLC's portfolio consists of Mathurata Plantations Ltd. and Pussellawa Plantations Ltd. - two of the largest tea producing companies in Sri Lanka.

Mathurata Plantations Ltd.

Mathurata Plantations Ltd. operates 19 tea estates. In addition to its staple, tea. The Company also has a significant acreage under rubber, coconut and spices.

Its main activities consist of the production and sale of orthodox tea, rubber in RSS and latex form, coconut in nut form, cardamom, cloves and cinnamon.

Product	Extent in Hectares
Tea	4,872.15
Rubber	666.83
Coconut	127.35
Cardamom	232.77
Cinnamon	48.70
Forestry/Timber	1,051.63

It was another landmark year for the Company. Mathurata Plantations Ltd. achieved the highest yield on rubber production from amongst all regional plantations - 1,264 kilos per hectare. (1,232 kilos/hectare in 2012).

The Company was recognised for the second highest turnover at the Forbes and Walker Award Ceremony.

The Ragalla Factory achieved a significant milestone by producing more than one million kilos of tea in the Uva High Grown sector.

We recorded the highest yield in tea (since 2007) in the Low Grown sector of 1,293 kilos, yield per hectare.

The highest production of estate crop – 5,067 million kilos – was achieved in the year under review.

We achieved the highest planted extent of cinnamon in a single year – 155.08 hectares – which is the highest amongst all regional plantation companies, for planting in a single year.

Pussellawa Plantations Ltd.

The Pussellawa Plantations Ltd. portfolio consists of nine tea plantations, nine rubber estates and six estates planted with a mix of tea and rubber. The total extent of land under cultivation is 9,267 hectares and is as follows:

Product	Extent in Hectares
Tea	2,706.65
Rubber	4,991.11
Coconut	129.61
Mixed crop	40.50
Forestry	1,398.80

Out of the above, the revenue extent of tea, rubber and coconut is 5,429 hectares - 2,515 hectares under tea, 2,830 hectares under rubber and 83 hectares under coconut.

Additionally, we have planted in excess of 20,000 trees for harvestable timber purposes as well as 9,800 'Giant Bamboo' plants for soil erosion mitigation in vulnerable areas and stream banks.

For the year under review, Pussellawa Plantations Ltd. reported a profit after tax of Rs. 511.5 Mn (2011/12 – Rs. 525.0 Mn) and turnover of Rs. 3,618.0 Mn (2011/12 - Rs. 3,660.6 Mn).

Pussellawa Plantations Ltd. has achieved the following awards at the National Plantation Awards ceremony – 2012, the first of its kind in Sri Lanka, which was held at Temple Trees, under the patronage of His Excellency the President Mahinda Rajapaksa.

01. Winner - Highest Rate of Replanting (Rubber) of RPC Sector.

02. Winner - Highest Crop Productivity (Rubber) of RPC Sector.

Being as close to the environment as one can get, Pussellawa is committed to sustainability and sustainable agricultural policies distinguish our enterprise at every step.

We have investments in the exploration and generation of hydro power.

Gal Oya Plantations (Pvt) Ltd.

Gal Oya Plantations (Pvt) Ltd. came into being in 2007 as a consequence of the Government's efforts to revive the erstwhile Hingurana Sugar Industries Ltd.

In a prime example of a public-private partnership at work, LOLC's consortium comprising Lanka ORIX Leasing Company and Brown & Company PLC joined hands with the Government to float Gal Oya Plantations (Pvt) Ltd.

Gal Oya's plantations consist of 7,659 hectares of land with approximately 5,200 hectares of cultivable land under sugar cane, apportioned amongst 4,400 farmer families.

One of the highlights in performance for the year in review was the achievement of an above target yield of 100 MT/ha, which was the highest yield achieved locally as well as amongst several countries in the international market.

Plantation:

Target and Achievement during the year 2012/13

	Target	Achievement
New Planting (ha)	1,300	1,380.30
Total Harvesting (MT)	46,800	69,936.54
Seed Cane (MT)	10,400	16,130.54
Commercial Cane (MT)	46,800	53,806
Yield (MT/ha) - Plant Crop	80	100

In Sri Lanka

Pelwatte	Sewanagala	Gal Oya
41 MT	68 MT	100 MT

In Other Countries

Australia	Brazil	India	Thailand
84 MT	79 MT	69 MT	69MT

Sugar production in the renovated factory commenced on 16 July 2012. The detail of cane crushing, sugar production during the production period is given below:

Total Sugarcane Crushed	-	53,806.51 MT
Total Sugar Production from Cane	-	3,337.66 MT (without raw sugar)
Total Molasses Production from Cane	-	2,679.95 MT
Revenue from Sugar Sales	-	Rs. 326,332,625/-

For the first-time ever in Sri Lanka, mechanised sugarcane harvesting was witnessed during the year under review, with specially imported machinery being deployed in the field.

Brown & Company PLC

Brown & Company PLC is a household name in Sri Lanka. In the field of agriculture, Browns is famous for pioneering mechanisation in the country's fields - the Massey Ferguson and TAFE four-wheeled tractors have a long history of assisting farming in this country.

Sifang Lanka is a subsidiary of Browns and markets a range of light agricultural machinery such as two-wheeled tractors, mini-combine harvesters and reapers.

Browns farms are currently expecting their maiden harvest of pineapple and are seeking to expand with the acquisition of a further 1000 acres to be brought under cultivation of tropical fruit for export.

Browns Investments PLC

Browns Investments PLC is a subsidiary of Group constituent, Brown & Company PLC. Browns Investments (BI) is the strategic investment arm of Browns and manages an investment portfolio in excess of Rs. 6 Bn across the sectors of entertainment and leisure, plantations, agri-business, construction, property development, real estate and manufacturing and exports. It also has a Rs. 1 Bn trading portfolio in listed securities.

The Company has interests in the agri-business sector via Agstar Fertilizers PLC. Agstar is in the business of fertilizer, seeds and planting materials.

Agstar Fertilizers PLC had a good year, which it attributes to enhanced customer service, meeting customer needs, offering blended products, implementing stringent controls and improving productivity and procurement.

Renewable Energy

The bubbling brook, whilst a thing of beauty, today reminds us of the finite nature of many of the resources we take for granted. In another sense, it reflects LOLC's forward thinking strategies that find us active in this vital sector of enterprise.

The case for renewable energy has been well and truly made across the globe. The finite nature of energy generated via the use of fossil fuels and other such non-renewable derivatives has been a cause for concern for many years. Responsible institutions have actively pursued initiatives to utilise renewable energy wherever they could and to 'tip the scale' increasingly in favour of this form of energy.

LOLC is driven by 'green' ethos.

Steeped as our business is in the heartlands of microfinance and the SME sector, we have had a head start in the area of renewable energy.

LOLC's head office is the first commercial building in Sri Lanka to install a 48 KW solar power system incorporating eight arrays of solar cell panels and eight inverters. This grid connected system provides 15% of the daily energy requirements of the Company.

This isn't our first 'encounter' with solar power. In 2003, as a project, we financed 4000 solar panels for installation in rural homes not connected to the national grid.

Today, our plantation companies, Mathurata and Pussellawa have invested in hydro power generating plants and are also registered for carbon trading.

Gal Oya Plantations, who run the rejuvenated Hingurana sugar factory use bagasse as a bio fuel to generate 2MW of energy for its own use - with plans to increase this to 6 MW in the future.

Our bio-mass power generation entity United Dendro Energy (Pvt) Ltd., is in the process of securing a Power Purchase Agreement with the CEB to generate and supply 10 MW of electricity to the national grid. The Company intends to construct a 10 MW bio-mass power plant in Hambantota.

In furtherance of the above objective the Company has also entered into an agreement with the Department of Wildlife Conservation to remove two species of invasive plants, '*Kalapu Andara*' and '*Pathok*' from the Bundala National Park which is depleting the natural habitat of the park. The wood chips generated from '*Kalapu Andara*' will be used as fuel wood for the power plant making this a truly sustainable project. The international conservation body, Ramsar Convention, constituted for the preservation of wet lands, complimented the Company for launching such a project.

This Company is also in the process of securing adequate supplies of fuel wood, through managed plantations of Gliricidia and establishing a network of outgrowers for this wood.

Construction

Yet another 'tributary' of the wellspring that embodies LOLC's diversity and reach.

LOLC's enterprise in this sector is spearheaded by Sierra Construction, one of Sri Lanka's largest and most visible institutions in the construction sector.

Sierra has a highly diversified portfolio, being active in construction related activities in areas such as water supply and sewerage, irrigation, power, telecommunications, roads and bridges, civil engineering and piling. Investments in areas such as supply of ready-mix concrete and asphalt mix, manufacturing of power cables and manufacture of PVC pipes has brought more value to the Group.

During the year under review, several mega projects were undertaken with a total value of over Rs. 7,000 Mn. With several projects in the pipeline, we envisage increasing this value in the ensuing year.

Contracts in progress by total value and sector;

-	Water	–	Rs. 2,120 Mn
-	Telecom	–	Rs. 1,132 Mn
-	Roads	–	Rs. 7,244 Mn
-	Civil	–	Rs. 1,793 Mn
-	Electrical	–	Rs. 480 Mn
-	Piling	–	Rs. 927 Mn

Manufacturing and Trading

Building diversity in the LOLC portfolio helps us 'channel and stream' yet more resources, products and services to more people across the land - abundantly and in full flow.

Power and Generation

Automotive Batteries

LOLC has a presence in this sector through its Group constituents.

Brown & Company PLC retails the EXIDE brand of batteries and, through its subsidiary Klevenberg (Pvt) Ltd., the 'Lucas' brand.

EXIDE was recognised as one of the Sri Lanka's leading brands, being ranked 19th by Brand Finance, the conductors of the survey. It has also won' Superbrand' status - the only line of automotive batteries to do so.

During the year under review, EXIDE has retained its market share and market leadership position and is branching out into the supply of battery power for marine and industrial applications.

Lucas offers a comprehensive range including the top of the line Lucas Premium MF, a maintenance free battery, which is retailed with a comprehensive 2 year warranty.

During the year under review, it saw revenue grow 131% and market share grow up to 19% over the previous year.

Browns also markets a top line range of power tools from brands such as Makita, Maktec, Tailin, Eclipse and Firman.

Makita and Maktec are categorised under power tools with the current market share of 36%. Tailin retails cutting and grinding wheels, and enjoyed a 57% market share. Eclipse has a 45% market share in the hacksaw blade market. Firman caters to the domestic generator market with 16% current market share for the year under review.

Marine and Manufacturing

Two subsidiaries of our constituent, the Browns Group are active in this sector.

Browns Group Industries (Pvt) Ltd. and Browns Thermal Engineering (Pvt) Ltd.

Browns Group Industries provides marine solutions and components for the boat building industry in Sri Lanka. They retail renowned brands of marine engines - Yanmar Marine and Ashok Leyland. The Company claims over 60% market share of the inboard marine engine sector.

They also distribute propellers, engine spares and compasses.

The latest additions to the product portfolio are Parsons and Power Tec outboard engines for both fishing and leisure industries.

Browns Group Industries earned a revenue of Rs. 274 Mn for the year in review.

Browns Thermal is engaged in manufacturing and providing services in the field of heat exchangers. The Company's product portfolio runs the gamut from common radiator core to advanced industry AC condensers.

For the year in review, Browns Thermal earned revenue of Rs. 186.2 Mn.

In the year ahead, the Company is looking to expand its workshops in Dambulla, Ratnapura and Galle.

Home and Office Solutions

Group constituents, Brown and Company retail a range of products in the categories of consumer electronics, home appliances, white goods and office automation.

Whilst these products come from some of the world's most renowned brands, the Company has begun to offer a line of their own BG branded items mainly in the consumer electronics and home appliance categories. The BG brand continues to create a strong value proposition for the Company.

The Company ranks No. 2 in the office automation (copier) category and is again at No. 2 across a range of consumer electronics product ranges catering to the dealer market.

Two entities within Browns are responsible for activities in this sector - the Integrated Business Solutions Division (IBS) and the Consumer Division.

For the year under review, the IBS achieved revenue of Rs. 544 Mn whilst the Consumer Division earned revenue of Rs. 950 Mn, showing good growth for the period.

Veterinary Pharmaceuticals

The Veterinary Pharmaceuticals Division of Browns markets a portfolio of leading global brands that include Intervet Schering Plough biologicals such as vaccines from Netherlands, Zagro feed additives, antibiotics, minerals and vitamins from Singapore, Eukanuba dog food from Proctor & Gamble USA and the Stallen brand of organic minerals and growth promoters from Italy, manufactured in India. Most of the products marketed by this division cater to the poultry and pet animal sectors, with a few products for the dairy industry.

Although the turnover budgets have been achieved, the year under review has been a tough one as the price of eggs have drastically decreased owing to an over production while the cost of poultry has increased leading to a situation where cost of production and selling price resembled.

Meanwhile the price of pet food has increased by 25-30% due to the escalation of CIF prices.

Looking ahead, the Division plans to introduce new products in the poultry and pet animal segments of the business. Browns will introduce SG9R which is a live vaccine for Salmonella infections that affect the poultry industry while focusing on aggressive market penetration, introduction of a price fighting range and conducting enhanced marketing programmes.

Healthcare

This is another vital sector of enterprise that LOLC has forged a presence in as a new venture under the auspices of its Group constituent Browns.

The endeavour is to develop a chain of secondary care General Hospitals and Diagnostic Centres, delivering quality care through comprehensive, integrated clinical practice and personalised care and attention to every patient who walks through our doors.

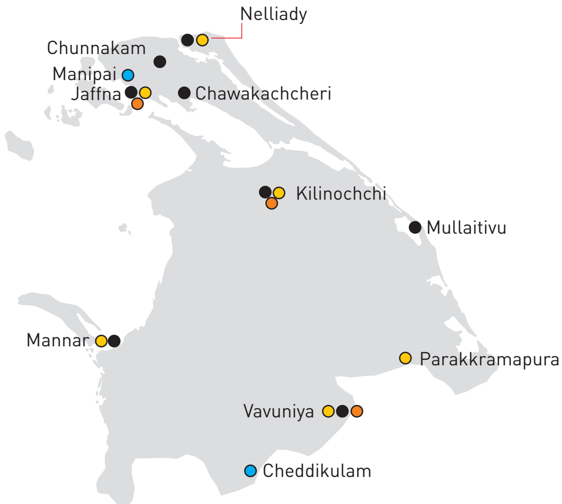
Among other factors, we seek to address the issue of an imbalance in the presence of private medical facilities, where a preponderance of these are to be found concentrated in Colombo and its immediate environs, forcing patients to travel far.

Our aim then, is to establish hospitals and medical centres in selected cities beyond Colombo to cater to this vacuum in care and treatment.

OUR REACH

Northern Province

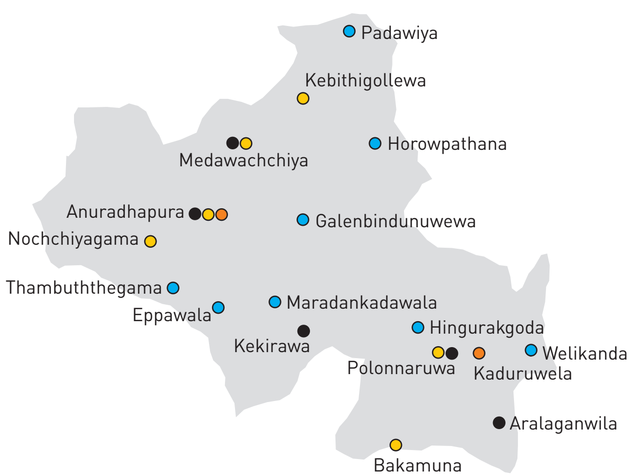
Largely agricultural in profile, the region holds great potential for significant economic growth and is a repository for increasing investment and development as is exemplified by its burgeoning infrastructural enhancement such as its road and rail networks, power and energy projects etc.



North-Central Province

The largest of all the provinces, the North-Central Province is predominantly agro-based, with more than 65% of its residents dependent on basic agriculture and agro-based industries for their livelihood.

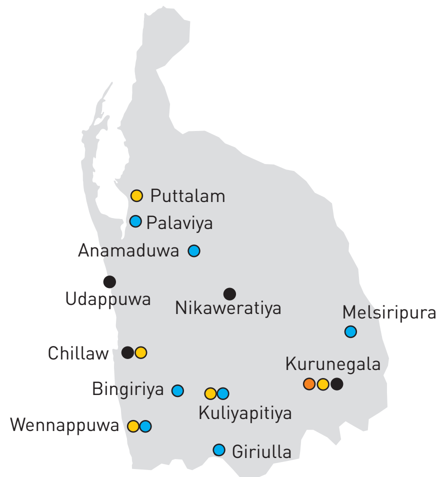
The North-Central Province is fertile ground for any investor whose interests lie in areas such as agriculture, agro-based industries and livestock farming.



North-Western Province

This region boasts of a highly-developed agricultural economy being Sri Lanka's third largest paddy producing region. It produces fruits, vegetables, flowering plants, spices and oil-seeds in addition to the traditional plantation crops such as coconut, rubber and rice.

Renowned for its fertile land mass and clement climatic conditions, the North-Western Province is quintessentially 'agricultural country', whilst being home also to vibrant industries such as fishing, prawn farming and rubber plantation.



Central Province

This is Sri Lanka's world famous tea country; the home of authentic, fragrant, world renowned Ceylon Tea. Its rich history, scenic mountain beauty and contrastingly cool climate make it a continuing draw for tourists from all over the world. It is also home to Sri Lanka's hydro power generation industry.

● *LOFC & LOMC Channel Network*
- *→ LOFC Branches*
- *→ LOFC Savings Centres*
- *→ LOFC School Centres*
- *→ LOMC Service Centres*

● *LOFC, Al-Falaah - Islamic Business Unit Branches*
● *LOMC Post Office Service Centres & LOFC Collection Centres*
● *CLC & COMFAC*
● *Browns Centres (Retail)**

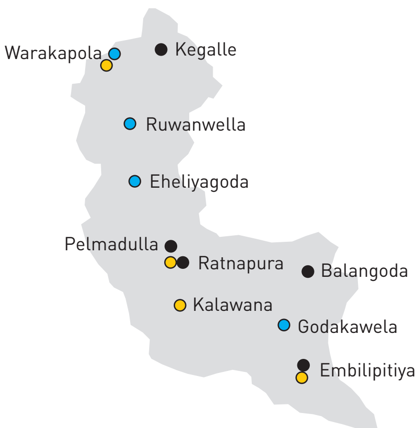
** Browns Dealers and Service Centres are located island-wide.*

Sabaragamuwa Province

Sri Lanka's fabulous gem mining terrain lies within this province. It is one of the 'Jewels in Sri Lanka's Crown' famed as Sri Lanka is for its rubies and sapphires, and is on every tourist's itinerary.

One of the world's last remaining rain forests, the Sinharajah reserve, also lies within its boundaries.

Sabaragamuwa is a rich trove of opportunity for tourists and entrepreneurs alike.



Uva Province

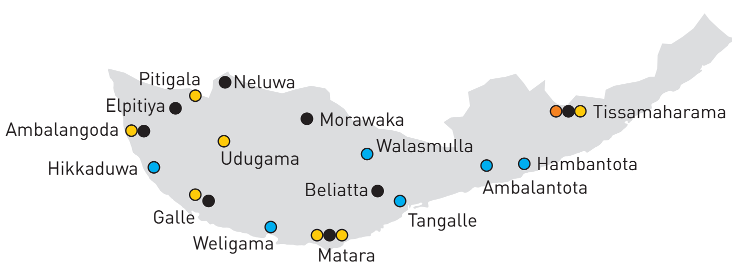
Within Uva's boundaries flow some of Sri Lanka's most spectacular waterfalls such as Dunhinda, Diyaluma and Rawana. Along with the Udawalawe National Park and Galoya National Park it is no wonder tourism flourishes in this region.

Southern Province

The bounty from this region is divided between land and sea as farming and fishing provide the main sources of income for the vast majority of people based here.

Substantial development has and is taking place in the region, with Sri Lanka's new port the Magam Ruhunupura Mahinda Rajapaksa Port already operational, as is Sri Lanka's second international airport at Mattala. In addition, the region is one of Sri Lanka's key tourism centres and is enjoying a boom in resort development, air taxi services and general infrastructure development.

Sri Lanka's first super highway is also to be found in this Province. The 126 km long Southern Lanka Expressway is Sri Lanka's first E Class highway which links the Sri Lankan capital, Colombo with Matara. The new highway has slashed travel time between Colombo and the South by over 50% to less than 1½ hours.



- *LOFC & LOMC Channel Network*
  - *→ LOFC Branches*
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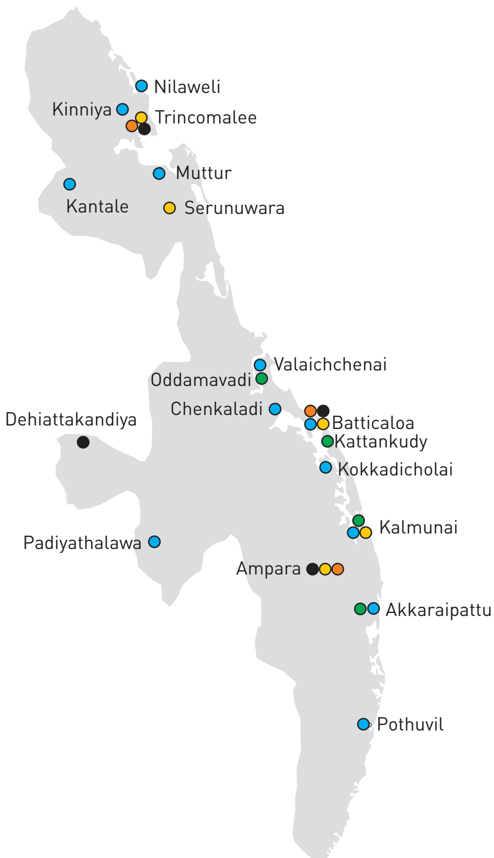
- *LOMC Post Office Service Centres & LOFC Collection Centres*
- *CLC & COMFAC*
- *Browns Centres (Retail)**

** Browns Dealers and Service Centres are located island-wide.*

Eastern Province

Sri Lanka's Eastern Province is a hive of developmental activity, with its infrastructure, power and energy sectors as well as tourist plant benefiting immensely through upgraded road and rail networks, proposed new power generating facility at Sampur and air taxi services touching Trincomalee. Its social fabric is an intriguing weave of multi-ethnicity and religions, with all communities and major religions being represented in abundance. It is an area with vast potential for investment and development, particularly in the leisure sector with vast stretches of pristine and unspoilt beach front.



Western Province

This is the most densely populated province in the country. Within its environs lies Colombo, the nation's administrative and business 'capital'.

As Sri Lanka's economic hub, all major local and international corporations have their presence in the city and so do major designer and high street retailers.

Almost all the premier educational institutions in the country are located here. Also, this province has the largest number of schools and colleges in the country.

Currently, the Province is undergoing major expansion and development, with its road networks and landmark buildings undergoing major refurbishment whilst the Bandaranaike International Airport and the Colombo Port too are being developed and expanded.

- *LOFC & LOMC Channel Network*
  - → *LOFC Branches*
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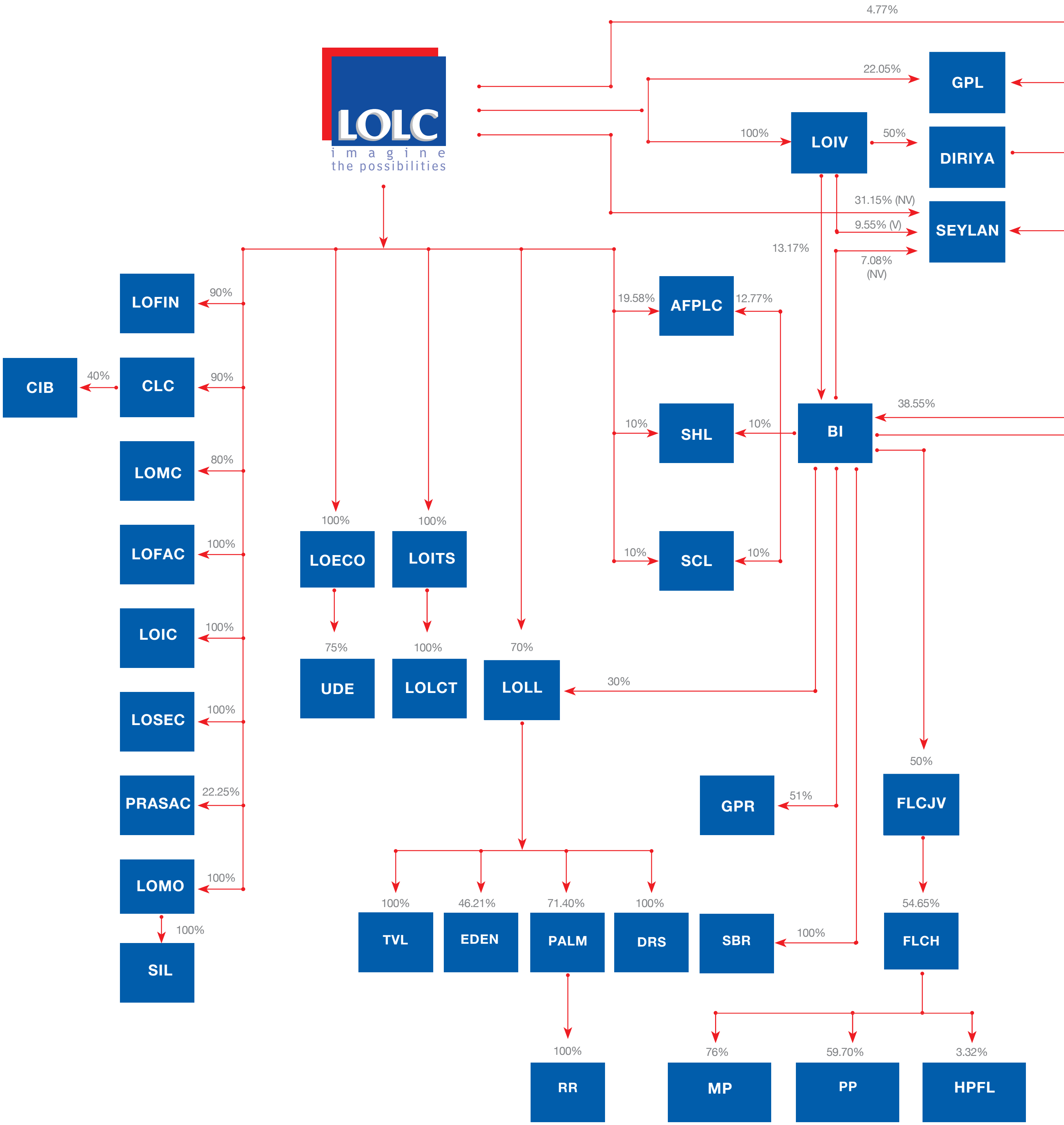
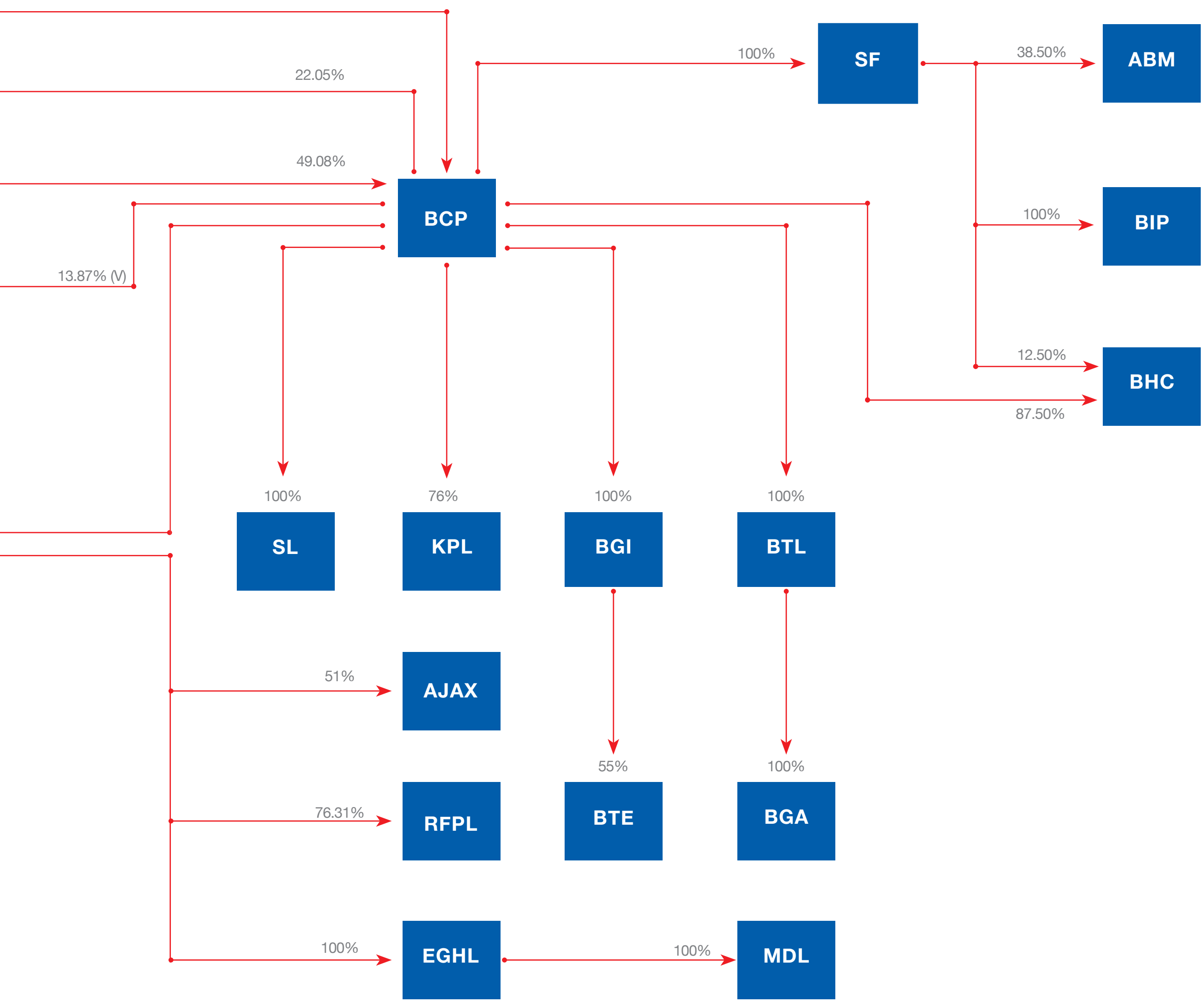
GROUP STRUCTURE





ABM - Associated Battery Manufacturers (Cey.) Ltd.
AFPLC - Agstar Fertilizer PLC
AJAX - Ajax Engineers (Pvt) Ltd.
BCP - Brown & Company PLC
BGA - Browns Group Air Services (Pvt) Ltd.
BGI - Browns Group Industries (Pvt) Ltd.
BHC - Browns Health Care (Pvt) Ltd.
BI - Browns Investment PLC
BIP - Browns Industrial Park
BTE - Browns Thermal Engineering (Pvt) Ltd.
BTL - Browns Tours (Pvt) Ltd.
CIB - Commercial Insurance Brokers Ltd.
CLC - Commercial Leasing & Finance PLC
DIRIYA - Diriya Investments (Pvt) Ltd.
DRS - Dickwella Resorts (Pvt) Ltd.
EDEN - Eden Hotel Lanka PLC
EGHL - Excel Global Holdings (Pvt) Ltd.
FLCH - Free Lanka Capital Holdings PLC
FLCJV - Free Lanka Capital Joint Venture
RFPL - Royal Fernwood Porcelain Ltd.
GPL - Gal Oya Plantations (Pvt) Ltd.
HPFL - Hydro Power Free Lanka PLC
KPL - Klevenberg (Pvt) Ltd.
LOECO - LOLC Eco Solutions Ltd.
LOFAC - LOLC Factors Ltd.
LOFIN - Lanka ORIX Finance PLC
LOIC - LOLC Insurance Company Ltd.
LOIV - LOLC Investments Ltd.
LOITS - Lanka ORIX Information Technology Services Ltd.
LOLCT - LOLC Technologies Ltd.
LOLL - LOLC Leisure Ltd.
LOMC - LOLC Micro Credit Ltd.
LOMO - LOLC Motors Ltd.
LOSEC - LOLC Securities Ltd.
MDL - Millennium Development (Pvt) Ltd.
MP - Mathurata Plantations Ltd.
PP - Pussellawa Plantations Ltd.
PALM - Palm Garden Hotel PLC
PRASAC - PRASAC Micro Finance Institution Ltd.
RR - Riverina Resort Ltd.
SBR - Samudra Beach Resorts (Pvt) Ltd.
SCL - Sierra Constructions (Pvt) Ltd.
SEYLAN - Seylan Bank PLC
SF - Standard Finance (Pvt) Ltd.
SHL - Sierra Holdings (Pvt) Ltd.
SIL - Speed Italia Ltd.
SL - Sifang Lanka (Pvt) Ltd.
TVL - Tropical Villas (Pvt) Ltd.
UDE - United Dendro Energy (Pvt) Ltd.
V - Voting Shares
NV - Non-Voting Shares

In Full Flow. . .
Our Streams of Value

FINANCIAL REVIEW ■ The budding conglomerate, LOLC Group, completed yet another successful financial year amidst tough economic conditions, showing growth in its core business areas. The total assets of the Group grew by almost Rs. 18 Bn, surpassing the Rs. 150 Bn mark and stood at Rs. 163 Bn at the end of the year. The catalyst for the growth was the increase in its lending portfolio by Rs. 8.7 Bn and increase in its liquid investments, comprising of Government Securities and cash, by Rs. 8 Bn. The investment in equity accounted investees too saw a significant growth during the year mainly as a result of the investment in Seylan Bank, which was classified as a trading investment in the comparative year, being reclassified as an associate consequent to the Group establishing significant influence over the bank with the approval of the Central Bank of Sri Lanka (CBSL).

In terms of the lending portfolio, it is visible that the finance lease, hire purchase and operating lease portfolio has shrunk by Rs. 2 Bn, while advances and other loans has grown by Rs. 10.7 Bn. This was as a direct result of the Financial Services arm of the Group focusing more on loan products to stimulate portfolio growth as it allows re-pricing at the discretion of the Group compared to traditional lease and hire purchase products where the interest gets fixed for the period of the facility. This has enabled the Group to effectively monitor the portfolio and make necessary adjustments in a volatile interest rate environment.

The funding of the lending portfolio was primarily from the deposits mobilised customers which showed an increase of Rs. 8 Bn. This was from the two licensed finance companies operating under the umbrella of LOLC Group, namely Lanka ORIX Finance PLC and Commercial Leasing & Finance PLC. The growth in the deposit base establishes the confidence placed by the customers in the financial stability of the Group.

On the other hand, the Group experienced a downturn in profitability compared with the previous year. However, given the restrictions on the credit growth and volatile economic indicators which prevailed throughout the year, the financial results achieved by the Group is commendable. The gross income of the Group surpassed the Rs. 40 Bn mark and stood at Rs. 41.4 Bn compared to Rs. 35.5 Bn in the previous year which is a growth of 17%. The financial services sector made the highest contribution in achieving the income growth while other sectors showed marginal contribution. The gross profit from the trading sector stood in the range Rs. 5-6 Bn over the two years, generating a gross margin of 35%-36%. The interest and related income grew by 31% (Rs. 5.8 Bn) from Rs. 18.7 Bn to Rs. 24.5 Bn, while the interest expense grew by Rs. 5 Bn which curtailed the growth in the net interest margin of the Group.

In terms of cost, the direct expenses of the Group increased by Rs. 600 Mn, owing to the insurance sector gaining momentum and the claims paid for customers for the year being Rs. 600 Mn compared to Rs. 50 Mn in the last year. Another significant expense visible in the financial year is the impairment provision on financial assets which flows in from the financial services sector making provisions against accommodations granted. The impairment provision, made in line with the new accounting standards, now takes into account the provision relating to the income on non-performing contracts, which previously was suspended and removed from the top line. The provisions show an increase of Rs. 1.2 Bn, which is more than double the provision made in the previous year and could be attributed to the conservative provision mechanism followed by the Group and the general deterioration in credit quality in the market. These negative sentiments halved the results from operating activities to Rs. 1.9 Bn from Rs. 3.9 Bn reported in 2012.

In the current year, the Group established significant control over Seylan Bank PLC, which resulted in a gain on a bargain purchase (negative goodwill) amounting to Rs. 1.5 Bn. However, this was much less than the comparative Rs. 2.9 Bn gain reported last year from acquisition of subsidiaries.

All these factors reduced the PBT recorded by the Group by 50% and stood at Rs. 3.7 Bn compared to Rs. 7.1 Bn reported last year. The effective tax rate of the Group increased from 20% in 2012 to 31% in 2013, escalating the negative impact on the bottom line and the ultimate profit of the Group stood at Rs. 2.55 Bn.

ADOPTION OF NEW ACCOUNTING STANDARDS (SLFRS/LKAS) ■ The Group applied the new accounting standards which came into effect from 1 April 2012. The new standards had major changes compared to the previous accounting practices followed by the Group. A detailed description of the changes that affected the amounts reported by the Group previously is given in Notes to the Financial Statements.

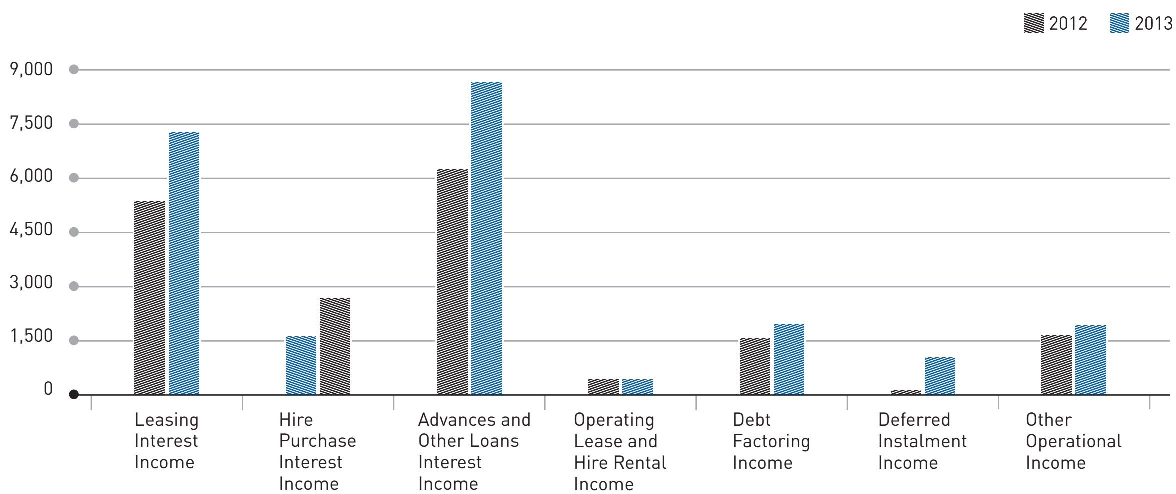
THE PARENT - LANKA ORIX LEASING COMPANY PLC (LOLC) ■ Continuing the strategic decision taken few years ago to position LOLC as a holding Company and to shift the financial service businesses to dedicated subsidiaries, LOLC continued the reduction in its lending portfolio. The Company saw its total assets shrink from Rs. 58 Bn to Rs. 53 Bn mainly as a result of reduction in the advances and other loans granted which was Rs. 2.7 Bn at the end of the year compared to Rs. 5.8 Bn last year. A similar drop was seen in the interest-bearing borrowings from Rs. 22 Bn to Rs. 18 Bn. However, the Company increased its investments in subsidiaries by Rs. 1.6 Bn and the Companies that attracted the investments were LOLC Factors (Rs. 700 Mn), LOLC Insurance (Rs. 210 Mn), CLC (Rs. 200 Mn) and LOLC Motors (Rs. 150 Mn), which was a move to strengthen the capital base of those companies.

Though the lending portfolio dropped, the Company continues to finance its subsidiaries on short-term funding requirements and the interest charged is also reflected as a main source of income. The Company reported an interest and related income amounting to Rs. 3.5 Bn compared to the previous year's Rs. 3 Bn showing a growth of 17%. However, the interest cost continues to grow as the borrowings made to fund the investments needs to be serviced and showed a higher proportionate increase (35%) from the last year amount of Rs. 2.5 Bn. The other income shows a significant reduction which is mainly due to the comparative year amount including the gain on the partial sale of LOFC and CLC for the purpose of listing them in the Colombo Stock Exchange, which amounted to Rs. 2.6 Bn. This could be seen as the main reason for the profit of the Company to shrink from Rs. 3 Bn to Rs. 34 Mn. In terms of expenses, a significant reduction in the overall expenses of the Company is noticeable which reduced from Rs. 1.9 Bn to Rs. 1.1 Bn which could be attributed to the fact that the operations of the lending business are now conducted by the respective subsidiaries.

With the transition to SLFRS's, as permitted by those standards, LOLC measured its investments in its key subsidiaries (LOFC, CLC and LOMC) and its investment in associate (PRASAC) at fair value on transition date (1 April 2011) so as to reflect the appropriate value of those investments and recognised the increase in the value of those investments on that date in equity. A total of Rs. 22.5 Bn increase in value was recognised in equity as a result of the valuation.

FINANCIAL SERVICES ■ As always, the financial services sector has been the key contributor to the LOLC Group in terms of profitability and income. This year was no exception and the sector stood strong and strengthened the performance of the Group. The sector reported a gross income of Rs. 26 Bn, a Rs. 6 Bn increase from the comparative year. However, the interest cost rose at a higher proportion to report a total expense of Rs. 14.6 Bn compared to Rs. 9.3 Bn last year, depicting a 57% increase, which took its toll on the net interest income and curtailed the growth in net interest income to Rs. 800 Mn.

INCOME (LOLC GROUP) (Rs. Mn)



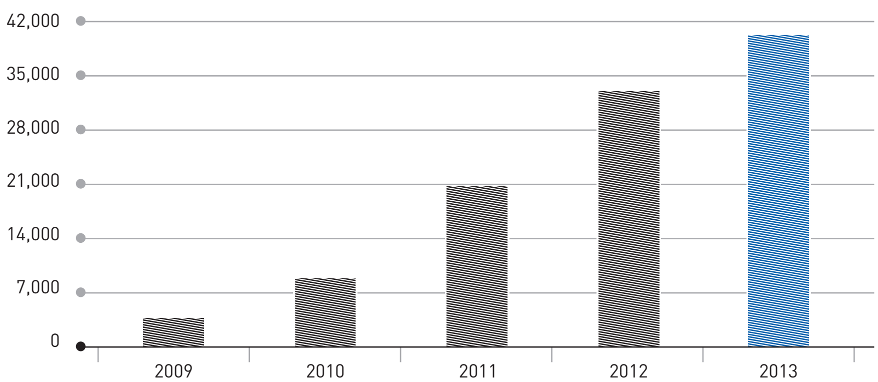
LANKA ORIX FINANCE PLC (LOFC) ■ LOFC remains the flagship financial services provider of the LOLC Group and recorded commendable results in the current financial year. The profitability of the Company slipped during the current financial year mainly caused by the significant increase in the borrowing cost and a conservative provision mechanism followed by the Company. The provisions during current year stood at Rs. 1.2 Bn compared to Rs. 72 Mn in the previous year. These factors caused a significant decline in the PBT and the PAT, which were Rs. 995 Mn and Rs. 686 Mn respectively compared to the previous year's Rs. 1.7 Bn and Rs. 1.2 Bn.

However, in terms of efficiency in cost management, the Company has fared well and has been able to maintain the cost to income ratio over the two years at 41%. Further, the effective tax rate of the Company has remained at 30%-31% over the two years confirming the efficient tax management steps initiated by the Company.

The loan portfolio grew by Rs. 5 Bn which is a 26% increase during the current year and was the main contributor for the overall portfolio growth. The lease portfolio was stagnant over the two years and the hire purchase portfolio showed a contraction from the previous year.

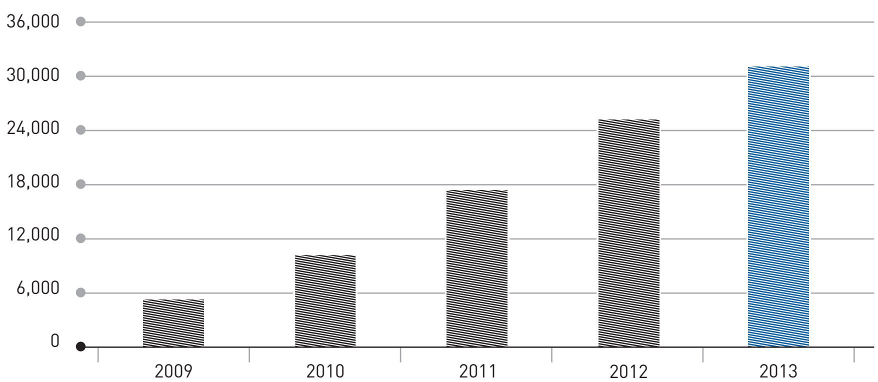
The lending portfolio of the Islamic Business Unit (IBU) stood at Rs. 4.5 Bn, which was 11% of the total lending portfolio of the Company, and is continuously gaining prominence within the business of LOFC. Further, the IBU portfolio surpassed the Rs. 1 Bn mark in gross income in the current year compared to Rs. 900 Mn recorded in the previous year.

LENDING PORTFOLIO (Rs. Mn)



Deposits being the main source of funding for the Company, who showed impressive growth attracting an additional Rs. 6 Bn during the current year to its existing base of Rs. 25 Bn to Rs. 31 Bn. The increase was fueled mainly by the increase in conventional fixed deposits. On the other hand, the overall deposit base of the IBU was stagnant over the two years and enabled the business unit to consolidate its position in the market and cater to the specific needs of the customers. A detailed look at the deposits base depicts that the Mudharabah deposits (Fixed) increased by 25% in the current year from Rs. 1.3 Bn to Rs. 1.7 Bn while the savings deposits showed a modest growth of 8% and stood at Rs. 233 Mn at the end of the year. However, the Wakala deposit base showed a reduction in the current year and the business unit is planning to attract a diverse clientele to grow the amount of deposits flowing in from this product.

DEPOSITS (Rs. Mn)



The equity of the Company increased to Rs. 5.4 Bn from Rs. 4.8 Bn, further strengthening the capital funds. The capital adequacy ratio of LOFC stood at a healthy level of 12% (minimum 10%), in spite of the portfolio growth, as a result of the Company being able to generate sufficient capital internally and has not sought the support of the shareholders to strengthen its capital base.

The gross NPL ratio of the Company stood at 5.3% and with the conservative provisioning basis followed by the Company, the net NPL ratio was only 1.7% implying a provision coverage ratio of 70%.

In terms of liquidity, the Company stood at a very healthy position, showing liquid assets of Rs. 6.6 Bn, which as a percentage of the deposits were 21% and much higher than the minimum requirement of Rs. 3.1 Bn.

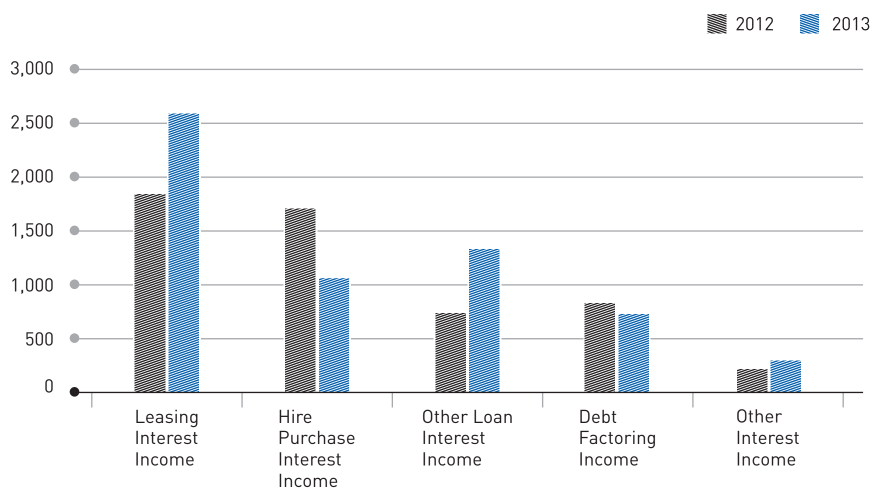
COMMERCIAL LEASING & FINANCE PLC (CLC) ■ Subsequent to the Company obtaining license to operate as a finance Company and commenced mobilising deposits, it has made tremendous progress in the current year with the deposits base growing almost by 10 times from Rs. 400 Mn to Rs. 3 Bn during the year. The deposit base growth was propelled via growth in the fixed deposit portfolio which stood at Rs. 2.9 Bn as at 31 March 2013.

Comparatively the lending portfolio showed a modest growth, increasing by Rs. 900 Mn from Rs. 24.1 Bn in the last year. The trend seen across the Group's lending portfolio was clearly visible in CLC as well where the lease and hire purchases portfolio contracted (by 14%), while the loan portfolio gained momentum and grew by 75%.

In terms of profitability the Company recorded a profit for the year of Rs. 1 Bn compared with Rs. 3 Bn recorded in the last year. The last year profits included a one off gain from the disposal of a subsidiary amounting to Rs. 2 Bn. Excluding this gain the underlying profits of the Company has remained at the same level of Rs. 1 Bn over the two years. The interest income and the interest cost grew by 13% and 16% respectively keeping in line with the portfolio growth and market interest movement. This resulted in the Company generating a net interest income of Rs. 3.5 Bn for the current year which is a 10% growth over the last year. CLC did not experience any significant fluctuations in its impairment provisions and maintained same at the range of Rs. 270 - Rs. 280 Mn.

The capital adequacy ratio of the Company was much higher than the industry averages and stood at 29.53% making the Company one of the highly capitalised finance companies in the industry. The gross and net NPL ratios of the Company was 2.98% and -0.33% respectively and the NPL's compared to equity was only 9.77%.

INCOME (CLC) (Rs. Mn)



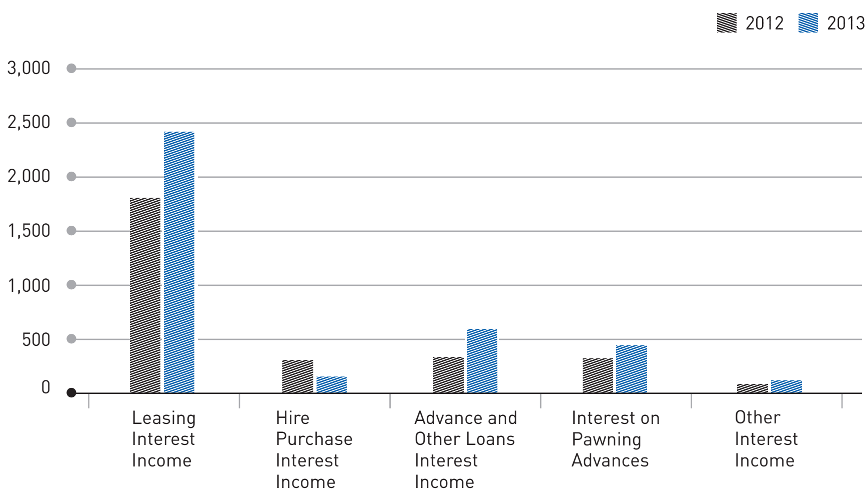
LOLC MICRO CREDIT LTD. (LOMC) ■ With a mere four years of existence the Company has grown in leaps and bounds in terms of business volumes, presence and reach and products offered and today, is one of the largest dedicated microfinance institutions in the country.

The Company recorded impressive growth in business volumes expanding its assets base from Rs. 14 Bn to Rs. 22 Bn, a growth of more than 50%. The growth in the asset base was underpinned by the significant growth in the lending portfolio which showed an increase of 37% from Rs. 12 Bn to close at Rs. 17 Bn. The growth in the portfolio was mainly supported by the bilateral and multilateral funding partners of LOMC which confirms the strong ties the Company has with its funding partners. During the current year, the Company sourced Rs. 7.3 Bn from these funding partners and Rs. 2.6 Bn from its local borrowing sources. At the year end, the Company possessed liquid assets in the form of Government Securities of Rs. 3.3 Bn much higher than the required amount of liquid assets to be maintained and this excess is expected to be disbursed over the next year which would accelerate portfolio growth in the next year as well.

The profits for the year of the Company showed an increase of Rs. 110 Mn (increase of 17%) to close at Rs. 780 Mn for the year compared to Rs. 669 Mn of the previous year. The top line of the Company grew by 30% in the current year from Rs. 2.9 Bn to 3.9 Bn. The interest expenses showed a higher proportionate increase amounting 88% from Rs. 966 Mn expense in the last year to Rs. 1,815 Mn in the current year. The Company showed a reversal of the provision for doubtful debts during the current year amounting to Rs. 97 Mn compared to a provision of Rs. 291 Mn in the year 2012, mainly owing to better collections of the Company. However, this did not materialise into growing the profit of the Company as the increase in the interest cost coupled up with the increase in the operating expenses curtailed any positive movements in the bottom line of the Company, which could have been expected given the growth in interest income arising from the portfolio growth.

The close and proper management of overdue contracts enabled the Company to restrict any increase in NPLs and the Company was successful in doing so, which is evident from the low NPL ratio of the Company which stood at 1.15%.

INCOME (LOMC) (Rs. Mn)



LOLC INSURANCE ■ LOLC Insurance, the insurance arm of LOLC, expanded its business lines to a fully-fledged insurance Company, which resulted in the Company recording remarkable financial results in the current year that were beyond comparison with the previous year. The Gross Written Premium of the Company was Rs. 1.4 Bn compared to Rs. 416 Mn in the previous year. The business scale of the Company increased tenfold which showed the claims paid to customers increased from Rs. 50 Mn to Rs. 596 Mn. The positive movement in the business scale resulted in the Company recording a modest profit in the current year amounting to Rs. 21 Mn compared to a loss reported in the previous year.

With the synergies of the LOLC Group and the island-wide presence of the LOLC branch network, the Insurance Company is expected to derive benefits and leverage its competitive advantage of not requiring to establish customer reach from scratch. Thus, this Company could look forward to having higher growth prospects in the future years.

LOLC LEISURE ■ The leisure sector of the Group is yet to derive its potential and has been contributing to the overall Group at a modest level. The two operating hotels coming under the arms of the LOLC leisure, namely Eden Resorts and Dikwella, reported Rs. 212 Mn and Rs. 24 Mn respectively as profits for the year.

The other hotels remained closed for a major refurbishment and in accordance with the strategic plan Riverina Hotels was amalgamated with Club Palm Garden in the current year. The buildings of Palm Garden Hotels that were subjected to accelerated depreciation over three years, commencing from the year 2011/12, was fully depreciated in the current year due to a change in expected usage of the assets. As a result of this, the Company recognised an additional depreciation of Rs. 139 Mn in the current year.

TRADING ■ This is a significant sector of the LOLC Group and is operated through LOLC's acquisition of the Browns Group. The sector makes a significant contribution to the top line of the Group and in the current year the Group saw Rs. 13.7 Bn being included in the gross income from this sector which was 34% of the total income of the Group. However, the ultimate contribution made by this sector to the PBT of the Group was comparatively lesser and was only Rs. 131 Mn which was a major reduction compared to Rs. 851 Mn contribution in the previous year.

PLANTATIONS ■ The Group's investment in this sector consist of Mathurata and Pussellawa Plantations, which are two joint venture companies which flows into the Group via the investment made in them by Browns Investments. The contribution by this sector to the Group income was Rs. 3.5 Bn compared to Rs. 3.1 Bn last year while the contribution to PBT showed a higher proportionate growth from Rs. 191 Mn to Rs. 466 Mn.

ORIX Nexus adds **Stability and Tenacity** to LOLC

THE ORIX CONNECTION ■ ORIX Corporation was established on 17 April 1964 in Osaka, Japan as Orient Leasing Company Ltd. by three trading companies and five banks. The Company's name was changed to ORIX Corporation in 1989, in order to reflect its increasingly international profile and to mark a move beyond leasing into other financial services. ORIX Corporation is listed on the Tokyo and New York Stock Exchanges. ORIX began operations with a 13-member staff, including the current Chairman and CEO Yoshihiko Miyauchi.

A pioneer in leasing, ORIX has remained on the leading edge of financial innovation since its inception. Its growth strategy, based on strategic and geographical expansion, exhibits a boldness and scope that sets it apart from other large Japanese financial services firms.

In the 1980s, new entrants and competition within the leasing industry increased, causing existing leasing companies to provide more specialised services related to leasing, as well as focus on increasing international leasing activities. ORIX established offices in Sri Lanka, Taiwan, China, Australia, New Zealand and Pakistan, establishing the foundation for operations in Asia and the Middle East.

Today, ORIX enjoys a diversity of revenue streams from operating and financing leases, low margin business, auto and equipment leasing, insurance, corporate rehabilitation, loan servicing, real estate and other specialised finance, investment and retail banking and value added services. It provides innovative, value added financial products and services to SMEs through a global network spanning 27 countries and regions worldwide. The Group consists of 642 consolidated subsidiaries and 88 affiliates, with a total of 1,192 offices in Japan and another 343 locations in the United States, Asia, Oceania, Europe, the Middle East and Africa.

ORIX also created an organisational framework that is able to provide full-scale services towards the achievement of a low-carbon society with the establishment of the Environment and Eco Services Department and ORIX Environmental Resources Corporation.

ORIX also actively expanded the real estate operation business. ORIX operates a wide variety of facilities including golf courses, hotels, Japanese inns, aquariums and senior residences.

ORIX continued its overseas expansion by re-entering China. In 2004, ORIX established a rental company in Tianjin, and in 2005 established a leasing company in Shanghai. In 2009, ORIX established its Chinese Headquarters in Dalian. ORIX has also set up local subsidiaries in Saudi Arabia, the United Arab Emirates and Kazakhstan.

The Group continued to focus on its dual management strategy of accelerating the pace of 'Finance + Services' and 'Embracing Growth in Emerging Markets such as Asia' and the realisation of stable operations and steady growth, through enhanced financial stability and comprehensive risk management.

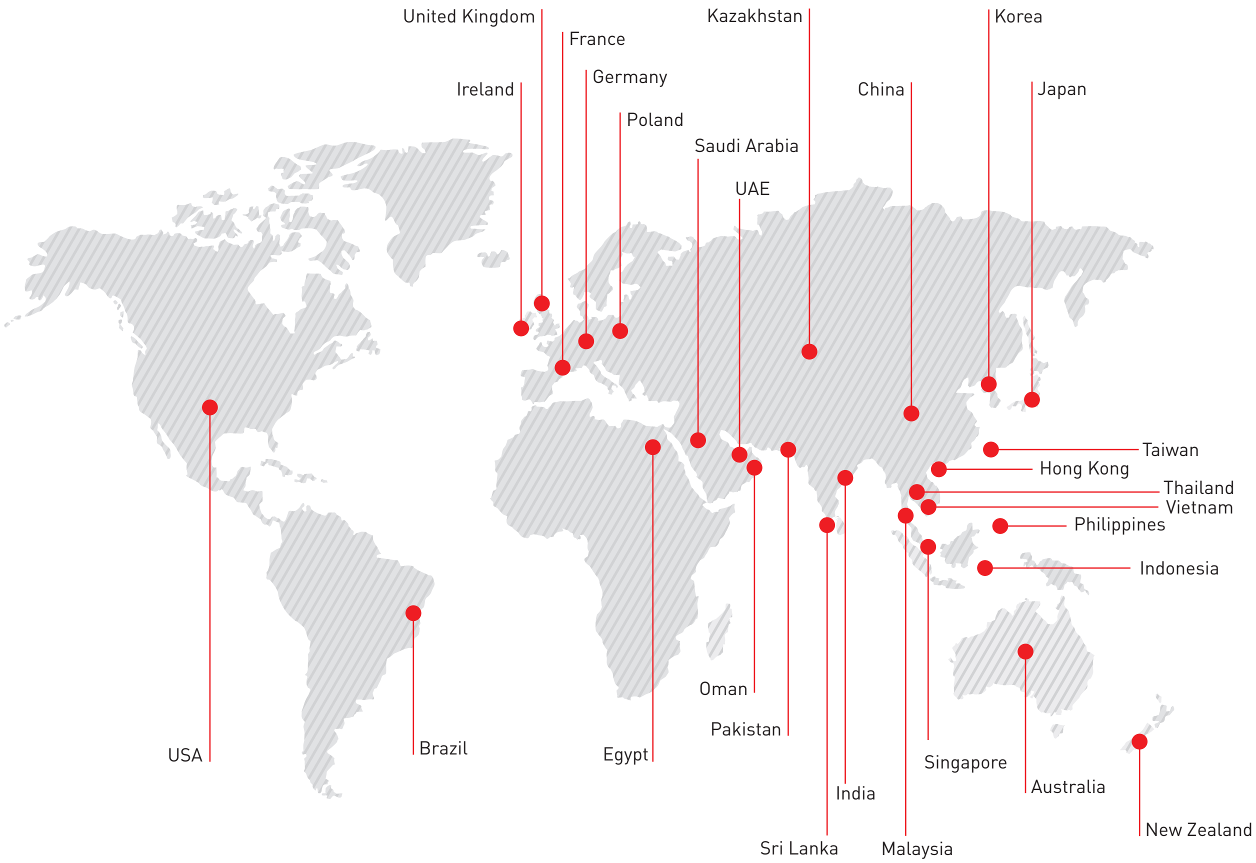
The persistent development of new businesses and the pursuit of excellence is what LOLC too maintains in its management philosophy. This helps LOLC to keep one step ahead of the competition, by constantly seizing new business opportunities. The future outlook of LOLC reflects its determination to consolidate its progress. LOLC has demonstrated its capabilities with agility to expand the scope of its operations by consistently monitoring the country's national outlook and responding with strategic moves.

LOLC'S POSITION UNDER ORIX'S WING ■ ORIX Corporation maintains a 30% stake in LOLC. Its involvement is further strengthened by it nominating two Directors to the LOLC Board. These nominees are Senior ORIX Executives. ORIX is LOLC's single largest shareholder. Since inception, ORIX has always been a pillar of strength, offering support at every level from Board decision-making to routine operations. In view of the global emergence of huge financial services conglomerates and mega financial institutes, strong corporate governance systems, our association with ORIX helps sustain stability and growth in shareholder value.

LOLC's response has sustained steady growth, financial performance and diversification. Today LOLC is regarded as one of the most successful ventures under the ORIX aegis, winning internal awards for **'Outstanding Performance'** among ORIX companies and **'Excellent Performance'** in the overseas operations category. It is a matter of great pride for LOLC to win such accolades in a field of 100 overseas ORIX subsidiaries.

LOLC is confident that growth will continue in the years ahead, building on its past performance.

GLOBAL ORIX NETWORK



Our Fountainhead...
from where all
bounty flows

GLOBAL FUNDING PARTNERS

	Institution	Type of Facility	Purpose of Funding	Value Addition
OPEC	Organisation of the Petroleum Exporting Countries Fund for International Development (OPEC)	Long-term US$ Loan	SME sector financing and development	
FMO Finance for Development	The Netherlands Development Finance Company (FMO) - Netherland	Long-term US$ Loan/ Equity Tier I & II and debt capital for the microfinance company	SME and Microfinance sector financing and development	Environmental policy; Anti-Money Laundering policy
Proparco GROUPE AGENCE FRANÇAISE DE DÉVELOPPEMENT	French Development Agency Group (PROPARCO) - France	Long-term US$ Loan	Tsunami-affected SME sector financing, SME sector financing and development	Environmental policy; Anti-Money Laundering policy
DEG KFW BANKENGRUPPE	Deutsche Investitionsund Entwicklungsgesellschaft mbH (DEG) - Germany	Long-term US$ Loan	SME sector financing and development	Environmental policy; Anti-Money Laundering policy, Liquidity risk management technology
bio Development through Investment	Belgium Investment Organisation (BIO) - Belgium	Long-term US$ Loan	SME sector financing and development	Environmental policy; Anti-Money Laundering policy
OPIC	Overseas Private Investment Corporation (OPIC)	Risk Sharing Facility with CitiBank, Colombo	SME sector financing and development	Environmental policy; Anti-Money Laundering policy
USAID FROM THE AMERICAN PEOPLE	United States Agency for International Development (USAID) - USA	Portable Guarantee Scheme	Microfinance sector development in Eastern and Uva Provinces	Environmental policy- Anti-Money Laundering
FINNFUND	FINNISH Development Finance Company (FINNFUND) - Finland	Long-term US$ Loan	SME sector financing and development	Environmental policy; Anti-Money Laundering policy

Institution	Type of Facility	Purpose of Funding	Value Addition
European Investment Bank (EIB)	Long-term Rupee/Euro Refinancing Scheme	Tsunami-affected SME sector development and support in tourism sector	Environmental policy; Anti-Money Laundering policy
The World Bank	Long-term Refinancing Rupee Loan	Refinancing of rural sector renewable energy development	Environmental policy; Anti-Money Laundering policy
Japan Bank for International Corporation (JBIC) - Japan	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
Asian Development Bank (ADB)	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 US$ Loan	SME sector financing & Development with Canadian imports	
Nippon Export and Investment Insurance (NEXI) - Japan ING Bank - Japan Citi - Japan Citi Bank and ING Bank Tokyo being the lenders and Nexi as the guarantor	Long-term US$ Loan	SME sector financing and development	
Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) - Germany	Technical Assistance for Microfinance	Development of Microfinance sectors	Promotion of Microfinance sector

	Institution	Type of Facility	Purpose of Funding	Value Addition
	Triple Jump - Netherlands	Long-term EURO Loan	Microfinance sector development	
	Triodos Bank - Netherlands	Long-term EURO Loan	Microfinance sector development	
	Symbiotics - Switzerland	Long-term US $ Loan	Microfinance sector development	
	ResponsAbility - Luxembourg	Long-term US$ Loan	Microfinance sector development	
	Minlam Microfinance Fund - New York	Long-term US$ Loan	Microfinance sector development	
	International Finance Corporation	Technical Assistance	Development of Microfinance sector	Institutional capacity development
	Blue Orchard - Switzerland	Long-term US$ Loan	Microfinance sector development	
	Developing World Markets - USA	Long-term US$ Loan	Microfinance sector development	
	Norwegian Microfinance Initiative (NMI) - Norway	Long-term US$ Loan	Microfinance sector development	
	Bank IM Bistum Essen e.G. - Germany	Long-term US$ Loan	Microfinance sector development	
	Treetops Capital (Gawa Microfinance Fund 1) - Luxembourg	Long-term US$ Loan	Microfinance sector development	
	Grameen Credit Agricolé Microfinance Foundation	Long-term EURO Loan	Microfinance sector development	
	Citibank Nassau	Long-term US$ Facility	Microfinance sector development	

ACCOUNTS

BOARD OF DIRECTORS






MRS. R.L. NANAYAKKARA
Non-Executive Chairperson

MR. I.C. NANAYAKKARA
Executive Deputy Chairman

MR. W.D.K. JAYAWARDENA
Group Managing Director/CEO

DESHAMANYA M.D.D. PIERIS
Independent Director

MR. R.A. FERNANDO
Independent Director

MRS. K.U. AMARASINGHE
Executive Director




MR. R.M. NANAYAKKARA
Non-Executive Director

MR. Y. OSHIMA
Non-Executive Director

MR. H. YAMAGUCHI
Non-Executive Director

MISS C.S. EMMANUEL
Company Secretary

MRS. R.L. NANAYAKKARA ■ Mrs. Rohini Nanayakkara was appointed to the Board of Directors of the Company as an Independent Non-Executive Director in August 2004 and assumed duties as Chairperson of LOLC and its subsidiaries. She holds a Second Class BA Honours Degree from the University of Peradeniya, Sri Lanka. She also holds a Diploma in French from the Chamber of Commerce, Brussels. She is a Fellow of the Institute of Management and the Institute of Bankers, Sri Lanka. She was also a Past President of the Sri Lanka Banks' Association, Association of Professional Bankers, a member of the Commission of the University of Colombo, Sri Lanka and of the Task Force set up by the Government for Tsunami Re-construction.

She was the first woman executive to join a commercial bank, namely Bank of Ceylon, with the rare distinction of becoming the first woman General Manager/CEO of a bank in Sri Lanka and the Asian Region.

She was also Chairperson/Director of several financial institutions such as the National Development Bank, DFCC Bank, Merchant Bank of Sri Lanka and the First Capital Group of Companies. She has served as Director/General Manager/CEO of one of the largest private banks namely, Seylan Bank PLC.

She is presently the President of United Nations Association of Sri Lanka and also the Chairperson of NDB Venture Investments (Pvt) Ltd. and Taprobane Holdings Ltd. She is also a Director of Overseas Realty (Ceylon) PLC, Mireka Homes (Pvt) Ltd. and Eastern Merchants PLC and Chairperson of some companies within the Browns Group.

MR. I.C. NANAYAKKARA ■ Mr. Ishara Nanayakkara is an astute businessman who holds Directorial positions in many corporates and conglomerates in Sri Lanka.

He ventured into the arena of financial services with the strategic investment in LOLC PLC and was appointed to the Board in 2002. He has an exposure to an array of financial services through his stewardship in two flagship finance companies in the Group - Lanka ORIX Finance PLC and Commercial Leasing & Finance PLC (CLC) where he is involved as an Executive Director and Chairman respectively.

He is also involved in both life and general insurance through LOLC Insurance Company Ltd. and in stock broking through LOLC Securities Ltd., factoring through LOLC Factors Ltd. and deeply involved in microfinance and Islamic finance. He is recently appointed as the Deputy Chairman of Seylan Bank PLC, reinstating his expertise in the banking sector.

His interest in micro finance is evident through his recurrent contribution to PRASAC, the largest microfinance Company in Cambodia and in his own initiative, LOLC Micro Credit Ltd, one of the largest private sector microfinance institutions in Sri Lanka, where he currently serves as the Chairman. This commitment is further extended through his newest venture in LOLC Myanmar Micro Finance Company Ltd., where he is the founding Chairman. He was instrumental in the recent joint venture of BRAC and LOLC.

His passion for Renewable energy is reflected through the energy portfolio of the LOLC Group - comprising hydro power, agri waste and bio-mass - a promising source of alternate energy. The sustainable investments of the LOLC Group companies are poised to offer their share to the environment.

Mr. Nanayakkara is also conversant in sustainable forestry and plantation through Group companies - Maturata, Pussellawa and Gal Oya Plantations. Agstar Fertilizers PLC, a leading agri input provider in the country, has further enhanced the Group's contribution to the agriculture and plantation sectors.

The participation in Sierra Constructions (Pvt) Ltd., one of the largest construction companies in the country is timely, considering the contribution of the construction sector to the post-war development.

Mr. Nanayakkara is focused on the immense opportunities presented by the leisure sector. With the acquisitions of some of the leading hotels in the Southern coast alongside key properties in the North and East, development plans are underway for the leisure subsidiaries of LOLC Group and Browns Group - Eden Hotel Lanka PLC, Palm Garden Hotels PLC, Tropical Villas (Pvt) Ltd., Riverina Resorts (Pvt) Ltd. and Dickwella Resorts (Pvt) Ltd., Samudra Beach Resort in Kosgoda and Green Paradaise Agri Eco Hotel in Dambulla.

Mr. Nanayakkara is the Executive Chairman of Brown and Company PLC, the holding company of Browns Group, a conglomerate with leading market position in trade, leisure, manufacturing, consumer appliances and agriculture equipment. He is also the Chairman of Browns Investments PLC, the investing arm of the Browns Group.

Mr. Nanayakkara's involvement in multifaceted business fields is conclusive proof of his perpetual interest on the growth sectors of the Sri Lankan economy.

He holds a Diploma in Business Accounting from Australia.

MR. W.D.K. JAYAWARDENA ■ Mr. Kapila Jayawardena was appointed as the Group Managing Director/CEO of LOLC in June 2007. He holds a MBA in Financial Management, is an Associate of the Institute of Cost and Executive Accountants and was awarded Fellowship of the Institute of Bankers (IBSL) in 2006.

He has varied experience in the fields of Banking, Audit, Relationship Management, Corporate Finance, Corporate Banking, Investment Banking and Treasury Management. Mr. Jayawardena was appointed the Chairman of the Sri Lanka Banks' Association (SLBA) in 2003/04 and served as President of the American Chamber of Commerce in Sri Lanka in 2006/07. He served as a Director of Lanka Clear, National Institute of Business Management (NIBM) and the Institute of Bankers of Sri Lanka (IBSL).

Mr. Jayawardena was appointed to the Financial Sector Reforms Committee (FSRC) and was a member of the Finance Sector and Capital Markets Cluster of the National Council of Economic Development (NCED). He was a key member of the inaugural sovereign rating team and sovereign debt for Sri Lanka appointed by the Governor of the Central Bank. He was presented with the prestigious Combined Support Group Award by the US Navy for services rendered after the tsunami in 2005. The Government of Sri Lanka appointed him to the Board of the Sri Lanka Fulbright Commission in 2010.

Mr. Jayawardena was appointed to the Council of the National Chamber of Commerce of Sri Lanka on 27 January 2011.

Mr. Jayawardena has over 27 years experience in all areas of banking, out of which 9 years in the capacity of CEO/ Country Head Citibank Sri Lanka and Maldives. He was the first Sri Lankan to be appointed a Senior Credit Officer (SCO) by Citibank in Sri Lanka. During his leadership Citibank in Sri Lanka was rated AAA by Fitch Rating in Sri Lanka. Citibank Sri Lanka was the first foreign Bank to obtain a AAA rating.

Mr. Jayawardena is the Chairman of Lanka ORIX Finance PLC, LOLC Insurance Co. Ltd., LOLC General Insurance Ltd., LOLC Life Insurance Ltd., LOLC Securities Ltd., Speed Italia (Pvt) Ltd., United Dendro Energy (Pvt) Ltd., Palm Garden Hotels PLC and Eden Hotel Lanka PLC.

He is also on the Boards of LOLC Micro Credit Ltd., Commercial Leasing & Finance PLC, which are subsidiaries of the LOLC Group. Mr. Jayawardena is also a Director of Brown & Co. PLC and Browns Investments PLC.

DESHAMANYA M.D.D. PIERIS ■ Deshamanya Dharmasiri 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.

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 the Sri Lanka Broadcasting Corporation.

He has also acted on several occasions in addition to his duties, in the posts of Secretary to the Ministry of Defence 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 Boards of Management of several Universities and Postgraduate Institutes.

He has been a Director of the People's Bank, the People's Merchant Bank 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.

Within the LOLC Group, he has also served as Director on the Board of Lanka ORIX Finance PLC, as well as some subsidiaries of the LOLC Group. He also serves on the Risk Management Committee, Audit Committee and the Remuneration Committee, whilst Chairing the Corporate Governance Committee and the Nomination Committee.

Currently, he also serves as Deputy Chairman - Mercantile Merchant Bank Ltd. and as member of the Board of MMBL Logistics (Pvt) Ltd., MMBL Money Transfer (Pvt) Ltd., Mountain Hawk Express (Pvt) Ltd. and Pathfinder Holdings (Pvt) Ltd.

Deshamanya Pieris also serves on the Boards of a few Postgraduate Institutes of Universities and is the Chairman pro tem of the S.W.R.D. Bandaranaike National Memorial Foundation responsible for the management of the B.M.I.C.H./ B.C.I.S. Complex. He is also currently a member of the Board of the Sri Lanka Foundation Institute and the Senior Advisor to the Governing Board of the Regional Centre for Strategic Studies.

MR. R.A. FERNANDO ■ Mr. Ravi Fernando is 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 Programme at the INSEAD Business School (in France). He is an Alumni of the University of Cambridge Programme for Sustainable Leadership having Completed the Climate Leadership Programme in 2007, the Postgraduate Certificate in Sustainable Business at Cambridge University in 2008 with Distinction and Master's in Sustainable Leadership at Cambridge University in 2013.

He is Operations Director - Malaysian Blue Ocean Strategy Institute since December 2011.

His career with Multinationals - Unilever, Sterling Health, SmithKline Beecham International and covered Africa, Middle East and Asia in CEO/Marketing Management positions. He was the first CEO SLINTEC (Sri Lanka Institute of Nanotechnology) in 2008-2010.

In Academia, he was a faculty member of the INSEAD Advanced Management Programme from 2005-2010 and an Executive in Residence at the INSEAD Social Innovation Centre from September 2010. He is also a visiting faculty member at the Deusto Business School in Spain and the University of Colombo MBA Programmes. In September 2007, he won a 'Global Strategy Leadership Award' at the World Strategy Summit for his work on Ethical Branding for the Sri Lankan Apparel and Tea sectors.

MRS. K.U. AMARASINGHE ■ Mrs. Kalsha Amarasinghe was appointed to the Board in August 2002. She holds an Honours Degree in Economics.

She serves on the Boards of Lanka ORIX Finance PLC, LOLC Micro Credit Ltd., LOLC Insurance Company Ltd., United Dendro Energy (Pvt) Ltd., Palm Garden Hotels PLC and Eden Hotel Lanka PLC. She also serves as a Director on the Boards of Commercial Leasing & Finance PLC, Brown & Company PLC and Browns Investments PLC.

MR. R.M. NANAYAKKARA ■ Mr. Rajah Nanayakkara is the founder and Executive Chairman of Ishara Traders (Pvt) Ltd., a business which pioneered the import and sale of new and reconditioned motor vehicles. Thirty years later, this organisation remains an industry leader. He was also the founder Chairman of the Motor Vehicle Importers Association of Sri Lanka, and continues to play a significant role.

Mr. Nanayakkara is also the Chairman of Ishara Plantations (Pvt) Ltd. - an Award Winning Estate of Tea and Spices - and Chairman of Ishara Property Development, a company which has been involved in construction for the past 18 years.

MR. Y. OSHIMA ■ Mr. Oshima joined ORIX in 1971. He served as head of various overseas operations including Korea, Hong Kong and the USA. After serving as an Executive Officer, Head of International Headquarters from June 2005, Mr. Ohshima was appointed Chairman of ORIX USA Corporation in January 2009.

In September 2012, he was made a Corporate Executive Vice President and was appointed Head of Global Business and Alternative Investment Headquarters, Regional Director for China.

MR. H. YAMAGUCHI ■ Mr. Yamaguchi joined ORIX in 1990. He served as head of various overseas operations including Indonesia and Thailand. After serving as Chairman & CEO of ORIX Auto Leasing (Thailand) Co. Ltd. from 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 and Alternative Investment Headquarters, ORIX Corporation.

MISS C.S. EMMANUEL ■ Miss Chrishanthi Emmanuel is a Fellow of the Institute of Chartered Secretaries and Administrators - UK and a Fellow of the Institute of Chartered Corporate Secretaries (Sri Lanka). She is Company Secretary of several companies within the LOLC Group and brings over 20 years of experience to the role.

CORPORATE MANAGEMENT TEAM









GAYANI DE SILVA
Chief Officer -
SME Development Finance & CRM - LOLC

SRIYAN GURUSINGHE
Managing Director/Chief Executive Officer -
LOLC Securities Ltd.

JACQUELINE LORD
Chief Human Resources Officer -
LOLC Group

BRINDLEY DE ZYLVA
Managing Director/Chief Executive Officer -
Lanka ORIX Finance PLC

GUNENDRA JAYASENA
Chief Administration Officer - LOLC Group
General Manager -
LOLC Ventures Ltd.

ASHAN NISSANKA
Chief Officer -
Branch Network - LOLC

ANURA L. DHARMAPREMA
Corporate Executive Officer -
Recoveries - LOLC

SOLOMON JESUDASON
Chief Officer -
Marketing Operations - LOLC

ROHAN PERERA
Group Treasurer









CONRAD DIAS
Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd.

Chief Information Officer - LOLC Group

JAYANTHA KELEGAMA
Chief Credit Officer - LOLC

GEHAN RAJAPAKSE
Chief Executive Officer - LOLC Insurance Company Ltd.

DHARINI FERNANDO
Chief Operating Officer - LOLC Insurance Company Ltd.

SUNJEEVANI KOTAKADENIYA
Chief Financial Officer - LOLC Group

KRISHAN THILAKARATNE
Director/Chief Executive Officer - Commercial Leasing & Finance PLC

Chief Executive Officer - Islamic Business Unit of LOFC and Valuation Business Unit

KITHSIRI GUNAWARDENA
Chief Operating Officer - LOLC,

Chief Legal Officer - LOLC Group

GRAHAM LAWRENCE
Director/Chief Executive Officer - LOLC Factors Ltd.

Chief Officer - Metropolitan Branch Network - LOLC

RAVI TISSERA
Director/Chief Executive Officer - LOLC Micro Credit Ltd.

SHARMINI WICKREMASEKERA
Chief Risk Officer -
LOLC Group

GAYANI DE SILVA

Attorney-at-Law, MBA (University of Sri Jayewardenepura)
Chief Officer - Small & Medium Enterprises, Development Finance & Customer Relationship Management

Joined in 1994. Counts over 19 years' experience in Financial Services, covering areas of Credit, Marketing, Value Chain Management, Corporate Re-Structuring, Strategic Planning, Marketing and Corporate Communication, Business Development, Strategic Tie-Ups, Customer Relationship Management, Call Centre Management and SME and Development Finance Portfolio Management.

BRINDLEY DE ZYLVA

Managing Director/Chief Executive Officer - Lanka ORIX Finance PLC

Joined in 2003. A Fellow of the Sri Lanka Institute of Credit Management. Counts over 29 years' experience in the Non-Banking Financial Services Sector and currently, serves the Industry as a Director of the Finance Houses Association of Sri Lanka and The Financial Ombudsman Sri Lanka (Guarantee) Ltd. He is also the Honorary Secretary of the Sri Lanka Institute of Credit Management.

ANURA L. DHARMAPREMA

Corporate Executive Officer - Recoveries - LOLC

Joined in 1998. Counts over 24 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.

CONRAD DIAS ■

FCMA (UK), CGMA, MBCS (UK), MBA (University of Leicester)
Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd., Chief Information Officer - LOLC Group

Joined in 2006. Counts over 22 years of experience in Information Technology, Software Engineering, Project Management, Strategic and Investment Planning, Finance Management, Corporate Restructuring and Unit Trust and Fund Management. Possesses domain expertise in sectors such as Trading, Banking and Finance, Asset Management and Manufacturing.

DHARINI FERNANDO ■

Chartered Insurer, Associate of the Chartered Insurance Institute of London (ACII)
Chief Operating Officer - LOLC Insurance Company Ltd.

Joined in December 2010 and successfully set up both Life and General Insurance businesses for multiline operations. Counts nearly 20 years' experience and has worked with a number of leading multinational insurance companies in varying roles at senior management level. Wide exposure and experience in Managing Reinsurance, Property, General Accident and Health, Casualty and Life Assurance. She has also been closely involved in the implementation of insurance systems in multinational companies.

KITHSIRI GUNAWARDENA ■

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

Joined in 2004. Counts over 23 years of experience as a Lawyer. 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 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. Kithsiri has been appointed as a Director of several subsidiaries within the LOLC Group.

SRIYAN GURUSINGHE ■

ICMQ (UK)
Managing Director/Chief Executive Officer - LOLC Securities Ltd.

Joined in 2011. Counts over 20 years of experience in stock brokring. Previously Director/General Manager at Ceylinco Stock Brokers for 14 years. He is the Immediate Past President to Colombo Stock Brokers' Association.

GUNENDRA JAYASENA ■

Chief Administrative Officer - LOLC Group,
General Manager - LOLC Ventures

Joined in 2007. Counts over 20 years of experience in Manufacturing, Administration, Renewable Energy and Plantation Management. Gunendra has been appointed as a Director of several subsidiaries within the LOLC Group.

SOLOMON JESUDASON ■

Chief Officer - Marketing Operations - LOLC

Joined in 1988. Counts over 25 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.

JAYANTHA KELEGAMA ■

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

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.

SUNJEEVANI KOTAKADENIYA ■

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

Joined in 2005 and responsible for the finance function of the Group. Counts over 25 years of experience in Financial Management and General Management including Strategic Planning, Insurance, Fund Management and Administration, IT Management, Treasury Management, New Business Set-up, Process Re-engineering, Change Management, ERP Implementation and Project Management. Extensive experience in Insurance, Financial Services and Leisure Sectors. Sunjeevani has been appointed as Director of identified subsidiaries within the LOLC Group. Board Member, CIMA Sri Lanka.

GRAHAM LAWRENCE ■

Director/Chief Executive Officer - LOLC Factors Ltd., Chief Officer - Metropolitan Branch Network - LOLC

Joined in 1992. Counts over 25 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.

JACQUELINE LORD ■

Chief Human Resources Officer - LOLC Group

Joined in 2006. Counts 22 years of experience in HR in Diverse Business Sectors. Experienced in the Development and Execution of Human Resource strategies, HR Business Plans and Budgeting, setting up of HR Systems for new business ventures and in the implementation of strategic initiatives including Reorganisation and Automation of HR Processes, etc. External to the Human Resource field, she has gained expertise in the field of Administration/Infrastructure Management.

ASHAN NISSANKA ■

MBA, CIM (UK), MSLIM , Practicing Marketer (SL)
Chief Officer - Branch Network - LOLC

Joined in 1998. Counts over 20 years of experience in Financial Services Sector with wide cross disciplinary exposure in Banking, Credit Management, Marketing and Channel Administration. Currently, specialises in Strategic Marketing Planning, Retail Sales, Channel Development, and General Management.

ROHAN PERERA ■

MBA, Edith Cowan University of Perth, Australia
Group Treasurer

Joined in 2007. Counts over 27 years of experience concentrated on Banking and Corporate Treasuries with expertise in Treasury Management including Strategic Risk Management 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 in largest conglomerates in Sri Lanka. Pioneered the concept of Corporate Treasuries in Sri Lanka and involved in setting up of the Corporate Treasurers' Association as its Founder President.

GEHAN RAJAPAKSE

MBA (University of Sri Jayewardenepura), ACCA (UK), B.A. (Econ.) Hon. (University of Colombo.)

Chief Executive Officer - LOLC Insurance Company Ltd.

Joined in July 2012. Counts over 20 years of experience in both General and Life Insurance in varying roles at senior management level. Has wide work experience in management, asset management, bancassurance, investments and distribution of General and Life Insurance products.

KRISHAN THILAKARATNE

AIB (SL)

Director/Chief Executive Officer - Commercial Leasing & Finance PLC., Chief Executive Officer - Islamic Business Unit of LOFC and Valuation Business Unit

Joined in 1995. Counts over 23 years of experience in Banking and Financial Institutions with expertise in Credit, Marketing, Factoring, Leasing and Channel Management. Conceptualised and introduced Islamic Finance to LOLC in 2007.

RAVI TISSERA

Postgraduate Diploma in Marketing, Member of Chartered Institute of Marketing UK.

Director/Chief Executive Officer - LOLC Micro Credit Ltd.

Joined in 1993. Counts over 20 years' experience as a Development Finance Specialist inclusive of experience in SME Banking, Leasing and Microfinance Sectors. Has followed Strategic Leadership Training in Microfinance at Harvard Business School. He was instrumental in conceptualising and introducing microfinance to LOLC in 2009. Ravi is also on the Board of Sundaya Lanka (Pvt) Ltd. and LOLC Micro Investments Ltd. which are subsidiaries of the LOLC Group.

SHARMINI WICKREMASEKERA

CISA & CRISC - USA

Chief Risk Officer - LOLC Group

Joined in 1983. Counts over 30 years of experience in Finance, Accounting, Credit, Internal Auditing, Information Systems Auditing and Governance, Enterprise-wide Risk Management, Business Continuity Management and Business Process Re-engineering. Member and a Past President of ISACA Sri Lanka Chapter. Lead the processes of ERM at LOLC and the ISACA SL Chapter to a level of gaining global recognition.

OPERATIONAL MANAGEMENT TEAM









JUDE ANTHONY
DGM - Branch Network -
Commercial Leasing & Finance PLC

MEHRA MENDIS
DGM - Fleet Management - LOLC

ISAAC DEVSHANKER
AGM - Metro Region - LOLC

SUSAAN BANDARA
Head of Marcom - LOLC Group

NIHAL WEERAPANA
DGM - Recoveries -
Commercial Leasing & Finance PLC

JAYANTHA DHARMAPRIYA
AGM - Legal - LOLC

CHRISHANTHI EMMANUEL
Company Secretary

ROSHANI WEERASEKARA
DGM - Marketing - Savings & Deposits -
Lanka ORIX Finance PLC

SALIYA DIAS
AGM - Life (Technical & Operations) -
LOLC Insurance Company Ltd.









JITHENDRA GUNATILAKE
DGM - Finance Operations - LOLC

MALLIKA ABEYKOON
AGM - Finance Operations - LOLC

HESHAN FERDINAND
AGM - General (Technical & Operations) -
LOLC Insurance Company Ltd.

CHANDANA JAYANATH
DGM - Recoveries - LOLC

DEEPAMALIE ABHAYAWARDANE
AGM - Client Management - CLC Factors Ltd.

YANIK FERNANDO
AGM - Eastern and Uva Regions - LOLC

ROHANA KUMARA
DGM - Micro Finance -
LOLC Micro Credit Ltd.

ROHANA CHANDRASIRI
AGM - Branches - LOLC Securities Ltd.

ENOKA JAYAMPATHY
AGM - Finance Corporate - LOLC









GAMINI JAYAWEERA
AGM – Northern and North Central Regions - LOLC

SUDATH PREMARATNE
AGM – Recoveries - LOLC

BAHIRATHAN SHANMUGALINGAM
AGM - Finance Operations - LOLC

SANJAYA KALIDASA
AGM – Treasury - LOLC Group

SHANTHA RODRIGO
AGM - Central Region - LOLC

PREETHIMALI SOOSAITHASAN
AGM - Client Management - LOLC Factors Ltd.

NISHANTHI KARIYAWASAM
AGM - Finance Corporate - LOLC

MANISH RODRIGO
AGM - Sales - LOLC Securities Ltd.

SUJEEWA VIDANAPATHIRANA
AGM - Business Development (General Insurance) - LOLC Insurance Company Ltd.



PRADEEP ULUWADUGE

AGM - Human Resources - LOLC Group

Head of Human Resources and Administration – Commercial Leasing & Finance PLC

MONTINI WARNAKULA

AGM - Western II and North-Western Regions - LOLC

GAYANTHA WEERAKOON

AGM - Enterprise Risk Management - LOLC Group

LOLC Leisure Ltd.





AJIT JAYEMANNE

Consultant/Director - Project Development - LOLC Leisure Ltd.

JAYANTHA DE SILVA

Head of Sales and Marketing - LOLC Leisure Ltd.

TILAK S. SELVIAH

Consultant/Director - Projects - LOLC Leisure Ltd.

MIRZA BORHAM

Manager - Dickwella Resort & Spa

EKSATH WIJERATNE

General Manager - Eden Resort & Spa

United Dendro Energy (Pvt) Ltd.

HARESH KARUNANAYAKE
Managing Director -
United Dendro Energy (Pvt) Ltd.

SURESH NAVARATNAM
Deputy General Manager - Plantations -
United Dendro Energy (Pvt) Ltd.

LOLC Motors Ltd.

RAMESH KARIYAWASAM
Head of Operations - LOLC Motors Ltd.

ANNUAL REPORT OF THE BOARD OF DIRECTORS ON THE AFFAIRS OF THE COMPANY

Throughout its history, the Company has been a pioneer, preferring to lead than to follow. At its inception, it introduced a new product, which grew to be an industry. Sensitive to the shifting economic landscape, the Company set up subsidiaries which introduced factoring, took microfinance to a new level, and gave enhanced accessibility to Islamic finance. Optimising the financial products, other subsidiaries offer insurance and stockbrokering. When the country began its journey at the end of the conflict, the Company quickly identified growth areas and boldly diversified into construction and leisure. Strategic investments have brought renewable energy, vehicle maintenance and manufacturing to the range of products offered.

Like a wellspring of water, the Company has spurred growth, expanded its reach and benefited those in its environment.

As the industry grew and developed, the Company played a leading role in setting up the Leasing Association of Sri Lanka, which was a forum for others in the industry to share concerns and take strategic, collective decisions for the betterment of the industry. With the cessation of operations, Group companies now come forward, being among the leaders in their respective industries and setters of standards for reporting, compliance and performance.

LOLC subsidiaries are themselves seeking strategic investments and the holding Company supports this with analysis, funding and advice.

As LOLC provides shared services to Group companies, back office processes and controls are keenly examined, with a view to improving productivity, strengthening controls and generally optimising the support provided to Group companies while maintaining standards which would satisfy regulators, financiers and other stakeholders.

THE BOARD OF DIRECTORS ■ The Board of Directors is as follows:

Rohini Lettitia Nanayakkara	-	Non-Executive Chairperson
Ishara Chinthaka Nanayakkara *(Also alternate to R.M. Nanayakkara)*	-	Executive Deputy Chairman
Waduthantri Dharshan Kapila Jayawardena	-	Managing Director/Group CEO
Kalsha Upeka Amarasinghe	-	Executive Director
Minuwanpitiyage Dharmasiri Dayananda Pieris	-	Independent Director
Ravindra Ajith Fernando	-	Independent Director
Rajah Mahinda Nanayakkara	-	Non-Executive Director
Harukazu Yamaguchi *(Appointed w.e.f. 10 December 2012)*	-	Non-Executive Director
Yuki Oshima *(Appointed w.e.f. 10 December 2012)*	-	Non-Executive Director

Shinji Yamana *(Alternate to H. Yamaguchi)* *(Appointed w.e.f. 10 December 2012)*	-	Non-Executive Director
Shin Hamada *(Alternate to Y. Oshima)* *(Appointed w.e.f. 10 December 2012)*	-	Non-Executive Director
Rajanayagam Nalliah Asiriwatham *(Resigned w.e.f. 10 May 2012)*	-	Independent Director
Hideo Ichida *(Resigned w.e.f. 10 December 2012)*	-	Non-Executive Director
Masaaki Kawano *(Resigned w.e.f. 10 December 2012)*	-	Non-Executive Director
Takuma Yamazaki *(Alternate to H. Ichida and M. Kawano)* *(Resigned w.e.f. 3 December 2012)*	-	Non-Executive Director

The Directors profiles can be found on pages 86 to 91. Lists of other companies on which they serve as Director are given below:

In accordance with Article 88 (i) of the Company's Articles of Association, Mrs. Kalsha Amarasinghe retires by rotation and being eligible seeks re-election as a Director. The Board recommends her re-election.

Mr. Harukazu Yamaguchi and Mr. Yuki Oshima who were appointed during the year, retire in accordance with Article 95 of the Articles of Association of the Company and being eligible offer themselves for re-election. The Board recommends their re-election. Subject to their re-election, their alternate directors, Mr. Shinji Yamana and Mr. Shin Hamada respectively, will be re-elected.

Mrs. Rohini Nanayakkara, Mr. Dharmasiri Pieris and Mr. Rajah Nanayakkara are over the age of 70 years and will be retiring, as required. The Company has received letters from shareholders, communicating their intention to move resolutions at the Annual General Meeting for the re-appointment of these Directors, as provided for in the Companies Act No. 07 of 2007. The Board recommends their re-election.

DIRECTORS INTERESTS IN CONTRACTS ■ The Directors have made the declarations required by the Companies Act No. 07 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 of the Non-Executive Directors is reviewed by the Remuneration Committee, which also reviews the remuneration policies for Key Management Personnel. The remuneration is disclosed on page 232. The Report of the Remuneration Committee is on page 121.

DIRECTORS' SHAREHOLDINGS ■ Directors' Shareholding as at 31 March:

	2013		2012	
	No. of Shares	%	No. of Shares	%
Mrs. R.L. Nanayakkara	–	–	–	–
Mr. I.C. Nanayakkara *(Director & Alternate to Mr. R.M. Nanayakkara)*	59,895,500	12.60	59,895,500	12.60
Mr. W.D.K. Jayawardena	–	–	–	–
Mrs. K.U. Amarasinghe	52,432,000	11.03	52,432,000	11.03
Mr. M.D.D. Pieris	–	–	–	–
Mr. R.A. Fernando	12,600	0.003	12,600	0.003
Mr. R.M. Nanayakkara	141,433,220	29.76	141,433,220	29.76
Mr. H. Yamaguchi	–	–	–	–
Mr. Y. Oshima	–	–	–	–
Mr. S. Yamana *(Alternate to Mr. H. Yamaguchi)*	–	–	–	–
Mr. S. Hamada *(Alternate to Mr. Y. Oshima)*	–	–	–	–

SHAREHOLDING STRUCTURE ■ The Company has issued 475,200,000 shares. The shareholding structure is given on pages 287 to 288, together with the 20 largest shareholders. During the year, the share price ranged from Rs. 26.50 to Rs. 71.90. As at the end of trading on 31 March 2013, the share price was Rs. 57/-.

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.

FINANCIAL STATEMENTS ■ The Financial Statements together with the Notes thereon, found on pages 134 to 262, are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 07 of 2007. As required, the Company is reporting the financials in accordance with the new SLFRS and the opening balances and comparative figures have been restated to facilitate this.

SIGNIFICANT ACCOUNTING POLICIES ■ The significant accounting policies adopted when preparing these Financial Statements and any changes thereof if applicable are given on pages 148 to 166.

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 Notes 41 and 48 on page 226 and 232.

GOING CONCERN ■ The Directors have reviewed the interim financials and the year end financials, and reports on operations for the year, together with the trends for previous years and the projections for the coming year. 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.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING ■ The Directors' Statement on responsibility for financial reporting is on page 131. The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on page 132.

AUDITORS ■ The Auditors, Messrs Ernst & Young retire, and offer themselves for reappointment. The Board recommends their reappointment for the year 2013/14 at a fee to be decided upon by the Board.

The fees paid to the Auditors are disclosed in the Note 11 to the Accounts on pages 170 - 171.

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.

The Report of the Auditors is given on page 133.

POST-BALANCE SHEET EVENTS ■ In June 2013, LOLC Micro Investments Ltd., a subsidiary company, purchased 33,639,388 shares of Nanda Investments and Finance PLC. This constituted 33.40% of the shares in issue. This purchase was made together with Brac Lanka Investment (Pvt) Ltd. who purchased 57,005,669 shares (56.60%).

Having triggered the Take Over and Mergers Code, LOLC Micro Investments Ltd. and Brac Lanka Investment (Pvt) Ltd. have made a mandatory offer to the remaining shareholders of Nanda Investments and Finance PLC to purchase all the remaining shares.

Browns Investments PLC, also a Group company purchased Green Paradise, an Eco Hotel in Dambulla.

There were no other post-balance sheet events that require reporting.

NOTICE OF MEETING ■ The Notice of Meeting is found on page 291. If you are unable to be present, please complete and return the Form of Proxy.

As in previous years, this Annual Report of the Board of Directors of the Company contains both quantitative and qualitative information designed to provide a comprehensive view of the performance and activities of the Company and its Group for the year under review, thereby going beyond compliance with all regulatory requirements in regard to disclosures.

A spring is beauty and functionality, and the stream which flows from it expands to give more delight and even greater benefits. We thank all stakeholders for the part they have played in our success, and invite them - and potential stakeholders - to experience the outpouring of this success, just as those in the vicinity of a spring can enjoy both the spring and the resultant stream.

On behalf of the Board of Directors,

Rohini Nanayakkara
Chairperson

Kapila Jayawardena
Managing Director/ Group CEO

DIRECTORS' DECLARATIONS

Name	Other Directorships held
Mrs. R.L. Nanayakkara	**Chairperson:**
	Lanka ORIX Leasing Company PLC
	Browns Group Industries (Pvt) Ltd.
	Browns Group Motels Ltd.
	Browns Tours (Pvt) Ltd.
	B.G. Air Services (Pvt) Ltd.
	C.F.T. Engineering (Pvt) Ltd.
	Engineering Services Ltd.
	The Hatton Transport and Agency Co. (Pvt) Ltd.
	I.G. Browns Rubber Industries (Pvt) Ltd.
	Masons Mixture Ltd.
	Mutugala Estates Ltd.
	Pathregalla Estates Ltd.
	Sifang Lanka (Pvt) Ltd.
	Sifang Lanka Trading Ltd.
	Standard Finance (Pvt) Ltd.
	Browns Thermal Engineering (Pvt) Ltd.
	Browns Healthcare (Pvt) Ltd.
	Browns Real Estates (Pvt) Ltd.
	Browns Industrial Park Ltd.
	Samudra Beach Resort (Pvt) Ltd.
	NDB Venture Investments (Pvt) Ltd.
	Taprobane Holdings Ltd.
	Walker & Greig (Pvt) Ltd.
	Browns Tours (Pvt) Ltd.
	Director:
	Mireka Homes (Pvt) Ltd.
	Overseas Realty (Ceylon) Ltd.
	Eastern Merchants PLC
Mr. I.C. Nanayakkara	**Chairman:**
	Brown & Company PLC
	Commercial Leasing & Finance PLC
	LOLC Micro Credit Ltd.
	Browns Investments PLC
	Deputy Chairman:
	Lanka ORIX Leasing Company PLC
	Lanka ORIX Finance PLC
	Seylan Bank PLC

Name	Other Directorships held
	Director: Agstar Fertilizers PLC PRASAC Micro Finance Institution Sierra Constructions (Pvt) Ltd.
Mrs. K.U. Amarasinghe	**Director:** Lanka ORIX Leasing Company PLC Lanka ORIX Finance PLC LOLC Micro Credit Ltd. LOLC Insurance Co. Ltd. United Dendro Energy (Pvt) Ltd. Commercial Leasing & Finance PLC Palm Garden Hotels PLC Eden Hotel Lanka PLC Brown & Co. PLC Browns Investments PLC Riverina Resorts (Pvt) Ltd.
Mr. W.D.K. Jayawardena	**Chairman:** Eden Hotel Lanka PLC Lanka ORIX Finance PLC LOLC General Insurance Ltd. LOLC Insurance Co. Ltd. LOLC Life Insurance Ltd. LOLC Securities Ltd. Speed Italia (Pvt) Ltd. United Dendro Energy (Pvt) Ltd. Palm Garden Hotels PLC **Managing Director/Group CEO:** Lanka ORIX Leasing Company PLC **Director:** Commercial Leasing & Finance PLC LOLC Micro Credit Ltd. Brown & Co. PLC Browns Investments PLC Riverina Resorts (Pvt) Ltd.
Mr. R.M. Nanayakkara	**Chairman:** Ishara Traders (Pvt) Ltd. Ishara Property Developers (Pvt) Ltd.

Name	Other Directorships held
	Director:
	Lanka ORIX Leasing Co. PLC
	Browns Motors (Pvt) Ltd.
	Engineering Services (Pvt) Ltd. *(Alternate Mr. I.C. Nanayakkara)*
	Masons Mixture Ltd. *(Alternate Mr. I.C. Nanayakkara)*
	Mutugala Estates (Pvt) Ltd. *(Alternate Mr. I.C. Nanayakkara)*
	Pathregalla Estates (Pvt) Ltd. *(Alternate Mr. I.C. Nanayakkara)*
	Browns Holdings Ltd.
Mr. R.A. Fernando	**Director:**
	Lanka ORIX Leasing Company PLC
	Malaysian Blue Ocean Strategy Institute
	Board Member:
	Environmental Foundation
	Ceylon Asset Management Ltd.
	Member of the Board of Governors:
	UNOP-ARU
Deshamanya M.D.D. Pieris	**Director :**
	Lanka ORIX Leasing Company PLC
	Mercantile Merchant Bank Ltd.
	Financial Systems International (Pvt) Ltd.
	Mercantile Financial Brokers Ltd.
	Mercsair Ltd.
	MMBL Logistics (Pvt) Ltd.
	MMBL Money Transfer (Pvt) Ltd.
	Mountain Hawk Express (Pvt) Ltd.
	Mountain Hawk (Pvt) Ltd.
	Pathfinder (Pvt) Ltd.
	Pathfinder Holdings (Pvt) Ltd.
	Sanasa Campus Company Ltd.
MR. H. Yamaguchi	**Chairman:**
	Federal Land ORIX Corporation
	OMLF Servicer Corporation
	ORIX Glorious Stars (SPV-AMC), Inc. (Chairman & Director)
	Deputy Chairman:
	ORIX Polska S.A.
	Vice-President:
	PT ORIX Indonesia Finance

Name	Other Directorships held
	Director:
	Bonifacio Landmark Realty and Dev't.Corp.
	IL&FS Singapore Asset Management Company Pte. Ltd.
	Nassim Park Developments Pte. Ltd.
	ORIX Risingsun Properties II, Inc.
	ORIX Risingsun Properties, Incorporated
	ORIX-UOL Investments Pte. Ltd.
	ORIX Australia Corporation Ltd.
	Thai ORIX Leasing Company Ltd.
	ORIX METRO Leasing and Finance Corporation
	Lanka ORIX Leasing Company PLC
	ORIX Leasing Pakistan Ltd.
	OPP (Pvt) Ltd.
	ORIX Leasing Egypt SAE
	DI Investment Partners Ltd.
	ORIX Hotels International Private Ltd.
	Maithan Ispat Ltd.
	Alternate Director:
	Infrastructure Leasing & Financial Services Ltd.
Mr. Y. Oshima	**Chairman:**
	ORIX Polska S.A.
	ORIX Australia Corporation Ltd.
	Dailan Richang Financial Leasing Company Ltd.
	Vice Chairman:
	China Railway Leasing Company Ltd.
	Director
	ORIX USA Corporation
	ORIX Taiwan Corporation
	ORIX Taiwan Asset Management Company
	ORIX Auto Leasing Taiwan Corporation
	ORIX Enterprise Corporation
	IL&FS Securities Services Ltd.
	Bonifacio Landmark Realty and Dev't. Corp.
	ORIX Aviation Systems Ltd.
	ORIX Auto Infrastructure Services Ltd.
	OAIS Auto Financial Services Ltd.
	Infrastructure Leasing & Financial Services Ltd.

Name	Other Directorships held
	ORIX Capital Korea Corporation
	ORIX Private Equity Korea Corporation
	ORIX Rentec (Korea) Corporation
	ORIX Rentec (Singapore) Pte. Ltd.
	ETHOZ Group Ltd.
	ORIX Asia Ltd.
	ORIX Leasing Malaysia Berhad
	ORIX (China) Investment Company Ltd.
	ORIX China Corporation
	ORIX Rentec (Tianjin) Corporation
	Lanka ORIX Leasing Company PLC
	Saudi ORIX Leasing Company
	Pang Da ORIX Auto Leasing Company Ltd.
	ORIX Towers (Dalian) Company Ltd.
	ORIX Property (Dalian) Company Ltd.
	Mimoza Company Ltd.
	Nandina Property Ltd.
	ORIX Property (China) Ltd.
	ORIX Towers (China) Ltd.
	Mimoza (HK) Company Ltd.
	Nandina (HK) Company Ltd.
	Oriental Camellia Investment Ltd.

A Spring Gives Rise to a Stream... **Governance with Commitment**

CORPORATE GOVERNANCE ■ As a company that was created to meet a customer need, LOLC has always endeavoured to optimise stakeholder expectations and enhance shareholder value. Over the years, the Board has worked on its governance processes, with a view to facilitating the best possible performance while ensuring conformance. The Company has often achieved early compliance with applicable regulations. In 2002/03, the Company was one of the first to comply with SLAS 35 relating to interim financial reporting. In 2006/07, the Company commenced compliance with the rules on corporate governance being incorporated into the Listing Rules of the Colombo Stock Exchange, well before they became mandatory. When the Direction on Corporate Governance for leasing companies was issued by the Central Bank of Sri Lanka in 2009, the Directors were able to note with satisfaction that the Company was already compliant with many of the requirements, an indication that the Directors and Regulators shared the same view on governance.

The Company was one of the first to introduce an Anti-Money Laundering policy in August 2009. Following this, the Company included as part of its credit appraisal an environmental impact analysis of the use to which its clients would put the financing provided. A genuine desire to assist a client to grow and prosper and not merely see the repayment of its financing has prompted the Company to set up subsidiaries to provide factoring and microfinance. These have resulted in a positive impact to both the lifestyle of clientele and the economy of the country.

With an emphasis on ethical and sustainable practices, the Board aims to embed governance into all procedures and processes. As shared services (including risk review) are provided by the Holding Company, the Board is in a position to ensure that this outlook trickles down to the Group.

Much as a spring gives rise to a stream, benefiting all its path, the Company's governance practices have flowed through all subsidiaries, broadening and widening in scope in the regulated companies and carrying the unblemished reputation of the Holding Company through to all subsidiaries. In this way the Company reaches beyond its existing stakeholders to all potential shareholders, customers, financiers and employees.

The financials and business reviews will provide you with details of the Company's performance, while this report addresses conformance.

BOARD OF DIRECTORS ■ The Board comprises a mix of Executive, Non-Executive and Independent Directors. Of the nine Directors, six are Non-Executive, meeting the recommended best practice of having a majority of Non-Executive Directors. The Board also meets the requirement of the Listing Rules of the Colombo Stock Exchange, as there are two Independent Directors. Coming from different disciplines and with much experience, the Directors give LOLC, and ultimately the entire Group, the benefit of their collective skills and expertise.

The names of the Directors and their profiles are given on pages 84 to 91. Other companies on which they serve as Directors are listed on pages 108 to 112.

Directors shareholdings are listed as part of the Report of the Directors, on page 105.

ROLES OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER ■ The roles of Chairperson and Chief Executive Officer are separated. While the CEO is held responsible for operational excellence, the Chairperson focuses on governance, risk and ensuring that LOLC, as the Holding Company, adds value to the Group in these respects.

The Chairperson works with the Company Secretary on the agendas for Board meetings, to provide for papers and reviews which facilitate the Board's role of oversight of Group companies. The meetings cover performance and compliance, and the Chairperson ensures that both routine and non-routine items receive due attention, and that adequate time is spent in discussion.

With the gradual move away from operations to that of Holding Company, the Board's role is also transforming and the Chairperson seeks to provide all Non-Executive and Independent Directors with the information that would help them to play their role effectively. Thus information on the activities of key subsidiaries is called for, so that their qualitative and quantitative impact on the Holding Company can be known. When required, the advice of independent professionals is called for.

Any Director is free to request the addition of items to the agenda of Board or Board subcommittee meetings.

INDEPENDENT DIRECTORS ■ Mr. R.A. Fernando and Mr. M.D.D. Pieris serve as Independent Directors. Mr. Ravi Fernando has vast and varied experience in marketing in both local and global arenas. His work in strategic sustainability has led to postgraduate qualifications and lecturing assignments in prestigious seats of learning overseas. His contribution to the Board is of great value as the Directors monitor the performance of subsidiaries involved in renewable energy, and seek to ensure that all business lines are not just profitable in the short term but are also sustainable.

Deshamanya Dharmasiri Pieris had an illustrious career as a civil servant, and continues to be appointed to senior positions in Government and semi-Government organisations. His expertise in administration and governance together with his meticulous reviews of reports benefit the Board in its operational oversight and implementation of controls.

Both these Directors have served for over nine years. However, as provided for by the Listing Rules of the Colombo Stock Exchange, the Directors have reviewed the independence of these two Directors. The Board is of the view that the Directors in question are of sufficient integrity and professionalism as to be able to remain independent, despite their years of service.

TRAINING FOR DIRECTORS ■ The Directors have been selected for their particular skills, so no requirement has been seen for them to be trained. However, in a dynamic environment, it is always necessary to keep up to date with the latest trends, regulations or changes in the market and their possible impact. The Directors therefore are ready to call for knowledge sharing events or sessions with acknowledged experts wherever necessary.

The effectiveness of the Board is seen in the Company's performance, and with the regulation for leasing companies no longer being applicable to the Company, the Board does not conduct formal self-appraisals.

APPOINTMENTS OF DIRECTORS ■ Any new appointment, and the prospective Director's experience and expertise are discussed by the Board to highlight the expected benefit. New appointments are announced through the Colombo Stock Exchange, where a brief profile of the new Director is provided for fuller disclosure.

BOARD MEETINGS ■ Meetings are held monthly. The agendas provide for a range of papers, so that both performance and conformance are reviewed. Presentations made cover the key issues of significant Group companies. If thought necessary, senior management officers are called in to supply additional information or respond to concerns or queries of the Board.

Keeping in mind the diverse responsibilities of the Non-Executive Directors, the schedule of meetings for the year is sent to each Director at the end of the preceding year, to enable the dates to be set aside. A monthly reminder is also sent. These facilitate Director participation, and as the Board papers themselves are sent out a week in advance of the meeting, Directors can actively participate in discussion and decision-making, being in possession of the relevant information as set out in the papers.

As the Board of the Holding Company of a diversified Group of companies, the Directors have been advised of the need to provide oversight of Group companies. The Board is therefore discussing procedures which would facilitate this role, and controls which would provide early detection of possible challenges.

As a first step, the Chief Risk Officer has been tasked with reporting to the Company's Audit Committee any significant issues reported at subsidiary Audit Committees. A whistle blowing hotline has been set up, and the number publicised to all staff.

THE COMPANY SECRETARY ■ The Company Secretary's qualifications and experience enable her to perform her role efficiently and effectively. She serves as a contact point for many stakeholders including shareholders, Auditors and regulators.

SUBCOMMITTEES OF THE BOARD ■ In order to facilitate detailed discussion of, and concentrated focus on, selected areas the Board has appointed several subcommittees. These committees at their meetings can give added attention to specific issues, including implementation and monitoring of controls. The minutes of those meetings are recorded at Board meetings, so all Directors can be kept informed of these discussions. As the respective Chairmen of these Committees are part of the Board and therefore present at Board meetings, additional details can be supplied or further discussion facilitated.

THE AUDIT COMMITTEE ■ The Audit Committee comprises the Independent Directors and the Non-Executive Chairperson who serves as Committee Chairman. The Committee continues to use the exhaustive agenda it adopted when the Company was regulated by the Central Bank of Sri Lanka (CBSL), to ensure stringent review of all areas. These agendas cover the quarterly meetings, which also provide the forum for detailed discussion on performance as disclosed in the interim financials released to the Colombo Stock Exchange. The CFO, CRO, CIO and CHRO are usually invited to attend, so that concerns can be communicated immediately and mitigation methods and deadlines for action agreed to. The External Auditors are invited to attend these meetings, at which the Management Letter and any other concerns they have are taken up. On occasion, the Executive Key Management Personnel including Directors withdraw, to facilitate free discussions between the Committee and the Auditors and to enhance transparency.

Further, additional meetings are scheduled to discuss the reports submitted by the Enterprise Risk Management Division. These reports deal more with procedural or other operational risks identified, including IT risks.

The Report of the Audit Committee is on page 124.

THE REMUNERATION COMMITTEE ■ The Remuneration Committee comprises the two Independent Directors. While this Committee discusses the remuneration of Directors, it also discusses the remuneration policies and strategies with regard to Key Management Personnel. To make this discussion meaningful, the Executive Deputy Chairman is invited to attend, together with the Non-Executive Chairperson should she wish to.

The Report of the Remuneration Committee is on page 121.

THE NOMINATION COMMITTEE ■ This Committee is not a statutory committee but was appointed to review prospective candidates for appointment as Directors. As with the other committees, it would devote time and attention to the area delegated to it and make its recommendations to the Board.

The Report of the Nomination Committee is on page 121.

THE INTEGRATED RISK MANAGEMENT COMMITTEE ■ The IRMC was a requirement when the Company was licensed by the Central Bank of Sri Lanka to engage in leasing. When the Company ceased leasing and this was no longer a requirement, the Directors took the decision for this Committee to continue to meet and review risks. While financial and procedural risks are reported to and monitored by the Audit Committee, this Committee provided a forum for the review of all other risks such as technological, market, credit and treasury risks. In a dynamic environment - and especially as the Group is constantly innovating and re-inventing itself - it is beneficial to monitor all areas of operations. As this Committee has representation from the key operational areas, it is also an excellent forum to discuss the integration and consequent impact of operational areas on one another. In addition, it builds awareness of issues within the Group, which can then be addressed appropriately and in a timely manner.

The Report of the IRMC is on page 122.

THE CORPORATE GOVERNANCE COMMITTEE ■ While this was never a statutory requirement, this Committee was set up many years ago, when the Directors identified the increasing importance of corporate governance to enhance accountability and transparency, and build faith with stakeholders. Through this Committee, the Board looks at broader strategic and policy issues. In this way, this Committee could be said to look outward, highlighting awareness of the ways in which the Company is perceived by stakeholders, and ensuring that these perceptions are accurate.

The Report of the Corporate Governance Committee is on page 123.

THE GROUP IT STEERING COMMITTEE ■ Information Technology plays a critical role within the Group. While many processes are automated, the Group's innovative nature means that most systems need to be customised to suit the specialised business operations. While IT risks are discussed at Audit and IRM Committee meetings, this Committee provides the forum for the more positive aspects of the Group's IT developments to be discussed. While not strictly a Board subcommittee, it comprises the Non-Executive Chairperson, the Executive Director, Managing Director and the CFO, the

CRO and the CIO. The key officers of the IT subsidiary are also invited and they present the work being undertaken for the Group, both work-in-progress and those awaiting attention. At this forum, the intricacies of scheduling developments in a way that provides both speed and accuracy while meeting operational and regulatory deadlines, and also satisfying the order of priority of the many business and service units, are highlighted.

The Chief Risk Officer, the Chief Information Officer and the Head of Network Security and Compliance are tasked with ensuring that all IT risks are identified, reported on and mitigation methods proposed, and implemented once approved by the respective Committee.

OTHER COMMITTEES ■ As the Company moved away from operations, the Executive Committee, which met to discuss credit facilities and other operational issues was dissolved. Authority was delegated to the MD and senior officers to handle credit, procurement and HR among other issues.

The MD meets with the management team. At these meetings operational targets and deadlines, improvements to processes and risks identified are taken up. Through discussion and debate, issues are agreed upon and management support achieved. To create awareness and encourage innovation, the macro environment and challenges and potentials are also discussed. The forum provides opportunities for development of team spirit and motivation.

Cross functional committees comprising appropriately skilled employees identify and analyse potential investments, study strategic sustainability or undertake short-term assignments to improve productivity or deal with space and logistic issues.

The subsidiary offering Islamic financing has a Sharia Board which reviews not only its products but also its processes, certifying them as complaint with relevant requirements.

MANAGEMENT AND SUPERVISION ■ The Board has delegated authority to the 3 Executive Directors to manage and supervise the operations of the Company, and the Group. The Deputy Chairman, the Managing Director and the Executive Director meet regularly with the management to be kept apprised of performance, and are involved in all significant decisions. As key members of the senior management are invited to participate in subcommittee meetings, or called into Board meetings to provide clarifications, there is also a relationship between the Non-Executive Directors and the management. The MD has been tasked with the responsibility of ensuring a succession plan, and the Board is kept informed of any resignations or appointments within the senior management.

RELATIONSHIP WITH SHAREHOLDERS ■ LOLC enjoys a cordial relationship with its shareholders, most of whom have been shareholders for many years. Annual General Meetings are held at the Company's registered office. This means that not only the Directors (including Chairmen of Board Sub Committees) but also senior employees are available to respond to shareholder queries.

Each resolution at the meeting is voted on separately, including retirement of Directors and Auditors, enabling shareholders to vote specifically for each issue. Even in the event the shareholder cannot attend, his or her preference can be made known through the appropriately worded proxy forms.

OTHER RELATIONSHIPS ■ The Company has seen the community respond positively to the services offered by its subsidiaries. Discerning depositors, warned by recent failures of other companies, have seen fit to channel their funds to the finance companies within the Group. Regulators have granted licenses, including those not given to non-banks. In these, and in the foreign funding received and the customer base growth, the Directors have seen an acceptance and recognition of its governance and service standards.

DISCLOSURES ■ The Company ensures that interim financials are released quarterly to the Colombo Stock Exchange, as stipulated. A press release provides additional information to stakeholders on the position and progress of the Company and the Group it heads. Significant decisions, especially those of a price sensitive nature, are disclosed promptly. Regulated subsidiaries submit reports to their respective regulators by the due dates.

Each year, the Directors provide all stakeholders with an Annual Report which gives a comprehensive review of the performance of the Company and Group for the financial year, with both qualitative and quantitative information. This year, recognising the rapidly improving technological literacy of our shareholders, and in keeping with the drive for sustainable practices, the Company is releasing its Annual Report in CD Rom format, as permitted by the Listing Rules of the Colombo Stock Exchange. The Annual Report will also be on the website, and we invite all stakeholders to visit the LOLC website which has links to the websites of all significant subsidiaries as well.

COMPOSITION OF BOARD AND BOARD SUBCOMMITTEES

Name	Board	Audit Committee	Remuneration Committee	Nomination Committee	Corporate Governance Committee	Integrated Risk Management Committee	IT Steering Committee
Mrs. R.L. Nanayakkara *Non-Executive*	✓*	✓**			✓	✓**	✓**
Mr. I.C. Nanayakkara *Executive*	✓			✓			
Mr. W.D.K. Jayawardena *Executive*	✓					✓	✓
Mrs. K.U. Amarasinghe *Executive*	✓						✓
Deshamanya M.D.D. Pieris *Independent*	✓	✓	✓	✓**	✓**	✓	
Mr. R.A. Fernando *Independent*	✓	✓	✓**	✓	✓		
Mr. R.M. Nanayakkara *Non-Executive*	✓						
Mr. H. Yamaguchi *Non-Executive*	✓						
Mr. Y. Oshima *Non-Executive*	✓						
Mr. R.N. Asirwatham *Independent* *(Resigned w.e.f. 10.05.2012)*	✓	✓	✓	✓	✓	✓	
Key Management Personnel							
Mrs. S. Wickremasinghe *Chief Risk Officer*						✓	✓
Mrs. S. Kotakadeniya *Chief Financial Officer*						✓	✓
Mr. F.K.C.P.N. Dias *Chief Information Officer*						✓	✓
Mr. R. Perera *GM - Treasury*						✓	
Mr. J. Kelegama *Chief Credit Officer*						✓	

* - *Chairman of the Board*
** - *Chairman of the Committee*

REPORT OF THE REMUNERATION COMMITTEE

■ The Remuneration Committee comprises two Independent Directors, Mr. M.D.D. Pieris and Mr. R.A. Fernando. The Executive Deputy Chairman is invited to attend the meetings.

The Committee reviewed the basis of remuneration to key management personnel, and took cognizance of the changing role of the holding Company, in a group which comprised several varied sectors and industries, each of which had faced its own particular challenges in the local and global economy.

The need to have a remuneration policy which will remain transparent and appropriate, while also being sustainable despite volatility in the macro environment was acknowledged, together with the corresponding effect on employee expectations and employee retention.

R.A. Fernando
Chairman - Remuneration Committee

REPORT OF THE NOMINATION COMMITTEE

■ The Nomination Committee comprises two Independent Directors, Mr. M.D.D. Pieris and Mr. R.A. Fernando and the Executive Deputy Chairman.

During the course of its deliberations, the Committee discussed the current composition of the Board, and noted that there was one vacancy. The Committee discussed the existing skills and experience of the Board, and the overall demands and responsibilities being placed on the Directors, as LOLC is now positioning itself as the Holding Company of a diversified conglomerate.

It was also noted that operations of the Company have reduced while the activities and the performance of the Group companies, especially wholly-owned subsidiaries, are becoming significant.

Taking all this into consideration, the profile of the Director to be sought was discussed, and the Committee made its recommendation to the Board.

The Committee also discussed the Directors' remuneration.

Deshamanya M.D.D. Pieris
Chairman - Nomination Committee

REPORT OF THE INTEGRATED RISK MANAGEMENT COMMITTEE (IRMC)

■ An Integrated Risk Management Committee ('IRMC') is a requirement of the Central Bank of Sri Lanka ('CBSL') and the LOLC IRMC was appointed when the Company was registered with the CBSL as a leasing company. Though LOLC has ceased to be a leasing company and is transitioning to its position as the Holding Company of a diversified conglomerate - and this Committee is no longer a requirement - the Board has decided to retain the IRMC.

With the growth of the conglomerate and the changing role of LOLC, it was felt that a comprehensive review of operational and procedural risks would strengthen controls and enhance main Board awareness. The IRMC provides a structure and framework for this review, and has therefore been retained as a Board subcommittee.

The IRMC is chaired by Mrs. R.L. Nanayakkara, the Non-Executive Chairperson of LOLC and comprises the following:

Deshamanya M.D.D. Pieris - an Independent Director

Mr. W.D.K. Jayewardene - the Managing Director and Group CEO

The Chief Risk Officer

The Chief Financial Officer

The Chief Credit Officer

The GM - Treasury

The Chief Information Officer

The Executive Director, Mrs. K.U. Amarasinghe attends by invitation, as does the Chief Human Resource Officer and the Head of IT Security and Compliance.

Thus this Committee is a mixture of Board and management, and reflects the sharp focus with which a wide range of risks are reviewed. Mitigation methods are discussed exhaustively to ensure that a healthy balance is achieved between risk mitigation and operational excellence. The roles of information technology and of knowledge sharing and training are keenly appreciated both in ensuring integrity and in detecting irregularities. Process reviews focus on improving efficiencies while optimising resources wherever possible. As indicated by the very name of the Committee, the integration of different risks and the combined effect is taken into consideration, so that solutions proposed are not taken in isolation or with no thought of their possible impact on other areas.

The Committee met 4 times during the year.

Mrs. R.L. Nanayakkara
Chairperson - Integrated Risk Management Committee

REPORT OF THE CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee comprises two Independent Directors, Mr. M.D.D. Pieris and Mr. R.A. Fernando, and the Non-Executive Chairperson Mrs. R.L. Nanayakkara.

There is no statutory requirement for this Committee, which was set up several years ago at a time when the Company was reviewing its processes in the light of growth in the Group. Today, as the Company re-positions itself as the Holding Company of a group of widely diversified and rapidly growing subsidiaries and associates, the Directors believe that the Committee's importance remains, though its scope changes with the changing face of the Group .

The Committee discussed the gradually emerging role of LOLC within the Group. While certain areas remain in transition, there are other areas where LOLC's role is becoming apparent. Taking recognition of the role of oversight of significant subsidiaries, and the need to review and monitor investments, the Committee noted that this will in turn necessitate a review of data capture, information flow and reports received. Linked with this, the Committee felt, was a need to review the scope, accountability and processes of the shared services being offered. Considering the varied and enhanced scope of the Board of Directors of LOLC, all this will enable it to carry out its functions effectively and in a manner that adds value to the Company and the Group, thereby benefiting all stakeholders.

Deshamanya M.D.D. Pieris
Chairman - Corporate Governance Committee

REPORT OF THE AUDIT COMMITTEE

■ The Audit Committee comprises the two Independent Directors - Mr. M.D.D. Pieris and Mr. R.A. Fernando and the Non-Executive Chairperson, Mrs. R.L. Nanayakkara.

The Committee functions within the Terms of Reference approved by the Board of Directors. It assists the Board with oversight of the financial reporting system of the Company. To this end, it reviews the internal processes and procedures, to ensure the adequacy of controls and that the capture and reporting of financial information is comprehensive, accurate and within prescribed timelines. The Committee also reviews the Financial Statements, the accounting policies and compliance with applicable accounting standards and other regulatory requirements.

The Committee meets with the External Auditors to encourage a dialogue on further improving processes and/or controls. To enhance independence, the meetings are sometimes conducted without the Executive Directors being present.

The Committee has also identified specified issues and areas which are placed in an annual schedule, to enable them to be reviewed periodically. There is also constant follow up on issues raised at previous meetings, to ensure that decisions taken have been implemented and all necessary corrective/proactive measures adopted.

In addition, the Committee reviews reports submitted by the Enterprise Risk Management Division. These reports cover operational issues, processes and controls, including IT issues.

At the invitation of the Committee, the Managing Director and the Chief Financial Officer are present at meetings, together with the Chief Risk Officer, the Chief HR Officer and the Chief Information Officer. This facilitates meaningful discussion on identified vulnerabilities and management commitment to strengthening controls.

Minutes of the meetings of the Audit Committee are also tabled at the meetings of the Board, so all Directors are kept informed of the matters discussed and can seek further clarification or provide their contribute to the discussions.

The Committee met 8 times during the financial year 2012/13.

The Committee recommends 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 was satisfied that the Auditor, Messrs Ernst and Young are independent. This determination was 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.

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 31 March 2014. 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 11th September 2013.

Mrs. R.L. Nanayakkara
Chairperson - Audit Committee

Flowing Within the Banks...Well-Regulated Business Flows

Building an organisational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values is the vision behind the risk management practices at LOLC. Having understood that the key to realising this vision is risk awareness among the LOLC team backed by robust risk management practices, LOLC embarked on a mission to formulate the best and unique risk management structures and mechanisms which are dynamic and flexible yet strong and consistent to complement its growth strategies.

In Retrospect

"LOLC Risk Management" was always willing to experiment and innovate on the structures, mechanisms and processes in order to find the best fit. This thinking enabled us to draw from synergies of Risk Management, Internal Audit & Information Systems Audit and to team up under the common structure of 'Enterprise Risk Management' (ERM) and maintain close relations with the compliance function to add value to the internal control framework of the organisation.

The risk management function has direct reporting lines to the Chairman of the Board of Directors via the Integrated Risk Management Committee (IRMC) and the Audit Committee, thus ensuring it retains total independence from the operational management of the organisation which is testimony to the commitment of the Board of Management of LOLC in establishing a strong risk management culture.

Risk reporting lines were established from each business unit and branch (Risk Owners) to the Risk Management Unit which is strengthened by the appointment of risk officers for each regulated company/entity with in the Group. This mechanism ensures that entity level risks are closely monitored and the risk management function has access to grass root level risk information. The Risk Management Unit submits periodic reports to the Integrated Risk Management

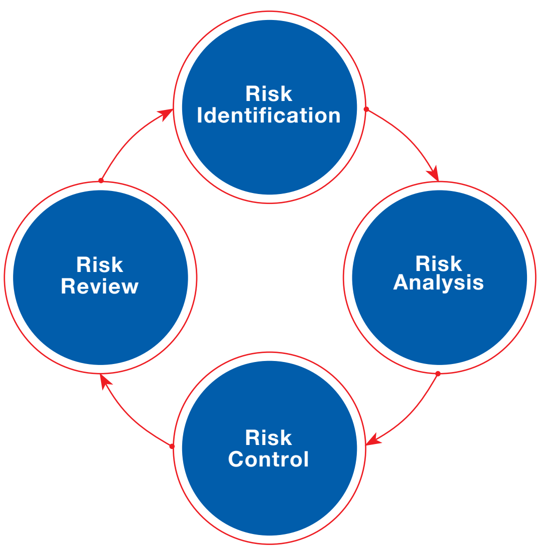
Committee highlighting the risk, impact and mitigation strategies, while any matters which require the urgent attention are escalated to the relevant risk owners for immediate action. Unresolved and persisting issues are brought to the attention of the IRMC for relevant action. Risks once reported are then monitored constantly and any adverse movement observed are again brought to the notice of the IRMC and the Board.

The internal audit reviews the effectiveness of the risk control and other internal control mechanisms and the reported weaknesses are followed up until resolution adopting a tiered approach. This consists of confirmation of compliance by the auditee and follow-up by the internal audit and random second audits on such auditee units based on risk.

The IS audit reviews the ICT platform of the organisation in line with the best practices and IS auditing standards formulated by the ISACA USA (Information Audit & Control Association). The audits encompass, IS Security Practices, Network Architecture, Software Applications and IT Operational Processes in order to gain a reasonable assurance over the Confidentiality, Integrity and the availability of IT and related processes.

The risk governance structures and mechanisms adopted by LOLC were recognised by the OECG (Open Ethics Compliance and Governance Group) USA with an GRC achievement award in 2012 which bares testimony for the sound risk governance structures operating in LOLC.

Risk Management in Practice



Risk Identification and analysis at LOLC is the responsibility of all stakeholders with the primary responsibilities being entrusted to the risk owners, whose efforts are complimented by independent risk reviews by the Enterprise Risk Management and Internal Audit. To supplement this process compulsory risk reporting/communication mechanisms are in place from each business silo. In addition, we have put in place a whistle-blowing hotline for the internal users to report on any irregularities while a customer feedback line too is in operation where any external constituent could communicate with the ERM Department. All communications received via these two channels are followed-up until resolution.

Risk owners in consultation with the ERM device risk controls. Any inadequacies observed by internal audit and risk management through their audits and risk reviews are promptly addressed and followed up. Risks identified and controlled are constantly monitored by the risk owners as well as by the ERM department which forms the independent line of reporting on Risk to the Board of Management.

A Risk scoring metrics is developed and adopted for both ERM and Audit use and it constitute a vital tool in prioritising the deployment of audit and ERM resources for reviews. The metrics developed has the capability to rate risk both on quantitative as well as qualitative terms and evolves constantly to reflect the changing organisational structures and dynamics.

RISK MATRIX

PROBABILITY [p]		Isolated	Branch Level	Zone/ Region Level	BU/ Process Level	Enterprise Level	Group Level
Very High	p>80%	Medium (5)	High (10)	Critical (15)	Critical (20)	Extreme Critical (25)	Extreme Critical (30)
High	60%<p>80%	Low (4)	Medium (8)	High (12)	Critical (16)	Critical (20)	Critical (24)
Medium	40%<p<60%	Low (3)	Medium (6)	High (9)	High (12)	Critical (15)	Critical (18)
Low	20%<p<40%	Negligible (2)	Low (4)	Medium (6)	Medium (8)	High (10)	High (12)
Very Low	p<20%	Negligible (1)	Negligible (2)	Low (3)	Low (4)	Medium (5)	Medium (6)

IMPACT

In line with our vision we believe in making every stakeholder a risk manager, ERM Division initiates risk training sessions at induction level for new recruits while unit specific training sessions are conducted for operational staff.

Growing Stronger and Reaching Higher

We believe the quality of any function depends on the quality of its human resources, their skills knowledge and experience therefore we always encourage constant training and development for the staff of ERM Department.

In addition to the staff training, ensuring the quality of work within the division is also a priority, in this regard we have put in place a stringent quality assurance process and continuous quality improvement mechanisms. This mechanisms are reviewed every year and updated to reflect the current status and the requirements of the division.

The Risk communication requires timely and accurate information. The Group structure of LOLC, diversified nature of the operations of the subsidiaries and the rapid expansions necessitated a robust yet flexible risk information system in place. After careful evaluation of automated platforms available LOLC laid the foundation for the implementation of a risk information system in the year under review. This will enhance the capability of risk monitoring and risk information sharing which will immensely help the risk management of the Group. We expect this system to grow in capacity as well as in capability in the coming year and to give us a more comprehensive view of the risk information pertaining to the LOLC Group.

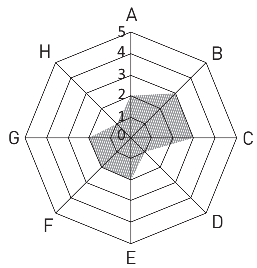
Risk Profile of LOLC

This is a high level catogorisation based on perceived risk used for the illustration purpose of this Report.

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

FINANCIAL RISKS

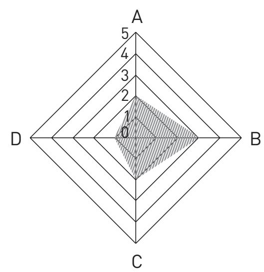
Risk Rating



A - 2	B - 3	C - 3	D - 1	E - 2	F - 2	G - 2	H - 1
Asset & Liability Risk	Profitability & Income Structure Risk	Capital Adequacy Risk	Credit Risk	Liquidity Risk	Interest Rate Risk	Market Risk	Currency Risk

OPERATIONAL RISKS

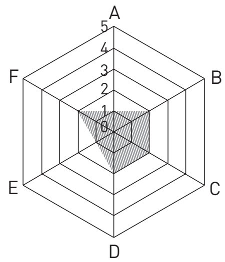
Risk Rating



A - 2	B - 3	C - 2	D - 1
Business Strategy Risk	Internal Systems & Operational Risk	Technology Risk	Mismanagement & Fraud Risk

BUSINESS RISKS

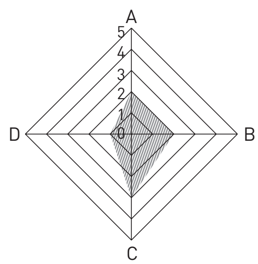
Risk Rating



A - 1	B - 2	C - 2	D - 2	E - 1	F - 2
Legal Risk	Policy Risk	Financial Infrastructure Risk	Systemic Risk	Image Risk	Industry Risk

EVENT RISKS

Risk Rating



A - 2	B - 2	C - 3	D - 1
Political Risk	Contagion Risk	Disaster Management & Business Continuity Risk	Exogenous Risk

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2013, 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 133.

Kapila Jayawardena
Group Managing Director/CEO

28 June 2013

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
28 June 2013

INDEPENDENT AUDITOR'S REPORT

Building a better
working world

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

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

HMAJ/RM/DLH/DSP/DM

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 ('Company'), the consolidated financial statements of the Company and its subsidiaries ('Group') which comprise the statement of financial position as at 31 March 2013, income statements and the statements of comprehensive income, statement of changes in equity and statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Scope of Audit and Basis of Opinion

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

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

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

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the Company's financial position as at 31 March 2013 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

In our opinion, the consolidated financial statements give a true and fair view of the financial position as at 31 March 2013 and its financial performances and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiaries dealt with thereby, so far as concerns the shareholders of the Company.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Sections 151(2) and 153(2) to 153(7) of the Companies Act No. 07 of 2007.

31 July 2013
Colombo.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Assets							
Cash and cash equivalents	15.1	6,591,388,970	4,029,189,784	5,089,161,256	730,310,504	250,011,865	392,011,825
Trading assets - fair value through profit or loss	16	1,709,016,291	6,258,670,109	4,476,638,618	805,024,365	2,459,362,449	1,723,282,991
Investment securities	17	13,174,023,631	10,390,920,699	11,919,262,733	494,335,458	1,645,252,402	2,188,119,025
Finance lease receivables, hire purchases and operating leases	18	38,090,460,774	40,129,060,420	29,167,572,284	50,351,908	56,650,038	1,790,917,457
Advances and other loans	19	49,724,225,090	38,984,824,884	29,401,500,634	2,726,748,185	5,870,407,987	9,416,358,925
Insurance premium receivables	20	303,430,693	239,616,479	–	–	–	–
Inventories	21	2,798,388,271	3,198,362,242	1,555,414,188	–	–	1,750,000
Current tax assets	22	981,896,835	774,148,486	531,782,607	154,185,308	35,775,218	74,557,824
Trade and other current assets	23	6,663,990,728	7,817,005,911	5,822,062,876	8,398,264,701	11,275,805,788	1,549,925,399
Prepaid lease rentals on leasehold properties	24	289,185,394	297,362,126	305,538,856	–	–	–
Investment properties	25	6,339,688,000	5,155,894,005	1,122,793,813	412,500,000	412,500,000	247,500,000
Real estate stocks		2,598,484	16,449,276	16,261,676	–	–	–
Biological assets							
Consumer Biological Assets	26	2,871,193,132	2,773,434,835	2,985,349,057	–	–	–
Bearer Biological Assets	27	3,617,988,597	3,374,740,522	2,930,928,775	–	–	–
Investments in group of companies							
Subsidiary companies	28	–	–	–	29,796,324,263	28,176,190,958	28,832,266,846
Joint venture companies	29	–	–	–	14,298,187	14,298,187	136,384,471
Equity accounted investees - Associates	30	10,105,240,814	3,540,811,832	2,768,500,973	6,746,788,520	4,738,511,438	4,405,089,619
Deferred tax assets	31.1	508,991,830	355,925,196	388,089,808	65,177,895	98,896,065	110,279,876
Intangible assets	32	769,452,907	644,523,123	563,356,845	95,433,032	47,677,492	61,011,327
Property, plant and equipment	33	18,440,368,076	17,223,235,892	14,026,427,996	2,749,598,330	2,947,114,811	3,283,496,368
Total assets		162,981,528,517	145,204,175,821	113,070,642,995	53,239,340,656	58,028,454,698	54,212,951,953

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Liabilities and Equity							
Liabilities							
Bank overdrafts	15.2	6,875,475,249	4,011,455,278	4,036,676,558	1,374,998,484	1,603,899,113	2,094,424,623
Trading liabilities - fair value through profit or loss	34	627,651,548	5,156,409	258,712,141	125,204,130	–	114,161,156
Deposits liabilities	35	34,277,706,250	26,233,015,385	17,899,088,533	–	–	–
Interest-bearing borrowings	36	65,341,520,902	61,413,966,419	45,219,073,222	18,006,102,173	22,202,861,633	20,141,269,932
Insurance provision - life	37.1	116,137,976	47,570,659	–	–	–	–
Insurance provision - general	37.2	928,051,233	326,060,067	–	–	–	–
Current tax payables	38	925,103,170	774,539,773	688,363,611	73,524,121	179,410,537	182,899,887
Trade and other payables	39	7,071,823,484	6,325,015,982	7,738,698,214	842,083,555	704,623,310	990,037,756
Deferred tax liabilities	31.3	2,155,854,983	1,633,310,789	1,284,993,689	–	–	–
Deferred income	40	292,716,697	268,770,572	244,857,645	–	–	–
Retirement benefit obligations	41	996,728,628	951,962,647	885,345,379	96,840,793	85,996,592	80,123,443
Total liabilities		119,608,770,120	101,990,823,980	78,255,808,992	20,518,753,256	24,776,791,185	23,602,916,797
Equity							
Stated capital	42	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000
Reserves	43	2,268,777,988	2,391,124,981	2,369,225,385	767,952,026	1,367,967,818	1,721,452,839
Retained earnings	44	18,144,262,273	16,702,749,532	10,212,522,399	31,477,435,374	31,408,495,695	28,413,382,317
Equity attributable to shareholders of the Company		20,888,240,261	19,569,074,513	13,056,947,784	32,720,587,400	33,251,663,513	30,610,035,156
Non-controlling interests		22,484,518,136	23,644,277,328	21,757,886,219	–	–	–
Total equity		43,372,758,397	43,213,351,841	34,814,834,003	32,720,587,400	33,251,663,513	30,610,035,156
Total liabilities and equity		162,981,528,517	145,204,175,821	113,070,642,995	53,239,340,656	58,028,454,698	54,212,951,953

The Notes on pages 146 to 262 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

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

Mrs. S.S. Kotakadeniya
Chief Financial Officer

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

Mrs. R.L. Nanayakkara
Chairperson

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

28 June 2013, Rajagiriya (Greater Colombo)

INCOME STATEMENT

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Gross Income	4	41,481,365,132	35,532,754,125	4,683,627,808	7,561,277,373
Revenue	4.1	16,988,148,598	16,849,173,531	–	–
Less: Cost of sales		(10,721,914,485)	(10,958,287,664)	–	–
Gross profit		6,266,234,113	5,890,885,867	–	–
Income	4.2	22,890,875,964	18,020,866,228	3,541,669,893	3,016,783,153
Other income/(expenses)	5	1,602,340,570	662,714,366	1,141,957,915	4,544,494,220
Net finance costs	6	(14,527,658,645)	(9,345,806,041)	(3,464,147,231)	(2,571,565,724)
Profit before operating expenses		16,231,792,002	15,228,660,420	1,219,480,577	4,989,711,649
Operating Expenses					
Direct expenses excluding finance costs	7	(1,529,427,468)	(930,416,366)	(33,575,777)	(198,478,582)
Personnel costs	8	(4,898,502,184)	(4,163,726,104)	(141,522,605)	(274,619,706)
Net impairment loss on financial assets	9	(2,090,381,806)	(889,921,602)	(54,256,448)	(269,560,331)
Depreciation and amortisation	11	(1,979,773,574)	(1,614,981,180)	(559,853,875)	(602,974,674)
Other operating expenses	10	(4,684,418,282)	(4,017,652,969)	(362,370,179)	(572,360,416)
Change in fair value of investment properties	25	909,809,160	271,652,666	–	–
Results from operating activities	11	1,959,097,848	3,883,614,865	67,901,693	3,071,717,940
Share of profits of equity accounted investees	30.4	246,128,524	269,649,297	–	–
Gains on bargain purchases (negative goodwill)	12	1,500,944,862	2,914,536,420	–	–
Profit before income tax expense		3,706,171,234	7,067,800,582	67,901,693	3,071,717,940
Income tax expense	13	(1,153,883,900)	(1,364,032,627)	(33,718,170)	(94,464,339)
Profit for the year		2,552,287,334	5,703,767,955	34,183,523	2,977,253,601

The Notes on pages 146 to 262 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Profit for the year		2,552,287,334	5,703,767,955	34,183,523	2,977,253,601
Other comprehensive income					
Revaluation surplus of property, plant and equipment					
Revaluation surplus		937,497,251	795,287,664	–	–
Available-for-sale financial instruments					
Net change in fair value of available-for-sale financial assets net of reclassifications for disposals		(168,443,772)	(2,728,203,061)	(273,860,822)	(432,308,603)
Defined benefit plan actuarial gains (losses)					
Defined benefit plan actuarial gains (losses) for the year	41	(31,132,794)	35,297,138	–	–
Foreign currency translation differences for foreign operations					
Exchange gain from translation of foreign associates		86,955,516	17,790,725	–	–
Share of other comprehensive income of equity accounted investees (net of tax)	30.4	70,723,534	(26,362,503)	–	–
Fair value differences for cash flow hedges					
Net movement of cash flow hedges		(290,394,277)	385,094,066	(53,798,814)	96,683,359
Income tax recognised in other comprehensive income	13.8	(58,348,365)	(7,859,695)	–	–
Other comprehensive income/(expense) for the year, net of tax		546,857,093	(1,528,955,666)	(327,659,636)	(335,625,244)
Total comprehensive income for the year		3,099,144,428	4,174,812,289	(293,476,113)	2,641,628,357
Profit attributable to:					
Equity holders of the Company		1,896,018,490	2,814,731,488	34,183,523	2,977,253,601
Non-controlling interests		656,268,844	2,889,036,467	–	–
Profit for the year		2,552,287,334	5,703,767,955	34,183,523	2,977,253,601
Total comprehensive income attributable to:					
Equity holders of the Company		1,595,201,593	2,367,050,708	(293,476,113)	2,641,628,357
Non-controlling interests		1,503,942,835	1,807,761,581	–	–
Total comprehensive income for the year		3,099,144,428	4,174,812,289	(293,476,113)	2,641,628,357
Basic earnings per share	14.1	3.99	5.92		

The Notes on pages 146 to 262 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CHANGES IN EQUITY

Company

For the year ended 31 March 2013	Stated Capital (Rs.)	Revaluation Reserve (Rs.)	Cash Flow Hedge Reserve (Rs.)	Fair Value Reserve on AFS (Rs.)
Restated balance as at 1 April 2011	475,200,000	600,886,875	(16,922,164)	642,272,195
Total comprehensive income for the period				
Profit for the year	–	–	–	–
Other comprehensive income				
Net change in fair value of available-for-sale financial assets (net of tax)	–	–	–	(432,308,603)
Net movement of cash flow hedges	–	–	96,683,359	–
Total comprehensive income for the period	–	–	96,683,359	(432,308,603)
Transfer of reserves	–	–	–	–
Balance as at 31 March 2012	475,200,000	600,886,875	79,761,195	209,963,592
Total comprehensive income for the period				
Profit for the year	–	–	–	–
Other comprehensive income				
Net change in fair value of available-for-sale financial assets (net of tax)	–	–	–	(273,860,822)
Net movement of cash flow hedges	–	–	(53,798,814)	–
Total comprehensive income for the period	–	–	(53,798,814)	(273,860,822)
Transactions with Owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends paid during the period	–	–	–	–
Total transactions with the owners of the Company	–	–	–	–
Transfer of reserves	–	–	–	–
Balance as at 31 March 2013	475,200,000	600,886,875	25,962,381	(63,897,230)

The Notes on pages 146 to 262 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Equity Attributable to shareholders of the Company			
Future Taxation Reserve	Statutory Reserve Fund	Retained Earnings	Total
(Rs.)	(Rs.)	(Rs.)	(Rs.)
205,000,000	290,215,933	28,413,382,317	30,610,035,156
–	–	2,977,253,601	2,977,253,601
–	–	–	(432,308,603)
–	–	–	96,683,359
–	–	2,977,253,601	2,641,628,357
–	(17,859,777)	17,859,777	–
205,000,000	272,356,156	31,408,495,695	33,251,663,513
–	–	34,183,523	34,183,523
–	–	–	(273,860,822)
–	–	–	(53,798,814)
–	–	34,183,523	(293,476,113)
–	–	(237,600,000)	(237,600,000)
–	–	(237,600,000)	(237,600,000)
–	(272,356,156)	272,356,156	–
205,000,000	–	31,477,435,374	32,720,587,400

Group

For the year ended 31 March 2012	Note	Stated Capital (Rs.)	Revaluation Reserve (Rs.)	Cash Flow Hedge Reserve (Rs.)	Fair Value Reserve on AFS (Rs.)
Restated balance as at 1 April 2011		475,200,000	698,792,736	(37,222,885)	698,297,650
Total comprehensive income for the period					
Profit for the year		–	–	–	–
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	–	–	(1,055,007,278)
Revaluation of property, plant and equipment		–	255,789,573	–	–
Deferred tax on revaluation		–	5,184,282	–	–
Foreign currency translation differences for foreign operations		–	–	–	–
Net movement of cash flow hedges		–	–	338,704,060	–
Defined benefit plan actuarial gains/(losses)		–	–	–	–
Share of other comprehensive income of equity accounted investees (net of tax)		–	825,992	–	(15,818,426)
Tax on other comprehensive income (excluding tax on revaluation)		–	–	–	–
Total comprehensive income for the period		–	261,799,847	338,704,060	(1,070,825,704)
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		–	–	–	–
Changes in ownership interests in subsidiaries that do not result in a change in control					
Acquisition of non-controlling interests without a change in control		–	–	–	–
Acquisition of subsidiaries with non-controlling interests		–	–	–	–
Adjustments due to changes in group holdings and other consolidation adjustments		–	–	–	–
Total changes in ownership interests in subsidiaries		–	–	–	–
Total transactions with the owners of the Company		–	–	–	–
Other movements in equity					
Depreciation transfer on revaluation		–	(148,052,475)	–	–
Net transfers to/(from) statutory reserve fund		–	–	–	–
Transfers to investment fund account		–	–	–	–
Stamp duty on subsidiary share issue		–	–	–	–
Total other movements		–	(148,052,475)	–	–
Balance as at 31 March 2012		475,200,000	812,540,108	301,481,175	(372,528,054)

Equity Attributable to Owners of the Company							
Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Investment Fund	Retained Earnings	Total	Non-Controlling Interests	Total Equity
(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
14,024,840	205,000,000	732,934,122	57,398,922	10,212,522,399	13,056,947,784	21,757,886,219	34,814,834,003
–	–	–	–	2,814,731,488	2,814,731,488	2,889,036,467	5,703,767,955
–	–	–	–	–	(1,055,007,278)	(1,673,195,783)	(2,728,203,061)
–	–	–	–	–	255,789,573	539,498,091	795,287,664
–	–	–	–	–	5,184,282	(7,945,532)	(2,761,250)
17,790,725	–	–	–	–	17,790,725	–	17,790,725
–	–	–	–	–	338,704,060	46,390,006	385,094,066
–	–	–	–	6,443,310	6,443,310	28,853,828	35,297,138
–	–	–	–	(903,989)	(15,896,423)	(10,466,080)	(26,362,503)
–	–	–	–	(689,029)	(689,029)	(4,409,416)	(5,098,445)
17,790,725	–	–	–	2,819,581,780	2,367,050,708	1,807,761,581	4,174,812,289
–	–	–	–		–	(403,441,339)	(403,441,339)
–	–	–	–	–	–	(403,441,339)	(403,441,339)
–	–	–	–	15,227,608	15,227,608	(180,227,608)	(165,000,000)
–	–	–	–	–	–	270,632,959	270,632,959
–	–	–	–	4,152,115,323	4,152,115,323	485,191,169	4,637,306,492
–	–	–	–	4,167,342,931	4,167,342,931	575,596,520	4,742,939,451
–	–	–	–	4,167,342,931	4,167,342,931	172,155,181	4,339,498,112
–	–	–	–	148,052,475	–	–	–
–	–	398,608,193	–	(398,608,193)	–	–	–
–	–	–	223,874,950	(223,874,950)	–	–	–
–	–	–	–	(22,266,910)	(22,266,910)	(93,525,653)	(115,792,563)
–	–	398,608,193	223,874,950	(496,697,578)	(22,266,910)	(93,525,653)	(115,792,563)
31,815,565	205,000,000	1,131,542,315	281,273,872	16,702,749,532	19,569,074,513	23,644,277,328	43,213,351,841

Group (Contd.)

For the year ended 31 March 2012	Note	Stated Capital (Rs.)	Revaluation Reserve (Rs.)	Cash Flow Hedge Reserve (Rs.)	Fair Value Reserve on AFS (Rs.)
Total comprehensive income for the period					
Profit for the year		–	–	–	–
Other comprehensive income					
Net change in fair value of available-for-sale financial assets		–	–	–	(361,982,278)
Revaluation of property, plant and equipment		–	204,798,918	–	–
Deferred tax on revaluation		–	(13,944,894)	–	–
Foreign currency translation differences for foreign operations		–	–	–	–
Net movement of cash flow hedges		–	–	(253,125,828)	–
Defined benefit plan actuarial gains/(losses)		–	–	–	–
Share of other comprehensive income of equity accounted investees (net of tax)		–	45,134,227	–	40,503,218
Tax on other comprehensive income (excluding tax on revaluation)		–	–	–	–
Total comprehensive income for the period		–	235,988,251	(253,125,828)	(321,479,060)
Transactions with owners directly recorded in the equity					
Contributions by and distributions to owners					
Dividends paid during the period	44.1	–	–	–	–
Total contribution by/(distributions to) owners of the Company		–	–		–
Changes in ownership interests in subsidiaries that do not result in a change in control					
Forward to acquire non-controlling interests	28.5	–	–	–	–
Acquisition of non-controlling interests without a change in control	28.6	–	–	–	–
Adjustments due to changes in group holdings and other consolidation adjustments		–	–	–	–
Total changes in ownership interests in subsidiaries		–	–	–	–
Total transactions with the owners of the Company		–	–	–	–
Other movements in equity					
Depreciation transfer on revaluation		–	(601,163)	–	–
Net transfers to/(from) statutory reserve fund		–	–	–	–
Transfers to investment fund account		–	–	–	–
Stamp duty on subsidiary share issues		–	–	–	–
Total other movements		–	(601,163)	–	–
Balance as at 31 March 2013		475,200,000	1,047,927,196	48,355,347	(694,007,114)

The Notes on pages 146 to 262 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

					Equity Attributable to Owners of the Company		
Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Investment Fund	Retained Earnings	Total	Non-Controlling Interests	Total Equity
(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
–	–	–	–	1,896,018,490	1,896,018,490	656,268,844	2,552,287,334
–	–	–	–	–	(361,982,278)	193,538,506	(168,443,772)
–	–	–	–	–	204,798,918	732,698,333	937,497,251
–	–	–	–	–	(13,944,894)	(47,922,214)	(61,867,108)
86,955,516	–	–	–	–	86,955,516		86,955,516
–	–	–	–	–	(253,125,828)	(37,268,449)	(290,394,277)
–	–	–	–	(13,417,957)	(13,417,957)	(17,714,837)	(31,132,794)
–	–	–	–	(37,446,651)	48,190,794	22,532,741	70,723,535
–	–	–	–	1,708,832	1,708,832	1,809,911	3,518,743
86,955,516	–	–	–	1,846,862,714	1,595,201,593	1,503,942,835	3,099,144,428
–	–	–	–	(237,600,000)	(237,600,000)	(281,810,024)	(519,410,024)
–	–	–	–	(237,600,000)	(237,600,000)	(281,810,024)	(519,410,024)
–	–	–	–	(45,152,668)	(45,152,668)	(1,265,767,561)	(1,310,920,229)
–	–	–	–	(365,309,482)	(365,309,482)	(1,148,345,797)	(1,513,655,279)
–	–	–	–	375,177,063	375,177,063	35,266,378	410,443,441
–	–	–	–	(35,285,087)	(35,285,087)	(2,378,846,980)	(2,414,132,067)
–	–	–	–	(272,885,087)	(272,885,087)	(2,660,657,004)	(2,933,542,091)
–	–	–	–	601,163	–	–	–
–	–	(96,245,535)	–	96,245,535	–	–	–
–	–	–	226,160,826	(226,160,826)	–	–	–
–	–	–	–	(3,150,758)	(3,150,758)	(3,045,023)	(6,195,781)
–	–	(96,245,535)	226,160,826	(132,464,886)	(3,150,758)	(3,045,023)	(6,195,781)
118,771,081	205,000,000	1,035,296,780	507,434,698	18,144,262,273	20,888,240,261	22,484,518,136	43,372,758,397

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Cash Flow from Operating Activities					
Profit before income tax expense		3,706,171,234	7,067,800,582	67,901,693	3,071,717,940
Adjustment for:					
(Gain)/loss on sale of property, plant and equipment	5	(173,738,641)	(160,413,552)	(158,390,718)	(137,863,165)
Depreciation and amortisation	11	1,979,773,574	1,614,981,180	559,853,875	602,974,674
Insurance provision		664,156,736	98,370,664	–	–
Change in fair value of forward contracts	5	249,874,263	(199,750,214)	–	–
Provision for gratuity	41.1	149,502,601	169,052,819	14,722,706	10,648,775
Net impairment loss on financial assets		2,090,381,806	889,921,602	54,256,448	269,560,331
Provision for fall/(increase) in value of investments	5	(140,768,469)	622,864,272	(96,093,689)	314,851,565
Gain on sale of Treasury Bonds/factoring portfolio	5	1,575,028	–	1,575,028	(946,338,671)
Investment income		(82,954,878)	(344,374,317)	(79,201,444)	(64,059,197)
Net finance costs	6	14,527,658,645	9,345,806,041	3,464,147,231	2,571,565,724
Interest income		(741,263,389)	(269,603,717)	(44,084,385)	(62,371,930)
Change in fair value of investment properties	25	(909,809,160)	(271,652,666)	–	–
Amortisation of deferred income	40	(8,576,600)	(9,798,040)	–	–
(Profit)/loss on sale of quoted and non-quoted shares	5	6,818,380	(190,798,693)	6,866,806	(180,983,216)
(Profit)/loss on sale of subsidiaries, associates and quoted shares		–	–	–	(2,385,276,719)
Impairement of investments		–	–	71,244,900	21,244,900
Gain/(loss) on change in fair value of consumer biological assets	26.1	(102,204,957)	200,147,801	–	–
Gain/(loss) on change in fair value of bearer biological assets	27.2.4	(51,545,619)	(268,634,337)	–	–
Foreign exchange gain/(loss)	5	(91,898,944)	185,360,891	–	–
Share of profits of equity accounted investees	30.4	(246,128,524)	(269,649,297)	–	–
Gains on bargain purchases (negative goodwill)	12	(1,500,944,862)	(2,914,536,420)	–	–
Operating profit before working capital changes		19,326,078,224	15,295,094,599	3,862,798,451	3,085,671,011
Working Capital Changes					
Increase/(decrease) in trade and other payables		507,289,020	(2,015,783,785)	(875,716,700)	(294,931,250)
(Increase)/decrease in real estate stocks		13,850,792	(187,600)	–	–
(Increase)/decrease in investment in leases, hire purchase and others		1,792,739,534	(11,277,236,138)	50,150,160	1,686,798,492
(Increase)/decrease in investment in advances and other loans		(12,583,921,900)	(10,157,497,850)	3,290,034,692	3,456,690,504
(Increase)/decrease in premium receivables		(63,814,214)	(239,616,479)	–	–
(Increase)/decrease in inventories		399,973,971	(1,441,267,250)	–	1,750,000
(Increase)/decrease in trade and other receivables		1,727,714,045	(729,217,338)	3,111,593,014	(7,688,351,128)
(Increase)/decrease in customer deposits		8,044,690,865	8,333,926,852	–	–
Cash generated from operations		19,164,600,337	(2,231,784,989)	9,438,859,617	247,627,629
Finance cost paid		(14,677,456,620)	(9,378,376,881)	(3,212,589,496)	(1,802,614,029)
Income tax and economic service charge paid		(889,625,879)	(1,137,077,703)	(27,187,346)	(52,410,161)
Defined benefit plan costs paid	41	(135,869,413)	(94,149,667)	(3,828,280)	(4,775,626)
Net cash from/(used in) operating activities		3,461,648,425	(12,841,389,240)	6,195,254,495	(1,612,172,187)

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Cash Flow from Investing Activities					
Investment in subsidiary companies		–	–	(841,382,205)	(1,055,127,991)
Net cash and cash equivalents on acquisition of subsidiary		–	(2,228,943,946)	–	–
Investment in equity accounted investees		(372,631,554)	(556,101,819)	(2,218,277,082)	(333,421,819)
Investment in joint venture		–	–	–	122,086,284
Acquisition of property, plant and equipment	33	(2,457,211,851)	(2,212,126,684)	(441,057,430)	(559,127,090)
Acquisition/(disposal) of intangible assets	32	(212,800,132)	(42,128,867)	(18,478,742)	(7,664,693)
Acquisition/(disposal) of investment properties	25	(273,984,835)	(586,447,526)	–	–
Net additions to trading assets		363,739,116	(2,214,097,070)	112,723,643	22,078,694
Net additions to investment securities		(2,953,121,732)	(1,070,379,812)	2,107,778,798	(444,523,214)
Proceeds from sale of subsidiaries, associates and shares		–	4,278,769,931	–	1,858,555,000
Proceeds from the sale of property, plant and equipment		635,703,568	1,410,426,141	248,105,904	631,027,119
Interest received		741,263,389	269,603,717	4,035,669	8,098,989
Dividend received		65,814,916	375,241,137	32,662,583	37,372,416
Rent received		46,628,210	14,001,660	–	–
Investment income received		2,887,895	–	–	–
Net additions of consumer biological assets	26	4,446,660	11,766,421	–	–
Additions of bearer biological assets		(216,935,143)	(197,885,595)	–	–
Net cash flow from investing activities		(4,626,201,493)	(2,748,302,312)	(1,013,888,862)	279,353,695
Cash Flow from Financing Activities					
Net cash proceeds from short-term interest-bearing loans and borrowings		5,895,661,856	2,947,548,634	166,897,570	(1,998,060,254)
Principal repayment under finance lease liabilities		(104,407,170)	(195,590,812)	(69,694,349)	(162,983,893)
Proceeds from long-term interest-bearing loans and borrowings		11,023,624,444	18,388,863,066	–	2,900,000,000
Repayments of long-term interest-bearing loans and borrowings		(12,529,905,703)	(10,481,066,037)	(4,331,769,586)	(3,307,611,811)
Issue/(repayment) of debentures		(350,502,785)	4,577,706,318	–	4,250,000,000
Dividend paid to parent's shareholders		(237,600,000)	–	(237,600,000)	–
Dividend paid to non-controlling interests		(281,810,024)	(403,441,339)	–	–
Receipt of deferred income	40	32,522,725	1,714,093	–	–
Stamp duty paid on subsidiary share issue		(6,195,781)	(115,792,563)	–	–
Payments to buy *Diriya* residual Interests	28.5.1	(1,065,000,000)	–	–	–
Acquisition of non-controlling interests without a change in control	28.6	(1,513,655,279)	(165,000,000)	–	–
Net cash generated from financing activities		862,732,283	14,554,941,360	(4,472,166,365)	1,681,344,042
Net increase/(decrease) in cash and cash equivalents during the year		(301,820,785)	(1,034,750,192)	709,199,268	348,525,550
Cash and cash equivalents at the beginning of the year		17,734,506	1,052,484,698	(1,353,887,248)	(1,702,412,798)
Cash and cash equivalents at the end of the year		(284,086,279)	17,734,506	(644,687,980)	(1,353,887,248)
Analysis of Cash and Cash Equivalents at the end of the Year					
Cash in hand and favourable bank balances	15.1	6,591,388,970	4,029,189,784	730,310,504	250,011,865
Unfavourable bank balances used for cash management purposes	15.2	(6,875,475,249)	(4,011,455,278)	(1,374,998,484)	(1,603,899,113)
		(284,086,279)	17,734,506	(644,687,980)	(1,353,887,248)

The Notes on pages 146 to 262 are an integral part of these Financial Statements.

Figures in brackets indicate deductions.

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. 110/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka and the principal place of business is stated at the same place.

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2013 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in associates and jointly controlled entities.

The Group is primarily involved in providing diversified financial solutions for a wide variety of customer segments and also engaged in diversified activities such as leisure, trading, plantations, and construction 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

The principal activities of the Company comprised of loans, operating leases and investing activities.

However with effect from 1 April 2011, the Company has ceased the leasing and finance operations and the respective leasing portfolios have been transferred to Lanka ORIX Finance PLC which is a subsidiary of the Company and became a Holding Company.

Description of the nature of operations and principal activities of the subsidiaries, jointly-controlled entities and associates are given on Note 28, 29 and 30 respectively to these Financial Statements.

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.

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 are the Company's and the Group's first Financial Statements prepared in accordance with SLFRSs/LKAS'S and SLFRS 1 First-time Adoption of Sri Lanka Accounting Standards, has been applied.

An explanation of how the transition to SLFRS/LKRS has affected on the reported financial position and financial performance of the Group is provided in Note 52.

The Financial Statements were authorised for issue by the Directors on 28 June 2013.

2.2 Basis of Measurement

The Financial Statements of the Group and the Company have been prepared on the historical cost basis with no adjustments being made for inflationary factors affecting the Financial Statements, 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 present value
- Lands and buildings are measured at revalued amounts
- Investment properties are measured at fair value
- Consumable biological assets are measured at fair value less cost to sell

2.3 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 (SLR), which is the functional currency and the Group's presentation currency. All financial information presented in Rupees has been rounded to the nearest Rupee unless stated otherwise.

2.4 Use of Estimates and Judgement

The preparation of the Financial Statements in conformity with SLFRSs/ LKAS's requires management to make judgements, 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 judgements 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 judgements 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 Estimate/ Judgement	Disclosure Reference Note
Consumer biological assets	26
Bearer biological assets	27
Determination in fair value of Investment properties	3.6.2.4/25.4
Financial Instruments - fair value disclose	3.3.1.5
Revaluation of lands & buildings	3.8.1.4
Goodwill on acquisition	3.1.12
Gain on bargain purchase	3.1.13
Insurance provision - Life	3.28.6.6
Insurance provision - General	3.28.5.8
Unearned premium reserve	3.28.5.3
Deferred acquisition cost	3.28.5.6
Retirement benefit obligation	3.14.2
Un-recognised deferred tax assets	3.10.2
Collective allowance for impairment	3.3.1.6
Leasehold right to bare land	3.29.5
Impairment of non-financial assets	3.9
Useful lives of property, plant and equipment	3.8.1.7
Useful lives of intangible assets	3.7.5
Consolidation of Eden Hotels Lanka PLC	28.4

2.5 Comparative Information

Previous period figures and Notes have been restated and reclassified wherever necessary to conform to the current year's presentation.

The Company and the Group has applied the exception given by The Institute of Chartered Accountants of Sri Lanka in applying comparative figures for SLFRS 7 - 'Financial Instruments Disclosures'. Accordingly the comparative disclosure required by paragraphs 31-42 (Nature and extent of risk arising from Financial Instruments) will not be disclosed for comparative period due to difficulty of gathering such information.

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the Financial Statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

2.7 Offsetting

Assets and liabilities, and income and expenses, are not offset unless required or permitted by SLFRSs.

2.8 Going Concern

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

2.9 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.

2.10 New Accounting Standards Issued but not Effective at Balance Sheet Date

The Accounting standards issued but not effective at the Balance Sheet date is given below with expected impact on Group Financial Statements. The Group will apply the accounting standards when they become effective.

2.10.1 SLFRS 9 - Financial Instruments

SLFRS 9 - 'Financial Instruments', which will replaces the provisions of LKAS 39 'Financial Instruments': Recognition and Measurement on classification and measurement of financial assets and requirements with respect to the classification and measurement of financial liabilities, the derecognition of financial assets and financial liabilities and how to measure fair value were added to SLFRS 9. Most of these requirements have been carried forward without substantive amendment from LKAS 39. However, to address the issue of own credit risk some changes was made to the fair value option for financial liabilities.

The standard is applied retrospectively in accordance with LKAS 8 'Accounting Policies', Changes in Accounting Estimates and Errors, with certain exemptions.

SLFRS 9 is effective for annual period beginning on or after 1 January 2015.

2.10.2 SLFRS 10 - Consolidated Financial Statements

SLFRS 10 - 'Consolidated Financial Statements', which replaces LKAS 27 - 'Consolidated and Separate Financial Statements' and SIC-12 Consolidation-Special Purpose Entities. Additionally, the ICASL published SLFRS - 12 Disclosure of Interests in Other Entities and LKAS 27 Separate Financial Statements.

The main changes from LKAS 27 and SIC-12 are a single control model is applied to determine whether an investee should be consolidated, Control assessment includes consideration of substantive potential voting rights as opposed to currently exercisable potential voting rights, Guidance is provided for assessing whether the investor is a principal or an agent in respect of its relationship with the investee. A principal could consolidate an investee whereas an agent would not because the linkage between power and returns is not present.

SLFRS 10 is effective for annual periods beginning on or after 1 January 2014.

2.10.3 SLFRS 11 - Joint Arrangements

SLFRS 11 - 'Joint Arrangements', which replaces LKAS 31 - 'Interests in Joint Ventures' and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Ventures. SLFRS 11 also amends LKAS 28 - 'Investments in Associates'.

The following are the main changes from LKAS 31:

The structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting and if a joint arrangement is determined to be a joint venture, then the joint venture accounts for its investment using the equity method in accordance with LKAS 28 - 'Investments in Associates and Joint Ventures'; the free choice between using either the equity method or proportionate consolidation has been eliminated.

SLFRS 11 is effective for annual period beginning on or after 1 January 2014.

2.10.4 SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 - 'Disclosure of Interests in Other Entities' is a consolidated disclosure standard requiring a wide range of 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.

SLFRS 11 is effective for annual period beginning on or after 1 January 2014.

2.10.5 SLFRS 13 - Fair Value Measurement

SLFRS 13 - 'Fair Value Measurement' applies to SLFRS's that require or permit fair value measurements or disclosures and provides a single SLFRS framework for measuring fair value and requires disclosures about 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 is effective for annual period beginning on or after 1 January 2015.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements and in preparing the opening SLFRS Statement of Financial Position at 1 April 2011 for the purposes of the transition to SLFRSs, 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

3.1.1.1 Acquisitions on or after 1 April 2011

For acquisitions on or after 1 April 2011, 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.

3.1.1.2 Acquisitions prior to 1 April 2011

As part of its transition to SLFRSs, the Group elected to restate only those business combinations that occurred on or after 1 April 2011. In respect of acquisitions prior to 1 April 2011, goodwill represents the amount recognised under the Group's previous accounting framework, SLASs.

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. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account.

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 when 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.

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 Consolidated Balance Sheet within Equity, separately from the Equity Attributable to Equity Holders of the Parent (Company).

3.1.4 Acquisition of Non-controlling Interests

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

Any difference between the amount by which the minority 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 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 Comprehensive Income.

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.

3.1.6 Associates - Equity Accounted Investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating activities. Significant influence is presumed to exist when the Group holds between 20% and 50% 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.

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 nil 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 30 to these Financial Statements.

3.1.7 Jointly-Controlled Entities

Joint ventures 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 proportionate consolidation method, from the date that joint control commences until the date that joint control ceases. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's Financial Statements.

Jointly-controlled entities of the Group which have been accounted for under the proportionate consolidation method of accounting are disclosed in Note 29 to these Financial Statements.

3.1.8 Reporting Date

All the Group's Subsidiaries, Associate Companies and joint venture companies have a common financial year end which ends on 31 March other than Commercial Insurance Brokers Ltd., LOLC Insurance Company Ltd. and PRASAC Micro Finance Company and Seylan Bank PLC whose financial year end on 31 December.

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

3.1.9 Balances and Transactions eliminated on Consolidation

Intra-group balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intra-group 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.

3.1.10 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.

3.1.11 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.

3.1.12 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 Company will test 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 Comprehensive Income. 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.

3.1.13 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 Comprehensive Income.

3.2 Foreign Currency

3.2.1 Foreign Currency Transactions

Transactions in foreign currencies are translated to the functional currency (Sri Lankan Rupees) 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 is 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 the Statement of Comprehensive Income.

3.2.2 The Net Gain or Loss on Conversion of Foreign Operation

Foreign currency differences from operations are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity.

3.3 Financial Instruments

3.3.1 Non-Derivative Financial Instruments

3.3.1.1 Recognition

The Group initially recognises loans and advances, deposits, debt securities issued 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 trade at which the Group becomes a party to the contractual provisions of the instruments.

3.3.1.2 Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, 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 derecognition that is created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position. On derecognition 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.

In 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.

3.3.1.3 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.

3.3.1.4 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 recognized and the maturity amount, minus any reduction for impairment.

3.3.1.5 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 a valuation technique. 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 analyses 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 profit or loss.

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 value 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 net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist,

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 the 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 of management judgement 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 prone to changes based on specific events and general conditions in the financial markets.

3.3.1.6 Identification and Measurement of Impairment

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.

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 of impairment.

The Group considers evidence of impairment for loans and advances at both a 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 modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement 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 modelling, 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.

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.

3.3.2 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 financial assets are recognised at fair value at its initial recognition.

3.3.2.1 Financial Assets at Fair Value through Profit or Loss

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.

3.3.2.2 Loans and Receivables

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:

3.3.2.2.1 Rental Receivable on Finance Leases and Hire Purchase

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.

3.3.2.2.2 Rental Receivable 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.

3.3.2.2.3 Advances and Other Loans to Customers

Advances and other loans to customers comprised of revolving loans, loans with fixed instalments, factoring and Gold loans.

Revolving loans to customers are reflected in the Balance Sheet at amounts disbursed less repayments and provision for doubtful debts. Loans to customers with fixed instalments are stated in the Balance Sheet net of possible loan losses and net of interest, which is not accrued to revenue.

3.3.2.2.4 Gold Loans

The Group provides Gold loan facilities with different maturities which are less than one year. The amounts receivable from Gold loans are included in the advances and other loans at the amounts expect to be recovered.

3.3.2.2.5 Trade Receivables

Trade and other receivables are stated at the amounts they are estimated to realise, net of provisions for impairment. A provision for doubtful debts is made where as there is objective evidence that the Company will not be able to recover all amounts due according to the original terms of receivables. Bad debts are written-off when identified.

3.3.2.3 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 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 impairment as held-to-maturity.

3.3.2.4 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 are 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.

3.3.2.5 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 are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

3.3.3 Financial Liabilities

The Group initially recognises debt securities, Deposits from customers and loans & borrowings on the date that they are originated. All other financial liabilities are recognised at initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instruments.

The Group derecognises a financial liability when its 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 and borrowings, bank overdraft, customer deposits and debentures issued.

3.3.4 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 market prices, or using valuation techniques. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.3.4.1 Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of the derivative as the 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 also requires a documented assessment, 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.

3.3.4.1.1 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income 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 Income Statement during that period. The accumulated gains and losses recognised in other comprehensive income are reclassified to the Income Statement 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 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 forecast transaction occurs.

3.3.4.1.2 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 ongoing basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

The method adopted by an entity to assess hedge effectiveness will depend on its risk management strategy. For expected effectiveness, the hedging instrument must be 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 fair value or cash flows must offset each other in the range of 80% to 125%. The ineffective portion of the derivative portion will be recognised immediately in Income Statement.

3.3.4.1.3 Fair Value through Profit or Loss

Fair value through profit or loss accounting has been applied for derivative contracts when the hedge accounting rules are not applied.

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 the manufacturing stocks, provision for slow moving inventories is 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 cost formula.
Growing Crop - Nurseries	At the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads less provision for overgrown 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 cost 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 resale. Carrying value of the real estate stocks as at the Balance Sheet date represents the purchase value of properties and any subsequent expenditure incurred on development of such properties.

3.5 Non-financial receivables

Non-financial receivable balances are stated at estimated amounts receivable after providing for impairment.

3.6 Investment Properties

3.6.1 Basis of Recognition

Investment property is 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.

3.6.2 Basis of Measurement

3.6.2.1 Fair Value Model

Investment properties are initially recognised at cost. Subsequent to initial recognition the investment properties are stated at fair values, which reflect market conditions at the Balance Sheet date. Gains or losses arising from changes in fair value are included in the Statement of Comprehensive Income 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.

3.6.2.2 Derecognition

Investment properties are derecognised 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 Comprehensive Income in the year of retirement or disposal.

3.6.2.3 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 Comprehensive Income. 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 Comprehensive Income.

3.6.2.4 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 every 3 year. 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.

3.7 Intangible Assets

3.7.1 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.

3.7.2 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 is 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.

3.7.3 Subsequent Expenditure

Subsequent expenditure on intangible assets is capitalised only when it increases the future economic benefits embodied in these assets. All other expenditure is expensed when incurred.

3.7.4 Derecognition

Intangible assets are derecognised on disposal or when no future economic benefits are expected from its use. The gain or loss arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

3.7.5 Amortisation

Amortisation is recognised in the Statement of Comprehensive Income 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
Brand Name	10 years
Customer Base	5 years
License and Fees	20 years

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

3.8 Property, Plant and Equipment

3.8.1 Freehold Property, Plant and Equipment

3.8.1.1 Basis of Recognition

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

3.8.1.2 Basis of Measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation/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 labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on 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.

3.8.1.3 Cost Model

The Group applies the cost model to all property, plant and equipment, except freehold land and buildings; which records at cost of purchase together with any incidental expenses thereon less any accumulated depreciation and accumulated impairment losses.

3.8.1.4 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 Balance Sheet date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholders' equity unless it off sets a previous decrease in value of the same asset that was recognised in the Statement of Comprehensive Income. A decrease in value is recognised in the Statement of Comprehensive Income 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.

3.8.1.5 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 derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.8.1.6 Reclassification to Investment Property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain arising on remeasurement 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.

3.8.1.7 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. Lands are 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 derecognised.

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
Plant and Machinery	8-20 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Power/Electricity Supply	13 1/3 years
Water Sanitation	20 years
Security Fencing	3 years
Penstock Pipes	20 years
Roads and Bridges	50 years
Furniture and Fittings	5-10 years
Office Equipment	4-5 years
Computer Equipment	5-8 years
Swimming Pool	10 years
Cutlery, Crockery and Glassware	5 years
Linen	3 years

3.8.1.8 Derecognition

An item of property, plant and equipment is derecognised 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, and is 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.

3.8.2 Operating Lease Assets

Operating lease assets are motor vehicles and equipment shown under property, plant and equipment in the Balance Sheet at cost less accumulated depreciation.

Motor vehicles are depreciated net of cost and the estimated residual value over the effective useful life. Residual value is the estimated net amount the Company would currently obtain from disposal of the assets at the end of useful life. Effective useful life is measured and the carrying amount adjusted at each reporting date.

3.8.3 Leasehold Property, Plant and 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.

3.8.4 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 buildings.

3.9 Impairment of Non-Financial Assets

The carrying amounts of the Company'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 assets' 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 Company'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.

3.10 Tax Expense

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognised in Statement of Comprehensive Income except to the extent that it relates to items recognised directly in the Statement of Changes in Equity.

3.10.1 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.

3.10.2 Deferred Tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not 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 expense and conversely any net decrease is recognised as reversal to deferred tax expense, in the Statement of Comprehensive Income.

3.10.2.1 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.

3.10.3 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.

3.10.4 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.

3.10.5 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.

3.10.6 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%.

3.10.7 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 purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- 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 Balance Sheet.

3.11 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 Balance Sheet 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 Balance Sheet date are treated as current liabilities. Liabilities payable after one year from the Balance Sheet date are treated as non-current liabilities.

3.12 Deposit Insurance Scheme

In terms of the Finance Companies Direction No. 2 of 2010 'Insurance of Deposit Liabilities' issued on 27 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 1 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 the 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 the Central Bank of Sri Lanka.

Registered Finance Companies are required to pay a premium of 0.15% on eligible deposit liabilities as at end of the month to be payable within a period of 15 days from the end of the respective month.

3.13 Grants and Subsidies

Grants related to property, plant and equipment are initially deferred and allocated to the Statement of Comprehensive Income 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 Balance Sheet and credited to the Statement of Comprehensive Income over the useful life of the related asset as given below:

	No. of Years	Rate %
Buildings	40	2.5
Plant and Machinery	13 1/3	7.5
Equipment	08	12.5
Roads	50	2.0
Vehicles	05	20.0

Relevant assets are presented separately in the Financial Statements without setting off against the relevant grants.

Grants related to income are recognised in the Statement of Comprehensive Income in the period in which they are receivable.

3.13.1 Finance Leases

Property 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 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 Comprehensive Income over the period of lease.

3.13.2 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.

3.14 Employee Benefits

3.14.1 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 Comprehensive Income in the periods during which services are rendered by employees.

3.14.1.1 Employees' Provident Fund (EPF), Ceylon Plantation Provident Society (CPPS) and Estate Staff Provident Society (ESPS)

The Group and employees contribute 12% and 8% respectively on the salary of each employee to the above mentioned funds.

3.14.1.1.1 Employees' Trust Fund (ETF)

The Company/Group contribute 3% of the salary of each employee to the Employees' Trust Fund.

3.14.2 Defined Benefit 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 are 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 recognised as personnel expenses in the Statement of Comprehensive Income. This retirement benefit obligation is not externally funded.

3.14.3 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.

3.15 Accounts Payables and Accrued Expenses

Trade and other payables are stated at cost.

3.16 Provisions

Provisions are made for all obligations existing as at the Balance Sheet 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. 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 COMPREHENSIVE INCOME

3.17 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
Trading & Related Services	Sale of Consumer, Agricultural, Motor Vehicles, Industrial Items and Providing Related Services.
Leisure	Accommodation Sales, Service Charges, Food and Beverages, Income and Outlet Sales
Plantation	Sale of Perennial Crops
IT Services	IT Service Fee
Stock Brokering	Brokerage Fees
Power Generation	Sale of Electrical Energy, Sale of Solar System

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.

3.17.1 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.

3.17.2 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.

3.17.3 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.

3.17.4 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 interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the Statement of Comprehensive Income 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 expense 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 Comprehensive Income.

3.17.5 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 expense relate mainly to transaction and service fees, which are expensed as the services are received.

3.17.6 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.

3.17.7 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.

3.17.8 Factoring Income

Revenue is derived from two sources, funding and providing sales ledger related services.

Funding - Discount income relating to factoring transactions is 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 an accrual basis and deemed earned on disbursement of advances for invoices factored.

3.17.9 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 charge 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 at the end of each financial year.

3.17.10 IT Service Fee

IT services fee is accounted for on an accrual basis.

3.17.11 Turnover from Sale of Solar Systems and Sale of Electricity

The above revenue components are accounted on an accrual basis.

3.17.12 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 Comprehensive Income, after deducting from the net sales proceeds on disposal of the carrying amount of such assets.

3.17.13 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.

3.17.14 Amortisation of Government Grants Received

An unconditional Government grant related to a biological asset is recognised in the Statement of Comprehensive Income 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 Comprehensive Income 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 Comprehensive Income as other income on a systematic basis in the same periods in which the expenses are recognised.

3.18 Expenses Recognition

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

For the presentation of the Statement of Comprehensive Income 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 a presentation method is adopted.

Preliminary and pre-operational expenditure is recognised in the Statement of Comprehensive Income.

Repairs and renewals are charged to the Statement of Comprehensive Income in the year in which the expenditure is incurred.

3.19 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 interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables), are recognised in in the Statement of Comprehensive Income.

3.20 The Group Profits are Stated After-

- Providing for all impairment losses and depreciation of property, plant and equipment.
- Charging all expenses incurred in the day-to-day operations of the business and in maintaining the property, plant and equipment in a state of efficiency.

3.21 Earnings Per Share

The Company 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 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.

3.22 Cash Flow Statement

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.

3.23 Related Party Disclosures

3.23.1 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.

3.23.2 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.

3.24 Segmental Reporting

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 the Group's 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 51.

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 the bases decided by the management and applied consistently throughout the year.

3.25 Events After the Balance Sheet Date

All material Post-Balance Sheet events have been considered and where appropriate adjustments or disclosures have been made in the respective Notes to the Financial Statements.

3.26 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 Balance Sheet but are disclosed unless they are remote.

3.27 Capital Management

The Board of Directors monitors the return on capital investment on a monthly 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 on the 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 established. The 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 SPECIFIC TO SPECIFIC INDUSTRY SECTORS

3.28 Insurance Sector

3.28.1 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.

3.28.2 Reinsurance Receivable

The Group cedes insurance risk in the normal course of business for all 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 Income Statement.

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.

3.28.3 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 Income Statement by setting up an additional provision in the Statement of Financial Position.

3.28.4 Insurance Premium Receivables

Collectability of premiums and other debts are reviewed on an on-going basis. Policies issued on debt 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 Income Statement.

Insurance receivables are derecognised when the derecognition criteria financial assets.

3.28.5 General Insurance Business

3.28.5.1 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.

3.28.5.2 Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis.

3.28.5.3 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.

3.28.5.4 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 31 December.

3.28.5.5 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.

3.28.5.6 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.

3.28.5.7 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31 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.

3.28.5.8 Valuation of Insurance Provision - General Insurance Reserve for outstanding claims including IBNR

The Group started writing Non-Life Business in year 2011, the Company has started with Writing Motor Business and was only class of business till 31 December 2011.

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.

Market ratios were considered arriving at IBNR figures. Actuary has used an average delay method modified suitably looking at Company's new business policy and delay pattern observed. IBNR calculated is around 7% of Net Earned Premiums, and is on conservative side for a start-up company. Actuary believes that over a period of couple of more years actuary will be able to use some statistical method as data may be sufficient at that time and the Company also may have ventured in to other classes of business.

3.28.6 Life Insurance Business

3.28.6.1 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.

3.28.6.2 Reinsurance Premium

Reinsurance premium expense is accrued on active policies on a monthly basis. Reinsurance recoveries are credited to match the relevant gross claims.

3.28.6.3 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.

3.28.6.4 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.

3.28.6.5 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 flow shortfalls. This second component is calculated exactly as per the sterling reserve above.

3.28.6.6 Valuation of Insurance Provision - Life Insurance Contract Liabilities

In the last nine months of operation ending on 31 December 2011, the Group has sold three products viz. *Divisaviya*, *Isuru Sahana* and Credit Life Group. All three are single premium term insurance products. As per IBSL's guidelines, the method of valuation is Net Premium method. As per IBSL's requirements, the discounting rate used is 5% p.a.; this being the first year of operations of the Company. A mortality table used is A (67-70) ultimate table.

A contingency reserve has been set aside to make provision for other risks like Catastrophe, IBNR.

Reinsurance has been ignored for computation of solvency margin as a conservative basis.

3.29 Plantation Sector

3.29.1 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.

3.29.2 Bearer Biological Assets

The Group recognises tea and mixed crops except for rubber and coconut, at cost in accordance with the new ruling issued by The Institute of Chartered Accountants of Sri Lanka dated 02 March, 2012, due to the impracticability of carrying out a proper fair valuation. New ruling provide the option to measure bearer biological assets using LKAS 16 - Property, Plant and Equipment. The Company measures tea and mixed crops at their cost less any accumulated depreciation and any accumulated impairment losses at the end of the financial period.

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 long-term loans used for financing immature plantations. Attributable overheads incurred on the plantation are apportioned based on the labour 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.

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 plantations. These rates are re-evaluated annually.

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

3.29.3 Consumable biological assets

Trees namely teak, mahogany, Nadun, mango, Albezzia, Wal del, rubber 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 capitalised 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 the Income Statement.

3.29.4 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.

3.29.5 Leasehold Rights to Bare Land of JEDB/SLSPC Estate Assets and Immovable (JEDB/SLSPC) Estates Assets on Finance Lease

The Institute of Chartered Accountants of Sri Lanka has issued a statement of recommended practice (SORP) with effect from 01 January 2012) for right-to-use of land on lease on 19 December 2012. Since the SORP issued by the ICASL has not been finalised, the Group have not compiled with the SORP issued by The Institute of Chartered Accountants of Sri Lanka.

As the current practice, the Company followed the 'urgent issue task force' (UITF) ruling issued prior to 01 January 2012 which has been superseded by the Sri Lanka Accounting framework with effect from 01 January 2012.

3.29.6 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 Income Statement.

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

3.29.7 Liability to make Lease Rentals

The liability to Make the rentals to the lessor is recognised on amortised cost using the effective interest rate method. The finance cost is recognised in the Income Statement under finance cost using the effective interest rate method.

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

4 GROSS INCOME

	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Revenue	4.1	16,988,148,598	16,849,173,531	–	–
Income	4.2	22,890,875,964	18,020,866,228	3,541,669,893	3,016,783,153
Other income	5.1	1,602,340,570	662,714,366	1,141,957,915	4,544,494,220
Total		41,481,365,132	35,532,754,125	4,683,627,808	7,561,277,373

4.1 Revenue

	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Gross revenue	17,117,340,266	16,859,770,814	–	–
Less - Direct taxes	(129,191,668)	(10,597,283)	–	–
	16,988,148,598	16,849,173,531	–	–

4.2 Income

	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Leasing interest income	7,282,485,125	5,357,202,673	–	108,420,332
Hire purchases interest income	1,602,173,511	2,670,495,059	2,910,442	30,670,520
Interest income on foreign currency deposits	82,680,682	62,376,279	4,035,669	8,098,989
Advances and other loans interest income	8,659,780,693	6,233,717,686	2,621,859,053	1,803,645,003
Earned premium on insurance contracts	1,040,083,029	115,792,303	–	–
Deferred instalment income	60,299,601	171,877,005	60,299,601	171,877,005
Operating lease and hire rental income	421,922,976	421,975,064	408,733,974	450,391,739
Overdue interest income	913,707,248	1,016,002,836	128,229,618	200,883,981
Debt factoring income	1,965,838,599	1,558,725,410	–	45,641,636
Insurance broking income	–	9,115,757	–	9,115,757
Securities trading income	55,810,702	57,310,619	–	–
Rentals & sales proceeds - contracts written off	111,108,834	705,663	71,594,403	47,424,974
Transfer fees and profit on termination	396,268,034	53,699,218	30,769,195	133,009,158
Arrangement/documentation fee and other	162,612,855	65,756,439	165,574	7,604,059
Other operational income	136,104,075	226,114,217	213,072,364	–
Total	22,890,875,964	18,020,866,228	3,541,669,893	3,016,783,153

5 OTHER INCOME/(EXPENSES)

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Rental income		46,628,210	14,001,660	4,585,600	–
Royalty income		–	–	35,941,930	–
Dividends income		33,438,773	330,372,657	79,201,444	64,059,197
Franchise fees		2,887,895	–	2,887,895	114,302,575
Insurance policy fees		28,458,746	7,362,300	–	–
Treasury handling charges		–	–	302,386,585	370,722,994
Restructuring and arrangement fees		–	–	200,000,000	400,000,000
Asset hire income		–	–	96,884,565	96,884,566
Guarantee fee income		–	–	74,754,298	–
Interest received from deposits and Government Securities		735,430,464	209,851,232	3,190,160	2,619,445
Debenture interest income		5,832,925	59,752,485	40,894,225	59,752,485
Gain on disposal of property, plant and equipment		173,738,641	160,413,552	158,390,718	137,863,165
Gain on change in fair value of consumer biological assets	26.1	102,204,957	(200,147,801)	–	–
Gain on change in fair Value of bearer biological assets	27.2.4	51,545,619	268,634,337	–	–
Sale of timber trees		54,883,034	–	–	–
Loss on sale of Treasury Bonds		(1,575,028)	–	(1,575,028)	–
Foreign exchange gain/(loss)		91,898,944	(185,360,891)	(5,710,313)	9,100,389
Change in fair value of forward contracts		(249,874,263)	199,750,214	–	–
Gain on sale of factoring portfolio		–	–	–	946,338,671
Appreciation/(fall) in value of investments		140,768,469	(622,864,272)	96,093,689	(314,851,565)
Profit on sale of quoted and non-quoted shares		(6,818,380)	190,798,693	(6,866,806)	2,566,259,936
Amortisation of deferred income	40	8,576,600	9,798,040	–	–
Penalty and early settlement interests		112,438,143	32,709,573	–	–
Sundry income/(expenses)		271,876,821	187,642,587	60,898,953	91,442,362
Total		1,602,340,570	662,714,366	1,141,957,915	4,544,494,220

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

6 NET FINANCE COSTS

Interest expense on:				
Customer deposits	4,183,427,333	2,420,264,513	–	–
Commercial papers and Promissory Notes	618,157,876	305,217,325	579,968,580	292,422,601
Overdraft and other short-term borrowings	7,072,928,195	3,905,884,273	1,037,322,264	1,347,985,516
Long-term borrowings	1,402,068,866	2,100,254,322	773,177,087	625,132,191
Finance leases	67,047,851	58,130,984	43,118,326	32,353,914
Debenture interests	333,201,478	193,248,933	712,784,568	146,665,050
Swap costs	850,827,046	362,805,691	317,776,406	127,006,452
	14,527,658,645	9,345,806,041	3,464,147,231	2,571,565,724

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

7 DIRECT EXPENSES EXCLUDING FINANCE COSTS

Value Added Tax (VAT) on leases/general expenses and VAT on financial services	362,260,555	418,875,114	26,617,750	103,402,864
Business Turnover Tax (BTT), debits tax and others	16,062,981	112,225,560	6,958,027	95,075,718
Reinsurance premium	118,158,334	14,879,870	–	–
Insurance benefits, losses and expenses	596,282,339	50,800,006	–	–
Increase in long-term insurance fund	67,874,397	47,570,658	–	–
Insurance expenses	211,214,178	226,410,263	–	–
Other direct expenses	157,574,684	59,654,895	–	–
	1,529,427,468	930,416,366	33,575,777	198,478,582

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

8 PERSONNEL COSTS

Salaries, wages and other benefits		4,288,965,744	3,596,478,657	53,068,599	201,638,367
Contribution to EPF/CCPS/ESPS		411,948,202	363,302,289	60,728,483	51,688,650
Contribution to ETF		48,085,637	34,892,339	13,002,817	10,643,914
Retirement benefit cost	41.1	149,502,601	169,052,819	14,722,706	10,648,775
		4,898,502,184	4,163,726,104	141,522,605	274,619,706

For the year ended 31 March		Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

9 NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Net impairment loss on;

		Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Finance lease receivables		266,980,078	334,773,145	–	9,773,948
Hire purchase receivables		11,823,394	(38,576,732)	5,144,109	21,059,951
Operating lease receivables		(32,943,360)	19,551,589	(32,943,361)	19,551,589
Advances and loans		1,320,682,253	(16,452,082)	35,241,755	6,212,054
Factoring receivables		439,908,311	347,410,460	–	101,691,802
Pawning advances		(67,326,817)	97,516,556	–	–
Bad debts wtitten off net of reversals		151,257,947	145,698,666	46,813,945	111,270,987
Total		2,090,381,806	889,921,602	54,256,448	269,560,331

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

10 OTHER OPERATING EXPENSES

	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Administration cost	2,499,542,028	2,029,465,900	236,734,550	349,204,457
Operating and marketing cost	2,184,876,254	1,988,187,069	125,635,629	223,155,959
	4,684,418,282	4,017,652,969	362,370,179	572,360,416

11 RESULTS FROM OPERATING ACTIVITIES

Results from operating activities are stated after charging all expenses including the following:

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Directors' remuneration		169,186,922	76,962,719	43,478,484	46,064,635
Auditors' fees and expenses	11.1	21,405,234	15,483,246	4,187,888	4,017,793
Legal expenses		67,110,423	52,797,472	15,768,913	12,458,792
Secretarial fees		2,896,362	3,076,438	376,545	–
Professional fees		28,616,214	56,296,154	2,379,754	23,072,295
Advertising related expenses		724,088,849	951,722,770	16,833,429	51,891,974
Donations		5,923,659	4,145,156	2,230,372	1,766,670
Depreciation and Amortisation					
Depreciation of property, plant and equipment	33	1,858,493,807	1,533,219,632	530,577,076	581,976,145
Amortisation of prepaid lease rentals	24	8,176,732	8,176,731	–	–
Amortisation of intangible assets	32.3	87,870,348	50,876,632	29,276,799	20,998,529
Amortisation of bearer biological assets	27.1.4	25,232,687	22,708,185	–	–
		1,979,773,574	1,614,981,180	559,853,875	602,974,674

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)

11.1 Auditors' Fees and Expenses

Remuneration for				
Audit-related services	20,362,144	12,934,658	3,450,000	2,450,000
Non-audit related services	1,043,090	2,548,588	737,888	1,567,793
	21,405,234	15,483,246	4,187,888	4,017,793

12 GAINS ON BARGAIN PURCHASES (NEGATIVE GOODWILL)

The gains on bargain purchases (negative goodwill) is attributable for the following entities acquired during the period:

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)
Seylan Bank PLC	12.1	1,500,501,206	–
Acquisition of joint ventures - Ceylon Tea Estates (Pvt) Ltd.		443,656	–
Excel Global Holdings (Pvt) Ltd. - Group		–	2,604,554,950
Taprobane Capital Ltd. (Group)		–	41,469,110
Dickwella Resort (Pvt) Ltd.		–	268,512,360
		1,500,944,862	2,914,536,420

12.1 In December 2012, the Group established 'significant influence' over Seylan Bank PLC. LOLC has obtained the Central Bank approval to hold the 23.43% of voting rights, thus Seylan has become an equity accounted investee.

Consequently, based on the net assets acquired over the investment made has been identified as the gain on bargain purchase of the transaction. The summarised acquisition results are shown as follows:

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)
Reclassification of previously held interests at fair value	30.4	4,319,864,791	–
Fair value of the additional investments made	30.4	161,397,138	–
Fair value of the total consideration		4,481,261,929	
Fair value of the net assets acquired		5,981,763,135	–
Gain on bargain purchase		1,500,501,206	–

13 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.

13.1 Major Components of Income Tax Expense are as follows:

		Group		Company	
For the year ended 31 March	Note	2013 (Rs.)	2012 (Rs.)	2013 (Rs.)	2012 (Rs.)
Current tax expense	13.3	832,440,927	980,784,003	–	83,080,528
Deferred tax expense	31.5	321,442,973	383,248,624	33,718,170	11,383,811
Income tax expense reported in the Income Statement		1,153,883,900	1,364,032,627	33,718,170	94,464,339

13.2 Numerical reconciliation of accounting profits to income tax expense:

		Group		Company	
For the year ended 31 March	Note	2013 (Rs.)	2012 (Rs.)	2013 (Rs.)	2012 (Rs.)
Profit before income tax expense		3,706,171,234	7,067,800,582	67,901,693	3,071,717,940
(+) Disallowable expenses		16,340,526,939	9,180,226,735	1,267,374,110	2,368,769,723
(-) Allowable expenses		(15,217,305,644)	(6,815,892,103)	(1,175,428,200)	(1,651,372,515)
(-) Tax exempt income		(2,911,711,002)	(2,122,747,662)	(229,327,591)	(3,962,960,203)
(-) Allowable tax credits		(22,125,169)	(3,661,679,532)	–	–
(+) Tax losses incurred	13.6	2,132,822,609	873,940,619	69,479,988	173,845,055
(-) Tax losses utilised	13.6	(155,081,784)	(393,717,813)	–	–
Taxable income		3,873,297,183	4,127,930,826	–	–
Income tax @					
28%		754,673,564	781,038,050	–	–
12%		51,202,032	24,487,758	–	–
10%		–	44,705,666	–	–
Total tax expenses		805,875,596	850,231,474	–	–
Average statutory income tax rate (%)		20.81%	20.60%	28.00%	28.00%

13.3 Current Tax Expense

Tax expense	13.2	805,875,596	850,231,474	–	–
Under provision in respect of previous years		26,043,845	130,003,854	–	83,080,528
Deemed dividend tax paid		521,486	548,675	–	–
		832,440,927	980,784,003	–	83,080,528

13.4 Effective Tax Rate

For the year ended 31 March	Group		Company	
	2013	2012	2013	2012
	(%)	(%)	(%)	(%)
	31.13	19.30	49.66	3.08

13.5 A Reconciliation of Effective Tax Rate is as follows:

For the year ended 31 March	2013		2012	
	(Rs.)	(%)	(Rs.)	(%)
Group				
Accounting profit before income tax	3,706,171,234	–	7,067,800,582	–
Income tax expense at the average statutory income tax rate	771,103,484	20.81	1,455,757,560	20.60
Disallowable expenses	3,721,241,972	100.41	2,274,103,398	32.18
Allowable expenses	(3,166,102,335)	-85.43	(1,403,871,875)	-19.86
Tax exempt income	(605,808,625)	-16.35	(437,223,139)	-6.19
Allowable tax credits	(4,603,348)	-0.12	(754,197,519)	-10.67
Tax losses incurred	443,753,632	11.97	180,005,880	2.55
Tax losses utilised	(32,266,211)	0.87	(81,094,207)	-1.15
Under/(over) provision in respect of previous years	26,043,845	0.70	130,003,854	1.84
Deemed dividend tax paid	521,486	0.01	548,675	0.01
Current tax expense	1,153,883,900	31.13	1,364,032,627	19.30
Company				
Accounting profit before income tax	67,901,693	–	3,071,717,940	–
Income tax expense at the average statutory income tax rate	19,012,474	28.00	860,081,023	28.00
Disallowable expenses	388,582,921	572.27	674,639,333	21.96
Allowable expenses	(329,119,896)	-484.70	(462,384,304)	-15.05
Tax exempt income	(64,211,725)	-94.57	(1,109,628,857)	-36.12
Tax losses incurred	19,454,397	28.65	48,676,615	1.58
Under/(over) provision in respect of previous years	–	0.00	83,080,528	2.70
Current tax expense	33,718,170	49.66	94,464,339	3.08

13.6 Tax Losses

For the year ended 31 March	Group		Company	
	2013	2012	2013	2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Losses brought forward	3,568,524,674	3,269,759,515	1,163,150,403	1,206,745,573
Acquisition of subsidiaries	–	35,982,578	–	–
Adjustments for brought forward tax losses	(552,949,921)	(217,440,225)	(31,241,906)	(217,440,225)
Losses incurred	2,132,822,609	873,940,619	69,479,988	173,845,055
Losses utilised	(155,081,784)	(393,717,813)	–	–
Losses carried forward	4,993,315,578	3,568,524,674	1,201,388,485	1,163,150,403

13.7 Tax Exemptions, Concessions or Holidays that have been Granted

Mathurata Plantations Ltd. and Pussellawa Plantations Ltd.

"Specified Profit" from agricultural undertaking under Section 16 of Inland Revenue Act are exempted for a five-year from the year of assessment 2006/07.

LOLC Leisure Sector Companies

All leisure sector companies are taxed at the rate of 12%.

13.8 Income Tax Recognised in other Comprehensive Income

	Group		Company	
For the year ended 31 March	2013	2012	2013	2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Tax (benefit)/expense on:				
Revaluation surplus	61,867,108	2,761,250	–	–
Defined benefit plan actuarial gains/(losses) for the year	(3,518,743)	5,098,445	–	–
	58,348,365	7,859,695	–	–

14 EARNINGS PER SHARE

14.1 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:

		Group	
For the year ended 31 March		2013	2012
Profit attributable to equity holders of the Company (Rs.)		1,896,018,490	2,814,731,488
Weighted average numbers of ordinary shares	14.2	475,200,000	475,200,000
Basic earnings per share (Rs.)		3.99	5.92

14.2 Weighted Average Number of Ordinary Shares

	Group	
For the year ended 31 March	2013	2012
Total as at beginning of the period	475,200,000	475,200,000
Movement during the period	–	–
Total as at end of the period	475,200,000	475,200,000

14.3 Diluted Earnings Per Share

There were no potential dilutive ordinary shares outstanding at any time during the year or previous year. Therefore, not presented.

15 CASH AND CASH EQUIVALENTS

15.1 Cash in Hand and Favourable Bank Balances

	Group			Company		
As at 31 March	2013	2012	1 April 2011	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cash in hand	46,597,546	132,165,765	811,123,245	2,357,000	2,604,500	1,349,500
Balances at banks	6,402,044,574	3,538,275,258	3,756,977,102	727,953,504	247,407,365	390,662,325
Other Instruments	142,746,850	358,748,761	521,060,909	–	–	–
	6,591,388,970	4,029,189,784	5,089,161,256	730,310,504	250,011,865	392,011,825

15.2 Unfavourable Bank Balances used for Cash Management Purposes

Bank overdrafts	(6,875,475,249)	(4,011,455,278)	(4,036,676,558)	(1,374,998,484)	(1,603,899,113)	(2,094,424,623)
Net cash and cash equivalents	(284,086,279)	17,734,506	1,052,484,698	(644,687,980)	(1,353,887,248)	(1,702,412,798)

16 TRADING ASSETS - FAIR VALUE THROUGH PROFIT OR LOSS

		Group			Company		
As at 31 March	Note	2013	2012	1 April 2011	2013	2012	1 April 2011
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Debt Securities							
Corporate Bonds	16.1	129,131,073	125,608,568	–	–	–	–
Government Securities	16.2	–	35,481,252	21,902,746	–	–	–
		129,131,073	161,089,820	21,902,746	–	–	–
Equity Securities	16.3	1,579,885,218	6,097,580,289	4,454,735,872	805,024,365	2,459,362,449	1,723,282,991
		1,709,016,291	6,258,670,109	4,476,638,618	805,024,365	2,459,362,449	1,723,282,991

16.1 Corporate Bonds

	Group								
	2013			2012			1 April 2011		
As at 31 March	No. of Units	Cost	Fair Value	No. of Units	Cost	Fair Value	No. of Units	Cost	Fair Value
		(Rs.)	(Rs.)		(Rs.)	(Rs.)		(Rs.)	(Rs.)
Investments in unit trusts	12,171,373	125,000,000	129,131,073	12,171,373	125,000,000	125,608,568	–	–	–
		125,000,000	129,131,073		125,000,000	125,608,568		–	–

16.2 Government Securities

	Group		
As at 31 March	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)
Investments in Treasury Bills and Bonds	–	35,481,252	21,902,746
	–	35,481,252	21,902,746

16.3 Equity Securities

Details of the Company's Equity Trading Portfolio

	Group			Group			Group		
	2013			2012			1 April 2011		
As at 31 March	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
Abans Electricals PLC	50,000	13,133,972	4,480,000	50,000	13,133,972	7,900,000	–	–	–
Amaya Leisure PLC	–	–	–	1,000	132,467	76,000	–	–	–
Acme Printing & Packaging PLC	25,876	601,821	302,750	575,000	13,373,266	11,212,500	–	–	–
Amãna Takaful PLC	1,000	132,467	76,500	–	–	–	1,000	132,467	123,800
Asia Capital PLC	40	1,200	912	40	1,200	1,500	40	1,200	3,512
Asia Siyake Commodities PLC	44,590,000	112,032,375	124,852,000	–	–	–	–	–	–
Browns Beach Hotels PLC	–	–	–	–	–	–	34,500	802,391	734,850
CT Land Development PLC	19,500	80,000	469,950	–	–	–	–	–	–
Cargo Boat Development Co. PLC	–	–	–	300	9,801	9,801	300	9,801	9,801
Central Finance Company PLC	–	–	–	2,583	707,840	442,468	–	–	–
Ceylinco Insurance PLC	–	–	–	1,000	730,000	845,000	1,000	553,707	730,000
Ceylon & Foreign Trades PLC	–	–	–	–	–	–	100,600	957,144	814,860
Ceylon Grain Elevators PLC	–	–	–	–	–	–	104,200	12,732,485	17,516,020
Chemanex PLC	486,905	71,667,488	36,030,970	486,905	71,667,488	49,329,208	183,300	30,706,275	36,608,720
Citizens Development Business Finance PLC	–	–	–	4,110	230	945,300	–	–	–
Colombo Dockyard PLC	4,315	85,997	923,842	–	–	–	–	–	–
Commercial Bank of Ceylon PLC	9,687	963,471	1,076,664	160,450	40,015,000	16,045,000	151,000	38,478,183	40,015,000
DFCC Bank	38	–	4,982	19	113	2,140	–	–	–
Dialog Axiata PLC	2,000,000	24,324,843	427,777,487	46,991,400	501,225,203	333,638,940	46,990,600	546,189,178	498,100,360
Distilleries Company of Sri Lanka PLC	–	–	–	43,138	15,359,633	6,526,885	65,600	12,017,057	11,808,000
Environmental Resources Investments PLC	100	1,390	1,560	–	–	–	–	–	–
Expolanka Holdings PLC	1,000,000	18,000,000	6,800,000	1,000,000	18,000,000	6,200,000	1,000,000	18,000,000	18,000,000
Hatton National Bank PLC	–	–	–	150	7,102	7,102	150	7,102	7,102
Hayleys PLC	28,600	967,063,824	821,981,788	2,745,024	963,331,242	988,244,640	28,600	11,278,824	780,865,871
Hemas Holdings PLC	1,080,000	50,748,565	51,923,700	2,008,200	86,633,206	52,815,660	1,772,200	83,091,649	93,021,200
Hydro Power Free Lanka PLC	–	–	–	110,600	1,104,210	2,374,640	–	–	–
Janashakthi Insurance Company PLC	–	–	–	–	–	–	627,600	10,077,503	10,355,400
John Keells Holdings PLC	273	26,000	67,431	273	26,000	42,230	273	26,000	58,630
Lanka Ashok Layland PLC	100	293,248	171,780	100	293,248	206,970	–	–	–
Lake House Printers and Publishers PLC	41,200	7,168,379	4,367,200	121,000	21,052,762	14,253,800	–	–	–
Laugfs Gas PLC	945,500	52,127,825	23,164,750	945,500	52,127,825	24,393,900	945,500	52,127,825	44,999,400
Laugfs Gas PLC - NV	–	–	–	–	–	–	120,800	5,114,744	4,191,760
Malwatte Valley Plantations PLC	500	11,412	11,412	–	–	–	–	–	–
Merchant Bank of Sri Lanka PLC	66,000	3,687,847	1,062,600	66,000	3,687,847	1,953,600	66,000	3,687,847	3,042,600
Nation Lanka Finance PLC	181,327	919,906	1,613,811	181,327	919,907	1,831,403	1,000	18,271	916,035
Nations Trust Bank PLC	116,100	8,904,870	7,082,100	116,100	8,904,870	6,617,700	116,100	10,272,531	8,904,870
Overseas Realty (Ceylon) PLC	113,680	1,664,891	1,591,520	113,680	1,664,891	1,523,312	–	–	–

As at 31 March	Group 2013 No. of Shares	Group 2013 Cost (Rs.)	Group 2013 Fair Value (Rs.)	Group 2012 No. of Shares	Group 2012 Cost (Rs.)	Group 2012 Fair Value (Rs.)	Group 1 April 2011 No. of Shares	Group 1 April 2011 Cost (Rs.)	Group 1 April 2011 Fair Value (Rs.)
Panasian Power PLC	4,000,000	20,881,458	10,800,000	4,072,800	23,248,544	11,492,000	–	–	–
PC House PLC	300,000	6,461,589	900,000	300,000	6,461,589	2,460,000	–	–	–
Pelawatte Sugar Industries PLC	–	–	–	–	–	–	104,600	4,230,861	3,336,740
People's Merchant Finance PLC	–	–	–	–	–	–	7,380,179	196,315,602	184,504,475
Radiant Gems International PLC	106,753	7,542,365	5,134,820	31,365	2,280,052	2,261,417	–	–	–
Richard Pieris & Company PLC	1,600,400	26,233,200	10,562,640	1,600,400	26,233,200	12,003,000	1,943,200	28,280,299	26,233,200
Serendib Hotels PLC	–	–	–	30,000	879,744	744,000	–	–	–
Seylan Bank PLC - Voting	–	–	–	16,556,042	769,853,492	2,718,941,773	26,591,132	1,775,604,823	1,937,289,146
Seylan Bank PLC - Non-Voting	–	–	–	41,116,897	1,126,197,458	1,261,611,770	5,594,700	111,538,365	219,871,710
Sierra Cables PLC	–	–	–	139,900	707,341	461,670	726,700	3,674,226	3,924,180
Sinhaputhra Finance PLC	86,100	9,916,622	6,328,350	86,100	9,916,622	7,654,290	–	–	–
Swisstec (Ceylon) PLC	–	–	–	758,300	16,592,039	11,374,500	758,300	16,592,038	16,000,130
Taprobane Holdings Ltd.	166,667	1,000,002	716,669	–	–	–	–	–	–
Textured Jersey Lanka PLC	1,399,700	21,100,478	13,857,030	1,744,700	26,301,353	12,387,370	–	–	–
The Finance Company PLC	1,250,000	46,500,000	15,750,000	1,250,000	46,500,000	37,500,000	1,250,000	50,000,000	46,500,000
The Lanka Hospital Corporation PLC	–	–	–	–	–	–	300	14,560	13,500
The Lion Brewery Ceylon PLC	–	–	–	2,462,400	508,040,042	491,248,800	2,165,800	439,198,032	433,160,000
Vallibel One PLC	–	–	–	–	–	–	523,000	13,075,000	13,075,000
		1,473,277,505	1,579,885,218		4,377,320,799	6,097,580,289		3,114,824,198	4,454,735,872

As at 31 March	Company 2013 No. of Shares	Company 2013 Cost (Rs.)	Company 2013 Fair Value (Rs.)	Company 2012 No. of Shares	Company 2012 Cost (Rs.)	Company 2012 Fair Value (Rs.)	Company 1 April 2011 No. of Shares	Company 1 April 2011 Cost (Rs.)	Company 1 April 2011 Fair Value (Rs.)
Abans Electricals PLC	50,000	13,133,972	4,480,000	50,000	13,133,972	7,900,000	–	–	–
Acme Printing & Packaging PLC	25,876	601,821	302,750	575,000	13,373,266	11,212,500	–	–	–
Asia Capital PLC	40	1,200	912	40	1,200	1,500	40	1,200	3,512
Browns Beach Hotels PLC	–	–	–	–	–	–	34,500	802,391	734,850
Central Finance Company PLC	–	–	–	2,583	707,840	442,468	–	–	–
Ceylon & Foreign Trades PLC	–	–	–	–	–	–	100,600	957,144	814,860
Ceylon Grain Elevators PLC	–	–	–	–	–	–	104,200	12,732,485	17,516,020
Chemanex PLC	303,605	40,961,213	22,466,770	303,605	40,961,213	30,815,908	95,800	15,984,038	12,779,720
Distilleries Company of Sri Lanka PLC	–	–	–	29,000	3,529,088	4,205,000	–	–	–
Hayleys PLC	2,434,144	955,785,000	727,078,813	2,423,124	952,052,418	872,324,640	2,015,024	798,468,514	769,940,671
Lake House Printers and Publishers PLC	41,200	7,168,379	4,367,200	85,100	4,043,441	2,238,130	250,000	11,846,880	11,500,000
Laugfs Gas PLC	945,500	52,127,825	23,164,750	121,000	21,052,762	14,253,800	–	–	–
Laugfs Gas PLC	–	–	–	945,500	52,127,825	24,393,900	1,013,500	56,022,672	44,999,400
Panasian Power PLC	4,000,000	20,881,458	10,800,000	4,000,000	20,881,458	10,400,000	120,800	5,114,744	4,191,760
Paraquet (Ceylon) PLC	–	–	–	–	–	–	–	–	–
PC House PLC	300,000	6,461,589	900,000	–	–	–	758,300	16,592,038	16,000,130
Pelawatte Sugar Industries PLC	–	–	–	300,000	6,461,589	2,460,000	104,600	4,230,861	3,336,740
People's Merchant Finance PLC	–	–	–	–	–	–	7,380,179	196,315,602	184,504,475
Radiant Gems International PLC	106,753	7,542,365	5,134,820	31,365	2,280,052	2,261,417	–	–	–

	Company			Company			Company		
	2013			2012			1 April 2011		
As at 31 March	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
Serendib Hotels PLC	–	–	–	30,000	879,744	744,000	–	–	–
Seylan Bank PLC - V	–	–	–	88	1,650	5,888	66	1,205	4,963
Seylan Bank PLC - NV	–	–	–	33,274,622	1,057,666,658	964,964,038	5,594,700	111,538,365	219,871,710
Sierra Cables PLC	–	–	–	139,900	707,341	461,670	726,700	3,674,226	3,924,180
Sinhaputhra Finance PLC	86,100	9,916,622	6,328,350	86,100	9,916,622	7,654,290	–	–	–
Swisstec (Ceylon) PLC	–	–	–	758,300	16,592,039	11,374,500	–	–	–
The Lion Brewery Ceylon PLC	–	–	–	2,462,400	508,040,042	491,248,800	2,165,800	439,198,032	433,160,000
Veytex Ltd.	10,300	262,060	–	–	–	–	–	–	–
		1,114,581,444	805,024,365		2,724,410,220	2,459,362,449		1,673,480,397	1,723,282,991

17 INVESTMENT SECURITIES

		Group			Company		
As at 31 March	Note	2013 (Rs.)	2012 (Rs.)	1 April 2011 (Rs.)	2013 (Rs.)	2012 (Rs.)	1 April 2011 (Rs.)
Available-for-sale investment securities	17.1	7,839,582,577	6,067,450,421	8,513,136,428	388,309,600	680,546,881	1,091,509,406
Loans & receivables	17.2	5,305,628,516	2,339,481,658	3,273,944,737	98,809,068	558,859,552	1,024,756,147
Derivative assets held for risk management	17.3	28,812,538	1,983,988,620	132,181,568	7,216,790	405,845,969	71,853,472
		13,174,023,631	10,390,920,699	11,919,262,733	494,335,458	1,645,252,402	2,188,119,025

17.1 Available-for-Sale Investment Securities

Government securities	17.1.1	3,555,068,605	1,605,569,132	2,148,540,066	–	16,537,465	–
Designated available-for-sale investment securities	17.1.2	4,095,298,058	4,058,486,388	6,083,284,707	388,309,600	664,009,416	1,065,297,307
Equity securities with readily determinable fair values	17.1.3	159,268,700	221,923,131	236,476,653	–	–	–
Unquoted equity securities	17.1.4	39,947,214	191,471,770	54,835,002	10,000,000	10,000,000	36,212,099
Specific allowances for impairment	17.1.5	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)	(10,000,000)
		7,839,582,577	6,067,450,421	8,513,136,428	388,309,600	680,546,881	1,091,509,406

As at 31 March	Group 2013 Cost (Rs.)	Group 2013 Fair Value (Rs.)	Group 2012 Cost (Rs.)	Group 2012 Fair Value (Rs.)	Group 1 April 2011 Cost (Rs.)	Group 1 April 2011 Fair Value (Rs.)
17.1.1 Government Securities						
Investments in Treasury Bills	2,414,775,036	2,428,853,703	1,451,598,753	1,462,102,826	2,136,000,000	2,148,540,066
Investments in Treasury Bonds	1,105,534,203	1,126,214,902	150,594,141	143,466,306	–	–
	3,520,309,239	3,555,068,605	1,602,192,894	1,605,569,132	2,136,000,000	2,148,540,066

As at 31 March	Company 2013 Cost (Rs.)	Company 2013 Fair Value (Rs.)	Company 2012 Cost (Rs.)	Company 2012 Fair Value (Rs.)	Company 1 April 2011 Cost (Rs.)	Company 1 April 2011 Fair Value (Rs.)
Investments in Treasury Bonds	–	–	18,617,480	16,537,465	–	–
	–	–	18,617,480	16,537,465	–	–

17.1.2 Designated Available-for-Sale Investment Securities

At 31 March 2012 the Company designated certain investments in equity securities as at fair value through other comprehensive income as listed below. These investments were classified as available-for-sale in the 2011 comparative information. This designation was chosen as the investments are expected to be held on the long-term for strategic purposes.

As at 31 March	Group 2013 No. of Shares	Group 2013 Cost (Rs.)	Group 2013 Fair Value (Rs.)	Group 2012 No. of Shares	Group 2012 Cost (Rs.)	Group 2012 Fair Value (Rs.)	Group 1 April 2011 No. of Shares	Group 1 April 2011 Cost (Rs.)	Group 1 April 2011 Fair Value (Rs.)
Hatton National Bank PLC	22,197,674	773,274,263	3,706,988,458	22,186,124	773,029,263	3,394,476,972	13,205,230	338,247,175	5,017,987,400
The Housing Development and Finance Corporation PLC	9,707,740	451,700,459	388,309,600	9,707,740	451,700,458	664,009,416	946,174	423,025,112	1,065,297,307
		1,224,974,722	4,095,298,058		1,224,729,721	4,058,486,388		761,272,287	6,083,284,707

As at 31 March	Company 2013 No. of Shares	Company 2013 Cost (Rs.)	Company 2013 Fair Value (Rs.)	Company 2012 No. of Shares	Company 2012 Cost (Rs.)	Company 2012 Fair Value (Rs.)	Company 1 April 2011 No. of Shares	Company 1 April 2011 Cost (Rs.)	Company 1 April 2011 Fair Value (Rs.)
The Housing Development and Finance Corporation PLC	9,707,740	451,700,459	388,309,600	9,707,740	451,700,459	664,009,416	946,174	423,025,112	1,065,297,307
		451,700,459	388,309,600		451,700,459	664,009,416		423,025,112	1,065,297,307

As at 31 March	Group 2013 No. of Shares	2013 Cost (Rs.)	2013 Fair Value (Rs.)	2012 No. of Shares	2012 Cost (Rs.)	2012 Fair Value (Rs.)	1 April 2011 No. of Shares	1 April 2011 Cost (Rs.)	1 April 2011 Fair Value (Rs.)
17.1.3 Equity Securities with Readily Determinable Fair Values									
Browns Beach Hotels PLC	412,113	2,712,543	6,993,340	422,553	2,816,943	6,016,850	386,013	2,712,543	8,740,450
Cargo Boat Development Co. PLC	300	9,802	25,880	–	–	–	–	–	–
Ceylon Guardian Investment Trust PLC	19,063	4,320,345	4,422,617	19,063	4,320,345	4,422,617	19,063	4,320,345	7,043,779
Colombo Dockyard PLC	–	–	–	–	–	–	4,110	252	1,032,735
DFCC Bank	3,177	374,124	499,491	3,810	375,012	426,720	3,829	375,610	657,774
Distilleries Company of Sri Lanka PLC	338	22,545	22,545	338	22,545	49,010	338	22,545	60,840
Environmental Resources Investments PLC	18,616	36,708	36,708	18,616	36,708	36,708	18,616	36,708	36,708
Expolanka Holdings PLC	–	–	–	–	–	–	7,500	75,000	75,000
Hapugastenne Plantations PLC	100	1,000	3,920	–	–	–	–	–	–
Hatton National Bank PLC	150	7,103	22,950	7,700	892,320	1,122,660	7,700	892,320	1,624,700
Horana Plantations PLC	–	–	–	100	1,000	4,050	100	1,000	7,400
Hydro Power Free Lanka PLC	–	–	–	–	–	–	469,200	4,692,000	6,516,485
John Keells Hotels PLC	131,573	378,930	1,736,764	131,573	378,930	1,657,820	131,573	378,930	2,249,899
Lanka IOC PLC	27,800	750,600	567,120	27,800	750,600	539,320	27,800	750,600	489,280
Malwatte Valley Plantations PLC	–	–	–	500	11,412	11,412	500	11,412	11,412
Overseas Realty (Ceylon) PLC	–	–	–	–	–	–	113,680	1,664,891	1,679,622
Raigam Wayamba Salterns PLC	26,200	65,500	57,640	26,200	65,500	28,820	26,200	65,500	235,800
Seylan Bank PLC - Voting	–	–	–	–	–	–	72,400	1,104,210	2,802,641
Sierra Cables PLC	32,218,343	22,200	70,880,355	29,824,200	185,727,079	106,691,824	7,400	201,516,318	201,534,078
Taprobane Holdings Ltd.	16,600,000	99,600,000	73,040,000	16,600,000	99,600,000	99,600,000	–	–	–
Vallibel Finance PLC	33,900	497,200	959,370	–	–	–	–	–	–
Vallibel One PLC	–	–	–	33,900	248,639	1,315,320	33,900	248,650	1,678,050
		108,798,600	159,268,700		295,247,033	221,923,131		218,868,834	236,476,653

	Group								
	2013			2012			1 April 2011		
As at 31 March	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
17.1.4 Unquoted Equity Securities									
Asiya Siyeka Securities Ltd.	–	–	–	52,000,000	130,650,000	130,650,000	–	–	–
Badulla Transport & Agency Company (Pvt) Ltd.	10,000	100,000	–	–	–	–	–	–	–
Ceylon Studios Ltd.	500	5,000	5,000	500	5,000	5,000	500	5,000	5,000
Ceylon Tea Estate (Pvt) Ltd.	–	–	–	2,050,000	20,500,000	20,500,000	–	–	–
Ceylon Marine & Travel Services (Pvt) Ltd.	5,200	31,200	–	–	20,500,000	20,500,000	–	–	
Credit Information Bureau Ltd.	200	547,175	547,175	100	203,900	203,900	100	203,900	203,900
Confifi Finance (Private) Ltd.	39,100	391,000	1,566,193	39,100	391,000	1,219,959	39,100	391,000	1,096,334
Equity Investments Lanka Ltd.	17,250	172,500	172,500	17,250	172,500	172,500	17,250	172,500	172,500
Expo Lanka International Ltd.	7,500	75,000	75,000	7,500	75,000	75,000	–	–	–
Indo Lanka Steel Ltd.	200,000	6,000,000	6,000,000	200,000	6,000,000	6,000,000	200,000	6,000,000	6,000,000
Lanka Glass Manufacturing Ltd.	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Magpek Exports Ltd.	250,000	1,000,000	1,000,000	250,000	1,000,000	1,000,000	250,000	1,000,000	1,000,000
Rain Forest Eco Lodge (Pvt) Ltd.	3,283,688	32,836,875	27,581,346	3,283,688	32,836,875	28,645,411	30,000	300,000	17,145,169
Vallibel One Ltd.	–	–	–	–	–	–	1,045,000	26,212,099	26,212,099
		44,158,750	39,947,214		194,759,275	191,471,770		36,893,499	54,835,002

	Company								
	2013			2012			1 April 2011		
As at 31 March	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)	No. of Shares	Cost (Rs.)	Fair Value (Rs.)
Indo Lanka Steel Ltd.	200,000	6,000,000	6,000,000	200,000	6,000,000	6,000,000	200,000	6,000,000	6,000,000
Lanka Glass Manufacturing Ltd.	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Magpek Exports Ltd.	250,000	1,000,000	1,000,000	250,000	1,000,000	1,000,000	250,000	1,000,000	1,000,000
Vallibel One Ltd.	–	–	–	–	–	–	1,045,000	26,212,099	26,212,099
		10,000,000	10,000,000		10,000,000	10,000,000		36,212,099	36,212,099

	Group		Company	
For the year ended 31 March	2013 (Rs.)	2012 (Rs.)	2013 (Rs.)	2012 (Rs.)
17.1.5 Specific Allowances for Impairment				
As at 01 April	10,000,000	10,000,000	10,000,000	10,000,000
Impairment loss for the period	–	–	–	–
Balance as at 31 March	10,000,000	10,000,000	10,000,000	10,000,000

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
17.2 Loans and Receivables							
Corporate debentures	17.2.1	30,604,681	32,523,522	28,000,299	30,604,681	377,931,522	714,400,299
Government Securities	17.2.2	3,195,547,564	338,024,136	1,054,072,093	–	–	–
Investments in term deposits		2,079,476,271	1,968,934,000	2,191,872,345	68,204,387	180,928,030	310,355,848
(-) Specific allowances for impairment		–	–	–	–	–	–
		5,305,628,516	2,339,481,658	3,273,944,737	98,809,068	558,859,552	1,024,756,147

As at 31 March	Group 2013 Cost (Rs.)	Group 2012 Cost (Rs.)	Group 1 April 2011 Cost (Rs.)
17.2.1 Corporate Debentures			
Bank of Ceylon	30,604,681	32,523,522	28,000,299
	30,604,681	32,523,522	28,000,299

As at 31 March	Company 2013 Cost (Rs.)	Company 2012 Cost (Rs.)	Company 1 April 2011 Cost (Rs.)
LOLC Micro Credit Ltd.	–	345,408,000	686,400,000
Bank of Ceylon	30,604,681	32,523,522	28,000,299
	30,604,681	377,931,522	714,400,299

As at 31 March	Group 2013 Cost (Rs.)	Group 2012 Cost (Rs.)	Group 1 April 2011 Cost (Rs.)
17.2.2 Government Securities			
Investments in Treasury Bills	–	1,794,799	13,355,807
Reverse Repo Instruments	3,195,547,564	336,229,337	1,040,716,286
	3,195,547,564	338,024,136	1,054,072,093

17.3 Derivative Assets Held for Risk Management

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Forward rate contracts	28,812,538	1,983,988,620	132,181,568	7,216,790	405,845,969	71,853,472

Forward Rate Contracts

The Group uses a mixture of forward foreign exchange contracts to hedge the foreign currency translation risk on its foreign borrowings.

18 FINANCE LEASE RECEIVABLES, HIRE PURCHASES AND OPERATING LEASES

		Group			Company		
As at 31 March	Note	2013	2012	1 April 2011	2013	2012	1 April 2011
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Finance lease receivables	18.1	33,370,882,729	30,006,112,630	15,498,875,146	–	–	1,456,439,291
Hire purchase receivables	18.2	4,687,461,507	10,122,159,882	13,640,020,308	18,235,370	55,862,130	305,801,336
Operating lease receivables	18.3	32,116,538	787,908	28,676,830	32,116,538	787,908	28,676,830
		38,090,460,774	40,129,060,420	29,167,572,284	50,351,908	56,650,038	1,790,917,457

18.1 Finance Lease Receivables

Receivables within one year	18.1.1	23,296,230,545	11,761,315,954	3,965,492,498	–	–	505,739,278
Receivable from one to five years	18.1.2	9,557,262,723	17,984,067,394	11,453,920,729	–	–	914,792,219
Receivable from more than five years	18.1.3	–	–	–	–	–	–
Overdue rental receivable	18.1.4	517,389,461	260,729,282	79,461,919	–	–	35,907,794
		33,370,882,729	30,006,112,630	15,498,875,146	–	–	1,456,439,291

18.1.1 Receivables within One Year

Gross rentals receivable		32,688,573,273	17,621,370,181	5,807,813,726	–	–	631,307,488
Unearned finance income		(8,918,377,791)	(5,469,544,617)	(1,748,592,678)	–	–	(125,568,210)
Allowance for impairment		(473,964,937)	(390,509,610)	(93,728,550)	–	–	–
		23,296,230,545	11,761,315,954	3,965,492,498	–	–	505,739,278

18.1.2 Receivable from One to Five Years

Gross rentals receivable		19,029,015,755	27,151,497,744	14,264,252,128	–	–	1,184,517,921
Unearned finance income		(4,547,557,282)	(5,823,094,901)	(2,077,110,953)	–	–	(247,133,822)
Allowance for impairment		(219,612,868)	(14,332,518)	–	–	–	–
Prepayments received from lessees		(4,704,582,882)	(3,330,002,931)	(733,220,446)	–	–	(22,591,880)
		9,557,262,723	17,984,067,394	11,453,920,729	–	–	914,792,219

18.1.3 Receivable from more than Five Years

Gross rentals receivable	–	–	–	–	–	–
Unearned finance income	–	–	–	–	–	–
Allowance for impairment	–	–	–	–	–	–
	–	–	–	–	–	–

18.1.4 Overdue Rental Receivable

Gross rentals receivable	518,780,284	319,475,151	108,887,061	–	–	35,907,794
Unearned finance income	–	–	–	–	–	–
Allowance for impairment	(1,390,823)	(58,745,869)	(29,425,142)	–	–	–
	517,389,461	260,729,282	79,461,919	–	–	35,907,794

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
18.1.5 Total Finance Lease Receivables							
Gross rentals receivable		52,236,369,312	45,092,343,076	20,180,952,914	–	–	1,851,733,203
Unearned finance income		(13,465,935,073)	(11,292,639,518)	(3,825,703,631)	–	–	(372,702,032)
Net investments in finance		38,770,434,239	33,799,703,558	16,355,249,283	–	–	1,479,031,171
Allowance for impairment	18.1.6	(694,968,628)	(463,587,997)	(123,153,691)	–	–	–
Prepayments received from lessees	18.1.2	(4,704,582,882)	(3,330,002,931)	(733,220,446)	–	–	(22,591,880)
Balance as at 31 March		33,370,882,729	30,006,112,630	15,498,875,147	–	–	1,456,439,291

For the Year Ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
18.1.6 Allowance for Impairment				
Specific allowance for impairment				
Balance as at 1 April	383,076,489	66,264,207	–	–
Impairment loss for the year	222,499,821	311,151,121		
Written offs	–	5,661,161	–	–
Balance as at 31 March	605,576,310	383,076,489	–	–
Collective allowance for impairment				
Balance as at 1 April	80,511,508	56,889,484	–	27,464,342
Impairment loss for the year	44,480,257	23,622,024	–	9,773,948
Transfers to subsidiaries	–	–	–	(37,238,290)
Written offs	(35,599,447)	–	–	–
Balance as at 31 March	89,392,318	80,511,508	–	–
Total allowances for impairment	694,968,628	463,587,997	–	–

As at 31 March	Note	Group 2013 (Rs.)	Group 2012	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012	Company 1 April 2011 (Rs.)
18.2 Hire Purchase Receivables							
Receivables within one year	18.2.1	3,872,778,331	4,442,022,575	4,781,535,569	7,151,360	29,996,031	226,989,389
Receivable from one to five years	18.2.2	749,923,956	5,589,539,241	8,807,771,435	10,823,027	10,072,310	50,710,088
Receivable from more than five years	18.2.3	–	–	–	–	–	–
Overdue rental receivable	18.2.4	64,759,220	90,598,066	50,713,304	260,983	15,793,789	28,101,859
		4,687,461,507	10,122,159,882	13,640,020,308	18,235,370	55,862,130	305,801,336
18.2.1 Receivables within One Year							
Gross rentals receivable		5,085,512,339	6,340,449,494	5,977,911,248	7,151,360	34,027,184	265,897,704
Unearned finance income		(955,588,668)	(1,607,393,184)	(878,547,668)	–	(4,031,153)	(38,908,315)
Allowance for impairment		(257,145,340)	(291,033,735)	(317,828,011)	–	–	–
		3,872,778,331	4,442,022,575	4,781,535,569	7,151,360	29,996,031	226,989,389

		Group			Company		
As at 31 March	Note	2013	2012	1 April 2011	2013	2012	1 April 2011
		(Rs.)		(Rs.)	(Rs.)		(Rs.)
18.2.2 Receivable from One to Five Years							
Gross rentals receivable		850,916,309	6,839,413,787	9,722,174,177	11,197,808	10,474,594	55,504,784
Unearned finance income		(85,954,149)	(1,231,013,514)	(851,399,733)	(374,781)	(402,284)	(4,794,696)
Allowance for impairment		(15,038,204)	(18,861,032)	(63,003,009)	–	–	–
		749,923,956	5,589,539,241	8,807,771,435	10,823,027	10,072,310	50,710,088
18.2.3 Receivable from More Than Five Years							
Gross rentals receivable		–	–	–	–	–	–
Unearned finance income		–	–	–	–	–	–
Allowance for impairment		–	–	–	–	–	–
		–	–	–	–	–	–
18.2.4 Overdue Rentals Receivable							
Gross rentals receivable		70,180,114	149,067,155	113,615,477	2,971,026	21,907,874	45,081,233
Unearned finance income		(537,660)	–	–	(537,660)	–	–
Allowance for impairment		(4,883,234)	(58,469,089)	(62,902,173)	(2,172,383)	(6,114,085)	(16,979,374)
		64,759,220	90,598,066	50,713,304	260,983	15,793,789	28,101,859
Total Rentals Receivable on Hire Purchase							
Gross rentals receivable		6,061,642,938	13,263,269,301	15,711,247,162	21,320,194	66,409,652	366,483,721
Unearned finance income		(1,042,080,477)	(2,838,406,698)	(1,729,947,401)	(912,441)	(4,433,437)	(43,703,011)
Net investments in finance		5,019,562,461	10,424,862,603	13,981,299,761	20,407,753	61,976,215	322,780,710
Allowance for impairment	18.2.5	(332,100,954)	(302,702,721)	(341,279,453)	(2,172,382)	(6,114,085)	(16,979,374)
Balance as at 31 March		4,687,461,507	10,122,159,882	13,640,020,308	18,235,371	55,862,130	305,801,336

	Group		Company	
For the Year Ended 31 March	2013	2012	2013	2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
18.2.5 Allowance for Impairment				
Specific allowance for impairment				
Balance as at 01 April	215,355,732	271,099,178	–	–
Impairment loss for the year	(23,140,173)	(55,743,446)		
Balance as at 31 March	192,215,559	215,355,732	–	–

For the Year Ended 31 March	Group 2013	Group 2012	Company 2013	Company 2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Collective allowance for impairment				
Balance as at 1 April	87,346,989	70,180,275	6,114,085	16,979,374
Impairment loss for the year				
-Charge for the year	34,963,567	21,059,951	5,144,109	21,059,951
-Recoveries	–	(3,893,237)	–	–
	34,963,567	17,166,714	5,144,109	21,059,951
Written offs	17,574,839	–	(9,085,812)	(31,925,240)
Balance as at 31 March	139,885,395	87,346,989	2,172,382	6,114,085
Total allowances for impairment	332,100,954	302,702,721	2,172,382	6,114,085

18.3 Operating Lease Receivables

As at 31 March	Note	Group 2013	Group 2012	Group 1 April 2011	Company 2013	Company 2012	Company 1 April 2011
		(Rs.)		(Rs.)	(Rs.)		(Rs.)
Gross rentals receivable		898,287,001	1,152,271,339	1,836,707,468	898,287,001	1,152,271,339	1,836,707,468
Unearned finance income		(851,024,368)	(1,103,393,975)	(1,779,492,771)	(851,024,368)	(1,103,393,975)	(1,779,492,771)
Allowance for impairment	18.3.1	(15,146,095)	(48,089,456)	(28,537,867)	(15,146,095)	(48,089,456)	(28,537,867)
Balance as at 31 March		32,116,538	787,908	28,676,830	32,116,538	787,908	28,676,830

18.3.1 Allowance for Impairment

For the Year Ended 31 March	Group 2013	Group 2012	Company 2013	Company 2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Collective allowance for impairment				
Balance as at 1 April	48,089,455	28,537,867	48,089,456	28,537,867
Impairment loss for the year	(32,943,360)	19,551,589	(32,943,361)	19,551,589
Total allowances for impairment	15,146,095	48,089,456	15,146,095	48,089,456

18.4 Total Finance Lease Receivables, Hire Purchases and Operating Leases

As at 31 March	Note	Group 2013	Group 2012	Group 1 April 2011	Company 2013	Company 2012	Company 1 April 2011
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Gross rentals receivable		59,141,265,075	59,573,544,851	37,728,907,544	956,845,485	1,255,919,281	4,082,388,734
Unearned finance income		(15,359,039,918)	(15,234,440,191)	(7,335,143,803)	(851,936,809)	(1,107,827,412)	(2,195,897,814)
Allowance for impairment	18.5	(1,042,215,678)	(814,380,174)	(492,971,011)	(54,556,767)	(91,441,831)	(72,981,583)
Prepayments received from lessees	18.2.3	(4,704,582,882)	(3,330,002,931)	(733,220,446)	–	–	(22,591,880)
Balance as at 31 March		38,035,426,597	40,194,721,555	29,270,026,025	13,113,619	19,411,748	1,763,453,115

For the Year Ended 31 March	Group		Company	
	2013	2012	2013	2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)

18.5 Allowance for Impairment

Specific allowance for impairment				
Balance as at 1 April	598,432,221	337,363,385	–	–
Impairment loss for the year				
-Charge for the year	222,499,821	255,407,675	–	–
-Recoveries	(23,140,173)	–	–	–
	199,359,648	255,407,675	–	–
Written offs	–	5,661,161	–	–
Balance as at 31 March	797,791,869	598,432,221	–	–
Collective allowance for impairment				
Balance as at 01 April	215,947,953	155,607,626	91,441,831	72,981,583
Impairment loss for the year				
-Charge for the year	46,500,464	64,233,564	(27,799,252)	50,385,488
-Recoveries	–	(3,893,237)	–	–
	46,500,464	60,340,327	(27,799,252)	50,385,488
Written offs	(18,024,608)	–	(9,085,812)	(31,925,240)
Balance as at 31 March	244,423,809	215,947,953	54,556,767	91,441,831
Total allowances for impairment	1,042,215,678	814,380,174	54,556,767	91,441,831

As at 31 March	Note	Group			Company		
		2013	2012	1 April 2011	2013	2012	1 April 2011
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)

19 ADVANCES AND OTHER LOANS

	Note						
Advances and loans	19.1	40,547,550,996	32,226,971,775	22,668,984,283	2,726,748,185	5,870,407,987	6,700,673,886
Factoring receivables	19.2	6,464,709,490	5,029,747,650	5,551,875,105	–	–	2,715,685,039
Pawning advances	19.3	2,711,964,604	1,728,105,458	1,180,641,246	–	–	–
		49,724,225,090	38,984,824,883	29,401,500,634	2,726,748,185	5,870,407,987	9,416,358,925

19.1 Rentals Receivable on Loans to Customers

	Note						
Rentals receivable on loans to customers		41,730,161,322	24,207,196,861	19,570,752,688	2,477,562,737	1,844,117,146	3,146,499,365
Capital outstanding of revolving loans		5,503,890,629	11,879,340,025	5,917,965,943	–	3,892,574,785	3,018,555,387
Instalment sales		8,190,009	234,047,556	1,145,073,347	8,190,009	234,047,556	1,145,073,347
Gross rental receivables		47,242,241,960	36,320,584,442	26,633,791,978	2,485,752,746	5,970,739,487	7,310,128,099
Future interest		(5,572,799,331)	(4,710,923,253)	(4,427,188,413)	(45,252,458)	(478,876,013)	(974,746,106)
Net rental receivables		41,669,442,629	31,609,661,189	22,206,603,565	2,440,500,288	5,491,863,474	6,335,381,993
Overdue loan instalments		599,220,467	1,011,438,024	850,228,080	438,658,541	539,310,966	551,600,070
Allowance for impairment	17.1.1	(1,721,112,100)	(394,127,438)	(387,847,362)	(152,410,644)	(160,766,453)	(186,308,177)
		40,547,550,996	32,226,971,775	22,668,984,283	2,726,748,185	5,870,407,987	6,700,673,886

For the Year Ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
19.1.1 Allowance for Impairment				
Specific allowance for impairment				
Balance as at 1 April	77,699,747	28,502,020	–	–
Impairment loss for the year	1,171,018,237	67,762,130		
Written-offs	–	(18,564,403)	–	–
Balance as at 31 March	1,248,717,984	77,699,747	–	–
Collective allowance for impairment				
Balance as at 1 April	316,427,691	359,345,342	160,766,453	186,308,177
Impairment loss for the year				
Charge for the year	149,664,016	–	35,241,755	6,212,054
Recoveries	–	(84,214,212)	–	–
	149,664,016	(84,214,212)	35,241,755	6,212,054
Written-offs	8,113,567	(31,753,778)	(35,818,134)	(31,753,778)
Transfers	(1,811,158)	73,050,339	(7,779,430)	–
Balance as at 31 March	472,394,116	316,427,691	152,410,644	160,766,453
Total allowances for impairment	1,721,112,100	394,127,438	152,410,644	160,766,453

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
19.2 Factoring Receivables							
Factoring receivables		7,358,661,293	5,802,655,856	5,977,372,850	–	–	2,966,421,190
Allowance for impairment	19.2.1	(893,951,804)	(772,908,206)	(425,497,745)	–	–	(250,736,151)
Balance as at 31 March		6,464,709,489	5,029,747,650	5,551,875,105	–	–	2,715,685,039

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
19.2.1 Allowance for impairment				
Specific allowance for impairment				
Balance as at 1 April	772,908,206	425,497,745	–	–
Impairment loss for the year				
Charge for the year	261,177,775	347,410,460	–	–
Recoveries	16,687,789	–	–	–
	277,865,564	347,410,460	–	–
Written-offs	(318,864,713)	–	–	–
Balance as at 31 March	731,909,057	772,908,205	–	–

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Collective allowance for impairment				
Balance as at 1 April	–	–	–	250,736,151
Transfers during the period				(352,427,953)
Impairment loss for the year	162,042,747	–	–	101,691,802
Balance as at 31 March	162,042,747	–	–	–
Total allowances for impairment	893,951,804	772,908,205	–	–

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
19.3 Pawning Advances							
Pawning receivables		2,742,154,343	1,825,622,014	1,180,641,246	–	–	–
Allowance for impairment	17.3.1	(30,189,739)	(97,516,556)	–	–	–	–
Balance as at 31 March		2,711,964,604	1,728,105,458	1,180,641,246	–	–	–

For the year ended 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
19.3.1 Allowance for Impairment				
Collective allowance for impairment				
Balance as at 1 April	97,516,556	–	–	–
Impairment loss for the year	(67,326,817)	97,516,556		
Balance as at 31 March	30,189,739	97,516,556	–	–

20 INSURANCE PREMIUM RECEIVABLES

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Insurance premium receivables	321,397,254	239,616,479	–	–	–	–
Less: Allowance for impairment	(17,966,561)	–	–	–	–	–
	303,430,693	239,616,479	–	–	–	–

21 INVENTORIES

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Raw materials	202,499,889	173,767,165	34,826,873	–	–	–
Work-in-progress	189,755,749	44,411,571	31,126,105	–	–	–
Finished goods and trading stocks	1,953,497,350	2,508,616,127	1,130,403,353	–	–	–
Input materials	23,641,704	30,201,615	30,255,738	–	–	–
Harvested crop						
- Tea	265,472,880	195,307,287	232,025,361	–	–	–
- Rubber	22,526,031	25,907,429	47,964,326	–	–	–
- Coconut	183,661	209,930	1,016,977	–	–	–
Consumables, maintenance and spares	24,620,804	65,209,404	35,537,810	–	–	–
Vehicle stocks	287,549,667	256,374,306	56,666,758	–	–	1,750,000
Food and beverages	8,039,378	19,276,651	30,505,154	–	–	–
Goods in transit	70,820,758	16,948,589	19,556,701	–	–	–
Carbon Emission Stock (CER)	969,251	–	–	–	–	–
Others	3,198,663	–	20,542,057	–	–	–
	3,052,775,785	3,336,230,074	1,670,427,213	–	–	1,750,000
Less: Allowance for slow moving inventories	(254,387,514)	(137,867,832)	(115,013,025)	–	–	–
	2,798,388,271	3,198,362,242	1,555,414,188	–	–	1,750,000

22 CURRENT TAX ASSETS

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Income tax recoverable	524,673,658	427,721,430	17,775,330	–	–	–
Value Added Tax (VAT) recoverable	305,520,137	214,886,598	296,845,670	78,055,985	–	–
Advanced Corporate Tax (ACT) recoverable	436,126	–	–	–	–	–
With-Holding Tax (WHT) recoverable	76,782,331	23,180,920	20,652,249	39,837,337	–	–
Economic Service Charge (ESC) recoverable	73,075,839	107,474,796	178,027,444	36,291,986	35,775,218	74,557,824
Nation Building Tax (NBT) recoverable	1,360,145	–		–	–	–
Other tax recoverable	48,599	884,742	18,481,914	–	–	–
	981,896,835	774,148,486	531,782,607	154,185,308	35,775,218	74,557,824

23 TRADE AND OTHER CURRENT ASSETS

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Financial Assets							
Trade receivables		3,253,939,190	3,683,888,592	3,639,498,830	–	–	–
Amount due from related parties	48.3.1	832,064,999	302,794,777	930,651	7,833,768,073	10,595,364,318	1,138,017,228
Loans given to employees		276,820,440	267,982,268	194,560,269	160,556,441	144,455,064	124,798,837
Refundable deposits		14,847,897	–	–	–	–	–
Other financial receivables		1,581,970,145	2,947,183,910	1,230,754,036	334,862,881	535,986,406	287,109,334
		5,959,642,671	7,201,849,547	5,065,743,786	8,329,187,395	11,275,805,788	1,549,925,399
Non-Financial Assets							
Prepayments & advances		458,673,866	202,209,181	18,782,533	69,077,306	–	–
Prepaid staff cost		19,648,870	10,600,078	392,959	–	–	–
Non refundable deposits		13,467,271	645,250	–	–	–	–
Other non-financial receivables		202,749,875	401,701,855	737,143,598	–	–	–
		694,539,882	615,156,364	756,319,090	69,077,306	–	–
		6,654,182,553	7,817,005,911	5,822,062,876	8,398,264,701	11,275,805,788	1,549,925,399

24 PREPAID LEASE RENTALS ON LEASEHOLD PROPERTIES

	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)
Capitalised value		387,725,166	387,725,166	387,725,166
(-) Accumulated amortisation	24.1	(98,539,772)	(90,363,040)	(82,186,310)
		289,185,394	297,362,126	305,538,856

24.1 Accumulated Amortisation

Balance as at 1 April 2011	82,186,310
Amount amortised during 2011/12	8,176,731
Balance as at 31 March 2012	90,363,041
Amount amortised during 2012/13	8,176,732
Balance as at 31 March 2013	98,539,773

24.2 Mathurata Plantations Ltd. and Pussellawa Plantations Ltd.

Lease agreements of all JEDB/SLSPC estates handed over to the Company have been executed to date (31 March 2013). All of these leases are retroactive to 15 June 1992 the date of formation of the Company. The leasehold rights to the bare land on all of these estates have been taken into the books of the Company on 15 June 1992 immediately after the formation of the plantation companies of the Group in terms of ruling obtained from the Urgent Issue Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka. For this purpose the Board decided at its meeting held on 8 March 1995 that these bare land would be revalued, at the value established for these lands, by Valuation Specialist Dr. D.R. Wickramasinghe just prior to the formation of the Company. The value taken into 15 June 1992 Balance Sheet and the amortisation of the leasehold rights up to 31 March 2013 are as above.

The Institute of Chartered Accountants of Sri Lanka has issued a Statement of Recommended Practice (SORP) (with effect from 1 January 2012) for right-to-use of land on lease on 19 December 2012. Since the SORP issued by the ICASL has not been finalised, Group has not complied with the SORP issued by The Institute of Chartered Accountants of Sri Lanka.

Therefore, respective Leasehold Right to bear lands are accounted as the existing practice of 'Urgent Issue Task Force (UITF) Rulings' issued prior to 1 January 2012 which has been superseded by the Sri Lanka Accounting Framework with effect from 1 January 2012.

24.3 Land Acquisitions by the Government of Sri Lanka

Government has acquired 50.3285 Hectares of Pitipana Estate, Homagama under Section 2 of the Urban Development Authority (Special Projects) Act through Section 38 (a) for town development by Extraordinary Gazette Notification No. 1539/9 dated 3 March 2008.

Pussellawa Plantations filed a Fundamental Rights case against the Minister of Lands and Land Development at Supreme Courts stating that the Gazette Notification is illegal, null and void which is pending as at the date of Statement of Financial Position. No adjustments have been made to the written down book value in respect of the acquisitions referred above as the compensation is receivable by the Company on the land acquired as per the Lease Agreement.

25 INVESTMENT PROPERTIES

		Group			Company		
As at 31 March		2013	2012	1 April 2011	2013	2012	1 April 2011
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Balance at the beginning of the year		5,155,894,005	1,122,793,813	1,073,342,878	412,500,000	247,500,000	242,274,225
On acquisition of subsidiaries		–	3,175,000,000	–	–	–	–
Additions/transfers		276,084,835	586,447,526	63,000,000	–	165,000,000	–
Disposals		(2,100,000)	–	–	–	–	–
Change in fair value during the year	25.4	909,809,160	271,652,666	(13,549,065)	–	–	5,225,775
Balance at the end of the year		6,339,688,000	5,155,894,005	1,122,793,813	412,500,000	412,500,000	247,500,000

25.1 Transfers from Owner-Occupied Properties

Investment property comprises of number of commercial properties that are leased/rented out to third parties. Each of the leases/rents 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.

25.2 Details of Investment Properties

	Group			Company		
As at 31 March	2013	2012	1 April 2011	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Owned properties classified as investments properties	1,049,388,000	1,405,894,005	1,122,793,813	412,500,000	412,500,000	247,500,000
Properties held under operating lease classified as investment properties	5,290,300,000	3,750,000,000	–	–	–	–
	6,339,688,000	5,155,894,005	1,122,793,813	412,500,000	412,500,000	247,500,000

25.3 Details of Investment Property Portfolio

Address	Land Extent A-R-P	Building Extent Sq. Ft.	Cost (Rs.)	Fair Value (Rs.)
Company				
No. 305/5, Rajagiriya Road, Nawala	0A-3R-19.14P	–	236,500,000	236,500,000
No. 246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,640	11,000,000	11,000,000
No. 156, Kolonnawa Road, Gothatuwa	1A-1R-33.71P	69,121	165,000,000	165,000,000
			412,500,000	412,500,000

25.4 During the year, several investment properties of the Group were fair valued and the resultant gain was recognised in the comprehensive income. The resultant gain mainly contributed by the valuation of the property at Gonawila Makandura Factory which belongs to Browns Industrial Park Ltd. (BIPL), a wholly-owned subsidiary of the Group. The said property is owned by the Government of Sri Lanka.

BIPL holds the property on a long-term lease for a period of 30 years commencing fro 11 April 2013 up to 10 April 2043 on a payment as valued by the Government chief valuer per month revisable once in five (5) years to a maximum increase of 50%. The remaining lease period as at the Reporting date is 30 years.

Main inputs have been used:

	Developed land	Undeveloped land
Per perch value	Rs. 70,000	Rs. 40,000
Tenure	30 years	30 years
Annual equivalent value	Rs. 7.84 Mn	Rs. 1.53 Mn
Years purchase @ 4% for 30 years	17.29200	17.29203

26 CONSUMER BIOLOGICAL ASSETS

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)
Balance as at 1 April		2,773,434,835	2,985,349,057
Increase due to new planting		16,025,622	21,347,737
Decrease due to sales		(23,735,907)	(33,114,158)
Net increase due to births/deaths		3,263,625	–
Change in fair value less estimated costs to sell	26.1	102,204,957	(200,147,801)
Balance as at 31 March		2,871,193,132	2,773,434,835

26.1 Change in fair value less estimated costs to sell

Due to physical changes		102,204,957	(200,147,801)
		102,204,957	(200,147,801)

The carrying value of timber as at the year end has been computed as follows:

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)
Valuation of consumer biological assets	2,840,391,155	2,713,692,661
Cost of timber plant below three years of age, not considered for valuation	29,856,560	58,722,968
Growing Crop Nurseries	945,417	1,019,206
	2,871,193,132	2,773,434,835

26.2 The Consumable Biological Assets as at 31 March 2013 of the Group was valued by Mr. K.T.D. Tissera, an independent Chartered Valuation Surveyor as per the Valuation Report dated 24 April 2013 prepared on the physically verified timber statistics provided by the Group on a tree by tree basis. The timber trees were valued as at 31 March 2012 by the same Chartered Valuation Surveyor on a field by field basis as per the timber statistics provided by the Group.

26.3 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.

26.4 In valuing the timber plantations, the under-mentioned factors have been taken into consideration.

i. The present age of the tree.
ii. Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree.
iii. Annual marginal increase in timber content.
iv. Number of years to harvest.
v. Timber content of harvestable trees on maturity.
vi. Timber Plants having below three years of age have not been taken into the valuation.
vii. The timber content of immature trees at an estimated future harvestable year.
viii. The current price of species of timber per cubic foot at the relevant year.

26.5 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 the popular timber traders in Sri Lanka.

26.6 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 12% per annum. The significant assumptions used in the valuation of Consumable Biological Assets are as follows:

i. Future cash flows are determined by references to current timber prices without considering the inflationary effect.
ii. The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms.
iii. 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.
iv. The present value of the tree is worked out based on the projected size and the estimated number of years it would take to reach that size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.55 to 1.5 cm per year for trees of diameter girth over 10 cm.
v. 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.
vi. Due consideration has been given for cost of felling, transport, sawing and cost of sale including obtaining approval for felling.

26.7 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground where little biological transformation has taken place and the 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.

26.8 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.

26.9 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.

26.10 The biological assets of the Group is cultivated in the leased 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.

26.11 Sensitivity Analysis for Biological Assets

26.11.1 Sensitivity Variation Sales Price

Values as appearing in the Statement of Financial Position are very sensitive to price changes with regard to the average sales prices applied. Simulations made for rubber, coconut and timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	31 March 2013	
	+10%	-10%
	Variance Rs.	Variance Rs.
Consumer		
Managed Timber	81,140,922	(81,140,922)
Bearer		
Rubber	146,371,777	(146,371,777)
Coconut	11,911,324	(11,911,324)

26.11.2 Sensitivity Variation on Discount Rate

Values as appearing in the Statement of Financial Position are very 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:

	31 March 2013	
	+1%	-1%
	Variance Rs.	Variance Rs.
Consumer		
Managed Timber	46,232,565	(46,232,565)
Bearer		
Rubber	67,536,530	(67,536,530)
Coconut	8,741,250	(8,741,250)

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 has established environmental policies and procedures aimed at compliance with local environmental and other laws. The 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 the Group manages this risk by aligning its harvest volume to market supply and demand. The management performs regular industry trend analyses to ensure that the 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.

27 BEARER BIOLOGICAL ASSETS

		Group		
As at 31 March		2013	2012	1 April 2011
	Note	(Rs.)	(Rs.)	(Rs.)
At Cost				
On Finance Lease	27.1.1	66,522,467	72,647,565	78,795,158
Investments after formation of the Company	27.1.2	699,024,528	640,529,683	585,413,916
Growing Crop Nurseries	27.1.3	7,694,021	11,024,527	6,068,132
At Fair Value				
On Finance Lease	27.2.1	732,904,276	803,288,118	706,753,568
Investments after formation of the Company	27.2.2	2,107,493,326	1,843,318,440	1,549,636,335
Growing Crop Nurseries	27.2.3	4,349,979	3,932,188	4,261,666
		3,617,988,597	3,374,740,521	2,930,928,775

	On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total 31 March 2013	31 March 2012	1 April 2011
At Cost	27.1.1	27.1.2	27.1.3			
Cost/Valuation	185,967,181	853,045,324	7,694,021	1,046,706,526	972,434,601	895,779,350
Accumulated Depreciation	(119,444,714)	(154,020,796)	–	(273,465,510)	(248,232,823)	(225,502,144)
Carrying Amount	66,522,467	699,024,528	7,694,021	773,241,016	724,201,778	670,277,206

	On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total 31 March 2013	31 March 2012	1 April 2011
At Fair Value	27.2.1	27.2.2	27.2.3			
Cost/Valuation	732,904,276	2,107,493,326	4,349,979	2,844,747,581	2,650,538,746	2,260,651,569
Carrying Amount	732,904,276	2,107,493,326	4,349,979	2,844,747,581	2,650,538,746	2,260,651,569

27.1 At Cost

27.1.1 On Finance Lease

	Mature Plantations Tea (Rs.)	Mature Plantations Total (Rs.)	2011/12 Total (Rs.)
Cost/Valuation			
Balance as at 1 April	185,967,181	185,967,181	185,967,181
Balance as at 31 March	185,967,181	185,967,181	185,967,181
Accumulated Depreciation			
Balance as at 1 April	113,319,616	113,319,616	107,172,023
Charge for the year	6,125,098	6,125,098	6,125,098
Balance as at 31 March	119,444,714	119,444,714	113,297,121
Carrying Amount			
As at 31 March	66,522,467	66,522,467	72,670,060
As at 31 March	72,647,565	72,647,565	78,795,158
As at 01 April	78,795,158	78,795,158	

27.1.2 Investments after formation of the Plantation Companies

	Immature Plantations Tea (Rs.)	Immature Plantations Mixed Crops (Rs.)	Immature Plantations Total (Rs.)	Mature Plantations Tea (Rs.)	Mature Plantations Mixed Crops (Rs.)	Mature Plantations Total (Rs.)	Total 2012/13 (Rs.)	Total 2011/12 (Rs.)
Cost/Valuation								
Balance as at 1 April	167,175,501	6,895,520	174,071,021	599,621,928	1,749,945	601,371,873	775,442,894	703,744,037
Additions	55,550,206	22,052,224	77,602,430	28,021,424	–	28,021,424	105,623,854	71,698,855
Disposals	–	–	–	–	–	–	–	–
Transfers	(35,347,127)	–	(35,347,127)	7,325,703	–	7,325,703	(28,021,424)	–
Balance as at 31 March	187,378,580	28,947,744	216,326,324	634,969,055	1,749,945	636,719,000	853,045,324	775,442,891
Accumulated Depreciation								
Balance as at 1 April				134,556,287	356,920	134,913,207	134,913,207	118,330,121
Charge for the year				18,688,787	418,802	19,107,589	19,107,589	16,583,087
Balance as at 31 March				153,245,074	775,722	154,020,796	154,020,796	134,913,208
Carrying Amount								
As at 31 March 2013	187,378,580	28,947,744	216,326,324	481,723,981	974,223	482,698,204	699,024,528	640,529,683
As at 31 March 2012	167,175,501	6,895,520	174,071,021	465,065,641	1,393,025	466,458,666	640,529,687	
As at 01 April 2011								585,413,916

27.1.3 Growing Crop Nurseries

	Immature Plantations Tea (Rs.)	Immature Plantations Mixed Crops (Rs.)	Immature Plantations Total (Rs.)	Total 2012/13 (Rs.)	Total 2011/12 (Rs.)
Cost/Valuation					
Balance as at 1 April	7,316,769	3,707,757	11,024,526	11,024,526	6,068,132
Additions	340,778	(22,395)	318,383	318,383	4,956,395
Disposals	(575,704)	(3,073,184)	(3,648,888)	(3,648,888)	–
Balance as at 31 March	7,081,843	612,178	7,694,021	7,694,021	11,024,527

27.1.4 Amortisation for the period recognised for bearer biological assets

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)
On Finance Lease	27.1.1	6,125,098	6,125,098
Investments after formation of the Company	27.1.2	19,107,589	16,583,087
Growing Crop Nurseries	27.1.3	–	–
		25,232,687	22,708,185

These are investments in bearer biological assets carried at cost (Tea and mixed crop) which comprises of immature/mature plantations since the formation of the Company. The assets (including plantations assets) taken over by way of estate leases are set out in Notes 24 and 33.2 to the Financial Statements. 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 wills also carried out under this Note.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 2 March 2012, by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has selected to measure the bearer biological assets (Tea and mixed crop) at cost using LKAS 16 - 'Property Plant and Equipment', due to the impracticability of carrying out proper fair valuation.

27.2 At Fair Value

27.2.1 On Finance Lease

	Group Rubber (Rs.)	Group Coconut (Rs.)	Group 2012/13 Total (Rs.)	Group 2011/12 Total (Rs.)
Valuation				
Balance as at 1 April	790,286,184	13,001,935	803,288,119	706,753,568
Fair value gain/loss	(23,727,795)	611,988	(23,115,807)	141,772,467
Disposals	(47,268,036)	–	(47,268,036)	(45,237,917)
Balance as at 31 March	719,290,353	13,613,923	732,904,276	803,288,118

27.2.2 Investments after Formation of the Company

	Group			
	Rubber	Coconut	2012/13 Total	2011/12 Total
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cost/Valuation				
Balance as at 1 April	1,828,973,016	14,345,423	1,843,318,439	1,549,636,335
Additions	194,744,863	81,273	194,826,136	180,140,668
Fair value gain/loss	75,059,094	(397,668)	74,661,426	126,861,870
Disposals	(5,312,675)	–	(5,312,675)	–
Transfers	–	–	–	(13,320,433)
Balance as at 31 March	2,093,464,298	14,029,028	2,107,493,326	1,843,318,440

27.2.3 Growing Crop Nurseries

	Group			
	Tea	Rubber	2012/13 Total	2011/12 Total
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cost/Valuation				
Balance as at 1 April	2,454,302	1,477,886	3,932,188	4,261,666
Additions	135,532	282,259	417,791	(329,478)
Balance as at 31 March	2,589,834	1,760,145	4,349,979	3,932,188

27.2.4 Fair Value Gain/(Loss) Recognised for the Bearer Biological Assets

		Group	
As at 31 March		2013	2012
	Note	(Rs.)	(Rs.)
On Finance Lease	27.2.1	(23,115,807)	141,772,467
Investments after formation of the Company	27.2.2	74,661,426	126,861,870
Growing Crop Nurseries	27.2.3	–	–
		51,545,619	268,634,337

27.3 Borrowing costs amounting to Rs. 32,849,457/- (2011/12 - Rs. 28,019,846/-) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalised at the rate of 13.04% p.a. (2012 - 12.45%) as part of the cost of immature plantations. Capitalisation of borrowing costs will cease when the plantations are ready for bearing.

27.4 Bearer biological assets, namely rubber and coconut plantations are recognised at its fair value less cost to sell according to the requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 - 'Agriculture'.

27.5 Rubber and coconut plantations as at 31 March 2013 of the Group was valued by Mr. K.T.D. Tissera, an Independent Chartered Valuation Surveyor as per the Valuation Report dated 15 April 2013 having separately valued latex/crop and timber components based on the physically verified statistics on a field by field basis. Rubber and coconut plantations were retrospectively valued as at 31 March 2012 and 31 March 2011 by the same Independent Chartered Valuation Surveyor on a field by field basis.

27.6 The valuation has been prepared in respect of each estate separately for the latex/nuts and the timber component of the rubber/coconut plantation.

27.7 The valuer has valued the latex/nuts component of rubber and coconut using the forecasted crop, prices and cost of production based on past statistics on the basis of net present value of expected future cash flows using a discount rate of 20% per annum (i.e. 8% risk free rate plus 4% risk premium plus 8% inflation). The scrap value, being the timber component of trees is valued by using the available log prices in city centres less point-of-sale-costs on the basis of net present value of expected future cash flows using a discount rate of 12% per annum.

27.8 In valuing the rubber and coconut plantations, under-mentioned factors have been taken into consideration:

i. The present age of the trees and yields of each separate field.
ii. Maturity age of the trees.
iii. Number of years to harvest.
iv. Rubber/coconut plants having below six years of age have not been taken into the valuation.
v. Past prices of latex and coconut for forecasting future price trend, and the current market price of timber as per the available log prices in city centres less point-of-sale-costs to determine the value of timber component.
vi. Field level cost to determine the cost of production of latex and Coconut.

27.9 The significant assumptions used in the valuation of rubber and coconut plantations are as follows:

i. Future cash flows of timber component of rubber and coconut are determined by references to current timber prices without considering the inflationary effect.
ii. The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms.
iii. Rubber/coconut plants have been valued working out the period that would take for those trees to be harvested.
iv. Due consideration has been given for cost of felling and transport.

28 SUBSIDIARY COMPANIES

As at 31 March	2013			2012			1 April 2011		
	No. of Shares	Holding (%)	Cost (Rs.)	No. of Shares	Holding (%)	Cost (Rs.)	No. of Shares	Holding (%)	Cost (Rs.)
28.1 Company									
LOLC Factors Ltd.	1	100.00	700,000,000	–	–	–	–	–	
LOLC Land Holdings Ltd.	13,300,000	100.00	133,000,000	13,300,000	100.00	133,000,000	13,300,000	100.00	133,000,000
LOLC Realty Ltd.	1	100.00	10	1	100.00	10	1	100.00	10
LOLC Property Investments Ltd.	1	100.00	10	1	100.00	10	1	100.00	10
LOLC Securities Ltd.	10,000,000	100.00	100,000,000	10,000,000	100.00%	100,000,000	5,000,000	100.00	50,000,000
LOLC Securities Ltd. - Preference Shares	25,000,000	100.00	250,000,000	25,000,000	–	250,000,000	–	–	–
LOLC Asset Holdings Ltd.	1	100.00	10	1	100.00	10	1	100.00	10
LOLC Estates Ltd.	1	100.00	10	1	100.00	10	1	100.00	10
LOLC Services Ltd.	10,300,000	100.00	103,000,000	10,300,000	100.00	103,000,000	–	–	103,000,000
LOLC Insurance Company Ltd.	60,000,000	100.00	600,000,000	39,000,000	100.00	390,000,000	20,000,000	100.00	200,000,000
Lanka ORIX Project Development Ltd.	5,200,000	100.00	52,000,000	5,200,000	100.00	52,000,000	5,200,000	100.00	52,000,000

As at 31 March	2013			2012			1 April 2011		
	No. of Shares	Holding (%)	Cost (Rs.)	No. of Shares	Holding (%)	Cost (Rs.)	No. of Shares	Holding (%)	Cost (Rs.)
LOLC Investments Ltd.	6,000,000	100.00	445,000,000	6,000,000	100.00	445,000,000	6,000,000	100.00	445,000,000
Lanka ORIX Information Technology Services Ltd.	1,700,000	100.00	17,000,000	1,700,000	100.00	17,000,000	1,500,000	100.00	15,000,000
Browns Investments PLC	14,344,100	100.00	65,496,030	14,344,100	100.00	65,496,030	–	–	–
Lanka ORIX Finance PLC	2,520,000,000	90.00	11,663,427,897	2,520,000,000	100.00	11,663,427,897	200,000,000	100.00	12,959,364,330
Commercial Leasing & Finance PLC	5,778,750,809	90.61	7,932,881,241	5,739,940,053	100.00	7,744,675,936	27,729,179	100.00	8,605,195,485
Commercial Factors Ltd.	1	100.00	10	1	100.00	10	1	100.00	10
LOLC Leisure Ltd.	944,416,200	70.00	2,767,485,000	944,416,200	70.00	2,767,485,000	–	–	1,980,471,500
Sundaya Lanka (Private) Ltd.	624,490	51.00	6,244,900	624,490	51.00	6,244,900	624,490	51.00	6,244,900
LOLC Micro Credit Ltd.	52,800,000	80.00	4,161,559,965	52,800,000	80.00	3,789,631,965	40,000,000	80.00	3,448,639,965
LOLC Motors Ltd.	15,000,000	100.00	300,000,000	15,000,000	100.00	150,000,000	15,000,000	100.00	150,000,000
LOLC Eco Solutions Ltd.	2,500,000	100.00	25,000,000	2,500,000	100.00	25,000,000	2,500,000	100.00	25,000,000
Galoya Holdings Ltd.	1,000,000	100.00	10,000,000	1,000,000	100.00	10,000,000	1,000,000	50.00	10,000,000
Brown & Company PLC	3,382,800	4.77	532,474,080	3,382,800	4.77	532,474,080	4,519,200	6.40	711,350,616
Orient Academy Ltd.	–	–	–	1,500,000	100.00	15,000,000	1,500,000	100.00	15,000,000
Provision of Impairment (Note 28.2)			(68,244,900)			(83,244,900)			(77,000,000)
Total			29,796,324,263			28,176,190,958			28,832,266,846

28.2 Provision of Impairment

As at 31 March	2013 (Rs.)	2012 (Rs.)	1 April 2011 (Rs.)
Lanka ORIX Project Development Ltd.	52,000,000	52,000,000	52,000,000
Sundaya Lanka (Pvt) Ltd.	6,244,900	6,244,900	–
Galoya Holdings Ltd.	10,000,000	10,000,000	10,000,000
Orient Academy Ltd.	–	15,000,000	15,000,000
	68,244,900	83,244,900	77,000,000

28.3 Group Holdings in Subsidiaries

As at 31 March			Proportion of ownership interest held by the Group					
			2013		2012		1 April 2011	
Subsidiary		Principal Activities	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)
1. Ajax Engineers (Pvt) Ltd.	Ajax	Steel manufacturing	239,694	51.00	239,694	51.00	–	–
2. B G Air Services (Pvt) Ltd.	BG Air	Air ticketing and outbound tours	50,000	100.00	50,000	100.00	50,000	100.00
3. Bright View Ltd.	BVL	Pre-operational	1	100.00	–	–	–	–
4. Brown & Company PLC	BCL	Trading and manufacturing	70,875,000	54.54	39,788,976	56.14	39,788,976	56.15
5. Browns Group Industries (Pvt) Ltd.	BGIL	Providing marine solutions	2,800,000	100.00	2,800,000	100.00	2,800,000	100.00
6. Browns Group Motels Ltd.	BGML	Non-operational	257,656	51.53	399,859	75.97	399,859	75.97

As at 31 March			Proportion of ownership interest held by the Group 2013		2012		1 April 2011	
Subsidiary		Principal Activities	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)
7. Browns Health Care (Pvt) Ltd.	BHCL	Healthcare services	20,000,000	100.00	17,500,000	87.50	–	–
8. Browns Holdings Ltd. (known as Taprobane Fund Management Company Ltd.)	TFML	Fund/ Investments Management	340,553,220	66.90	15,725,000	62.90	15,725,000	62.90
9. Browns Investments PLC	BIL	Investing	978,627,813	52.61	773,373,900	42.73	730,000,000	40.33
10. Browns Motors (Pvt) Ltd.	BML	Non-operational	50,000	100.00	5,000,000	100.00	5,000,000	100.00
11. Browns Real Estate (Pvt) Ltd.	BREL	Pre-operational	5,000,000	100.00	–	–	–	–
12. Browns Thermal Engineering (Pvt) Ltd.	BTEL	Importing and manufacturing Radiators	825,000	55.00	824,997	55.00	824,997	55.00
13. Browns Tours (Pvt) Ltd.	BTL	GSA for Austrian airlines and inbound tour operations	2,029,998	100.00	2,030,000	99.99	2,030,000	99.99
14. Central Services Ltd.	CSL	Non-operational	802	100.00	802	100.00	802	100.00
15. CFT Engineering Ltd.	CFT	Non-operational	3,450	95.04	3,450	95.04	3,450	95.04
16. Commercial Factors Ltd.	CFL	Non-operational	1	100.00	1	100.00	1	100.00
17. Commercial Leasing & Finance PLC	CLC	Financial services	5,778,750,809	90.61	5,739,939,225	90.00	27,729,179	100.00
18. Palm Garden Hotels PLC	Palm	Hotelier	7,722,968	71.40	5,914,169	79.18	5,914,169	79.18
19. Dikwella Resort Ltd.	DRS	Hotelier	481,665	99.99	481,665	100.00	-	-
20. Diriya Investments (Pvt) Ltd. (Note 28.5)	Diriya	Investing	108,053,352	50.00	108,053,352	50.00	108,053,352	50.00
21. Browns Industrial Park (Pvt) Ltd. (known as East West Textile (Pvt) Ltd.)	BIPL	Renting of properties	15,405,137	100.00	15,405,137	100.00	15,405,137	100.00
22. Eden Hotels Lanka PLC (Note 28.4)	Eden	Hotelier	24,398,472	46.21	24,398,472	46.21	24,398,472	46.21
23. Engineering Services (Pvt) Ltd.	ESL	Selling Generators & Related Services	147,502	100.00	147,502	100.00	147,502	100.00
24. Excel Global Holding Ltd.	EGHL	Investments holding	534,483,289	100.00	53,448,329	100.00	-	-
25. Excel Restaurant (Pvt) Ltd.	ERL	Operating restaurant	10,004	100.00	10,004	100.00	-	-
26. Fairview Lands Ltd.	FVLL	Pre-operational	1	100.00	-	-	-	-
27. Fortune Fields Ltd.	FFL	Pre-operational	1	100.00	-	-	-	-
28. Fernwood Lanka Ltd.	FLL	Sales of Porcelain tableware	800,000	100.00	800,000	100.00	–	–
29. Galoya Holdings (Pvt) Ltd.	GHL	Management company - Sugar plantation	2,600,000	99.95	2,000,000	100.00	2,000,000	100.00
30. Green View Horizon Ltd.	GVHL	Pre-operational	1	100.00	–	–	–	–
31. I.G. Browns Rubber Industries (Pvt) Ltd.	IGBRI	Non-operational	442,500	98.33	420,000	93.34	420,000	93.34
32. Invest Land Ltd.	ILL	Pre-operational	1	100.00	–	–	–	–
33. Klevernberg (Pvt) Ltd.	KPL	Trading	11,856,000	76.00	11,856,000	76.00	3,120,000	60.00
34. Lanka Decals (Pvt) Ltd.	LDL	Manufacturing decals for porcelain tableware	14,000,000	100.00	14,000,000	100.00	–	–
35. Lanka ORIX Finance PLC	LOFC	Financial services	2,520,000,000	90.00	2,520,000,000	90.00	200,000,000	100.00

As at 31 March			Proportion of ownership interest held by the Group 2013		2012		1 April 2011	
Subsidiary		Principal Activities	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)
36. Lanka ORIX Information Technology Services Ltd.	LOITS	Software design development and distribution	1,700,000	100.00	1,500,000	100.00	1,500,000	100.00
37. Lanka ORIX Micro Credit Ltd.	LOMC	Financial Services (Agro and micro financing)	62,959,191	80.00	52,800,000	80.00	40,000,000	80.00
38. Lanka ORIX Project Development (Pvt) Ltd.	LOPD	Non-operational	5,200,000	100.00	5,200,000	100.00	5,200,000	100.00
39. LOLC Asset Holdings Ltd.	LAH	Real estate	1	100.00	1	100.00	1	100.00
40. LOLC Eco Solutions Ltd.	LOLC Eco	Investments holding	2,500,000	100.00	2,500,000	100.00	2,500,000	100.00
41. LOLC Estates Ltd.	LEL	Real estate	1	100.00	1	100.00	1	100.00
42. LOLC General Insurance Ltd.	LGEN	Pre-operational	10,000,000	100.00	–	–	–	–
43. LOLC Insurance Company Ltd.	LOIC	Insurance	30,000,000	100.00	39,000,000	100.00	20,000,000	100.00
44. LOLC Factors Ltd.	LOFAC	Factoring services	1	100.00	1	100.00	1	100.00
45. LOLC Investments Ltd.	LOIV	Investments holding	6,000,000	100.00	6,000,000	100.00	6,000,000	100.00
46. LOLC Land Holding Ltd.	LLHL	Real estate	13,300,000	100.00	1	100.00	1	100.00
47. LOLC Leisure Ltd.	Leisure	Management of hotels	1,349,166,000	100.00	1,349,166,000	100.00	160,615,000	100.00
48. LOLC Life Insurance Ltd.	LLIFE	Pre-operational	29,000,000	100.00	–	–	–	–
49. LOLC Motors Ltd.	LOMO	Vehicle trading & repair services	15,000,000	100.00	15,000,000	100.00	15,000,000	100.00
50. LOLC Micro Finance Fund Ltd.	LMFFL	Pre-operational	1	100.00	–	–	–	–
51. LOLC Property Investments Ltd.	LPIL	Real estate	1	100.00	1	100.00	1	100.00
52. LOLC Realty Ltd.	LRL	Real estate	1	100.00	1	100.00	1	100.00
53. LOLC Securities Ltd.	LOSEC	Stock trading	10,000,000	100.00	10,000,000	100.00	5,000,000	100.00
54. LOLC Services Ltd.	LOSEV	Real estate	10,300,000	100.00	10,300,000	100.00	10,300,000	100.00
55. LOLC Technologies Ltd.	LOLC TL	IT services	1	100.00	–	–	–	–
56. Masons Mixture Ltd.	MML	Non-operational	4,226,390	98.19	4,289,849	99.66	4,289,849	99.66
57. Millennium Development Ltd.	MDL	Recreational activities	44,390,823	100.00	44,390,823	100.00	–	–
58. Mutugalla Estates (Pvt) Ltd.	MEL	Fund/Investment management	960	80.00	960	80.00	960	80.00
59. Orient Academy Ltd.	OAL	Educational services	1,500,000	100.00	1,500,000	100.00	1,500,000	100.00
60. Orient Global Technology Ltd.	OGTL	Pre-operational	1	100.00	–	–	–	–
61. Pathregalla Estates (Pvt) Ltd.	PEL	Fund/ Investment management	3,831	91.21	3,831	91.22	3,831	91.22
62. Pleasure Landscape Ltd.	PLL	Pre-operational	1	100.00	–	–	–	–
63. Riverina Hotel PLC	RHL	Hotelier	–	–	10,566,107	70.29	10,566,107	70.29
64. Riverina Resort (Pvt) Ltd.	RRL	Pre-operational	50,000	100.00	–	–	–	–
65. Royal Fernwood Porcelain Ltd.	RFPL	Manufacturing of Porcelain table ware	305,358,880	76.31	316,440,611	76.68	–	–
66. Sifang Lanka (Pvt) Ltd.	Sifang	Importing ,Assembling & Selling of agro equipment's	2,000,000	100.00	2,050,000	100.00	2,050,000	100.00
67. Sifang Lanka Trading (Pvt) Ltd.	SFTL	Non-operational	2,997,750	100.00	3,000,002	100.00	3,000,002	100.00

As at 31 March			Proportion of ownership interest held by the Group 2013		2012		1 April 2011	
Subsidiary		Principal Activities	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)	No. of Shares	Control Holding (%)
68. Snowcem Products Lanka (Pvt) Ltd.	SPLL	Non-operational	40,000	100.00	400,000	100.00	400,000	100.00
69. Southern Cleaners Ltd.	SCL	Fund/ Investment management	201,267	100.00	201,267	100.00	201,267	100.00
70. Speed Italia Ltd.	SIL	Vehicle trading	100,000	100.00	100,000	100.00	–	–
71. Standard Finance (Pvt) Ltd.	SFL	Lending to related companies	2,700,000	100.00	2,700,000	100.00	2,700,000	100.00
72. Sumudra Beach Resorts (Pvt) Ltd.	Samudra	Hotelier - pre-operational	1,000,000	100.00	1,000,000	100.00	–	–
73. Sundaya Lanka (Pvt) Ltd.	Sundaya	Non-operational	624,490	51.00	624,490	51.00	624,490	51.00
74. Taprobane Capital (Pvt) Ltd.	TCL	Investments holding	18,200,002	100.00	18,200,002	100.00	–	–
75. The Hatton Transport & Agency Company (Pvt) Ltd.	HTAC	Non-operational	111,300	99.38	112,000	100.00	112,000	98.34
76. Tropical Villas (Pvt) Ltd.	TVL	Hotelier	10,344,300	100.00	10,344,300	100.00	6,206,580	60.00
77. United Dendro Energy (Pvt) Ltd.	UDE	Power generation	750	75.00	1,000	75.00	1,000	75.00
78. United Dendro Energy Ambalantota (Pvt) Ltd.	UDEA	Power generation	1	100.00	–	–	–	–
79. United Dendro Energy Kawantissapura (Pvt) Ltd.	UDEK	Power generation	1	100.00	–	–	–	–
80. United Dendro Energy Puttalam (Pvt) Ltd.	UDEP	Power generation	1	100.00	–	–	–	–
81. United Dendro Energy Walawewatte (Pvt) Ltd.	UDEW	Power generation	1	100.00	–	–	–	–
82. Walker & Greig (Pvt) Ltd.	WGL	Non-operational	1	100.00	1	100.00	1	100.00

28.4 Eden Hotels Lanka PLC

Although the Group owns less than half of the Eden and consequentially has less than half of the voting power, it is able to govern the financial and operating policies of the Eden by virtue of *de facto* control on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercise their votes collectively. Consequently, the Group consolidates the Eden.

28.5 Diriya Investments (Pvt) Ltd.

During the financial year, LOLC Investments Ltd. (LOIV), a wholly-owned subsidiary of the Group has entered to a shareholder agreement with the other shareholder who holds the remaining 50% of the voting rights of Diriya to purchase 50% holding in future date subsequent to the financial year end. As per the agreement, total consideration of Rs. 1.32 Bn has to be paid through 3 instalments out of which 2 is made during 2012/13 amounted to Rs. 1.065 Bn. The remaining instalment amounts to Rs. 255 Mn is due on July 2013. Upon the payment of fully consideration, the remaining interest of Diriya will be transferred to LOIV.

The transaction is considered as a forward contract to acquire the residual 50% non-controlling interest of Diriya. The value of the future payment is recognised up front at its present value since it gave rise to a financial liability. The changes in the carrying amount of the liability is recognised in equity. Consequently the value of the total contract which comprises the advanced payment and the present value of the future payment is debited to in equity.

28.5.1 The value of the total contract is determined as follows:

	As at 31 March 2013	
	Consideration (Rs.)	Present Value (Rs.)
Present value of the total advance payments	1,065,000,000	1,040,585,305
Present value of the future payment	255,000,000	225,182,256
	1,320,000,000	1,265,767,561

28.5.2 Present value of the liability recognised

	As at 31 March 2013	
	Consideration (Rs.)	Present Value (Rs.)
Initial present value recognised	660,000,000	605,767,561
Accumulation of interest cost recognised in equity	–	45,152,668
Payments made during the period	(405,000,000)	(405,000,000)
Value of the future payment	255,000,000	245,920,229

28.6 Acquisition of Non-Controlling Interests without a Change in Control

During the year, the Group acquired additional stakes in the following entities without a change in control status:

1. Browns Holdings Ltd. (known as Taprobane Fund Management Company Ltd.)
2. Commercial Leasing and Finance Company PLC
3. Browns Investments PLC

The following summarises the effect of changes in the Company's ownership interest in those entities:

	TFML (Rs.)	CLC (Rs.)	BIL (Rs.)	Total (Rs.)
Additional interest acquired	4.00%	1.24%	9.88%	
Consideration paid	250,269,890	388,205,305	875,180,084	1,513,655,279
Effect of increase in Group's ownership interest in respective subsidiary	13,162,748	225,636,126	909,546,923	1,148,345,797
Resultant gain/(loss) recognised in the equity	(237,107,142)	(162,569,179)	34,366,839	(365,309,482)

Due to the increase in TFML and BIL, there were increases in the ownership of sub-subsidiaries in which the results were recognised in equity under changes in group holding.

29 JOINT VENTURE COMPANIES

As at 31 March	2013		2012		2011	
	No. of Shares	Cost (Rs.)	No. of Shares	Cost (Rs.)	No. of Shares	Cost (Rs.)
Company						
Hydro Power Free Lanka PLC	976,700	14,298,187	976,700	14,298,187	2,485,400	36,384,471
F L C Holding PLC (known as Free Lanka Capital Holding PLC)	–	–	–	–	21,276,596	100,000,000
Total		14,298,187		14,298,187		136,384,471

29.1 FLC Joint Venture Company (Pvt) Ltd. (previously known as Free Lanka Capital (Pvt) Ltd.) and its subsidiaries - F L C

FLC, the only joint venture in which the Group participates through one of its subsidiaries; Browns Investments PLC (BI) with Perpetual Holdings (Pvt) Ltd., In 2010/11, BI invested Rs. 50 Mn representing 50% of stated capital of FLC. FLC is principally engaged in the plantations, hydro power generation activities. FLC is structured as a separate entity and provides the Group rights to the net assets of the FLC Group. Accordingly, the Group has classified the investment in FLC as a joint venture.

29.2 The following subsidiaries of FLC have been accounted for as joint ventures of the Group.

1.	Ceylon Tea Estate (Pvt) Ltd.	CTE
2.	Dolekanda Power (Pvt) Ltd. (Previously known as Free Lanka Power 2 (Pvt) Ltd.)	FLP2
3.	Enselwatte Power (Pvt) Ltd. (Previously known as Free Lanka Power 3 (Pvt) Ltd.)	FLP3
4.	F L C Estates Bungalows (Pvt) Ltd. (Previously known as Free Lanka Estate Bungalows (Pvt) Ltd.)	FLEB
5.	F L C Holding PLC (Known as Free lanka Capital Holding PLC)	FLCH
6.	F L C Joint Venture Company (Pvt) Ltd. (Previously known as Free Lanka Capital (Pvt) Ltd.)	FLC
7.	F L C Power Holding Ltd. (Previously known as Free Lanka Power Holding (Pvt) Ltd.)	FLPH
8.	F L C Properties Ltd. (Previously known as Free Lanka Capital Properties (Pvt) Ltd.)	FLCPL
9.	Free Lanka Management Company	FLMC
10.	Free Lanka Plantations Company	FLPC
11.	Halgranoya Hydro Power (Pvt) Ltd. (Previously known as Free Lanka Power 1 (Pvt) Ltd.)	FLP1
12.	Hydro Power Free Lanka PLC	HPFLP
13.	Mathurata Plantation Ltd.	MPL
14.	Melfort Green Tea Ltd.	MGTL
15.	Pussellawa Plantations Ltd.	PEL
16.	Stellenberg Hydro Power (Pvt) Ltd. (Previously known as Hydro Power Free Lanka 3 (Pvt) Ltd.)	HPFL3
17.	Tea Leaf Resort Ltd.	TLRL
18.	Thebuwana Hydro Power (Pvt) Ltd. (Previously known as Hydro Power Free Lanka 3 (Pvt) Ltd.)	HPFL2

29.3 The summarised financial information of joint ventures for the year ended 31 March 2013 not adjusted for the joint control ownership held by the Group:

Entity	Principal Activities	Total Assets	Total Liabilities	Equity	Income	Expenses	Comprehensive Income for the Period	Other Comprehensive Income for the Period
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
AHL	Non-operational	33,600,000	1,276,160	32,323,840	–	–	–	–
CTE	Marketing and distribution of teas	96,209,784	47,757,677	48,452,107	–	–	–	–
FLP2	Hydro power generation	10,106,202	664,555	9,441,647	–	150,153	(150,153)	–
FLP3	Hydro power generation	12,798,309	3,613,888	9,184,421	–	239,827	(239,827)	–
FLEB	Leisure	928,720	138,164	790,556	–	130,546	(130,546)	–
FLCH	Investing in ventures	2,984,364,278	323,086,065	2,661,278,213	295,141,486	73,380,103	221,761,383	–
FLC	Investing in ventures	883,932,788	676,862,289	207,070,499	144,394,516	1,207,544	143,186,972	–
FLPH	Investing in ventures	2,984,364,278	323,086,065	2,661,278,213	31,106	246,779	(215,673)	–
FLCPL	Real estate business	648,720,706	220,777,126	427,943,580	–	(88,433,079)	88,433,079	–
FLMC	Plantation management	859,880,358	32,097,236	827,783,122	225,773,116	36,281,332	189,491,784	–
FLPC	Plantation management	986,370,065	24,808,867	961,561,198	39,344,842	6,354,415	32,990,427	–
FLP1	Hydro power generation	9,262,582	132,109	9,130,473	–	274,512	(274,512)	–
HPFLP	Hydro power generation	817,041,503	57,363,719	759,677,784	43,404,273	70,333,041	(26,928,768)	(3,437,299)
MPL	Plantations	4,937,850,909	2,636,025,073	2,301,825,836	2,722,302,705	2,617,156,553	105,146,152	(53,260,664)
MGTL	Manufacturing green tea	61,851,968	20,092,097	41,759,871	152,422,590	129,085,440	23,337,150	–
PEL	Plantations	11,412,295,984	2,873,942,510	8,538,353,474	3,916,987,317	3,405,484,540	511,502,777	17,866,280
HPFL3	Hydro power generation	174,840,407	28,071,849	146,768,558	764,648	2,424,605	(1,659,957)	–
TLRL	Leisure	7,510,853	7,114,452	396,401	–	50,997	(50,997)	–
HPFL2	Hydro power generation	169,186,457	22,059,392	147,127,065	897,809	2,020,598	(1,122,789)	–
		27,091,116,151	7,298,969,293	19,792,146,858	7,541,464,408	6,256,387,906	1,285,076,502	(38,831,683)

30 EQUITY ACCOUNTED INVESTEES - ASSOCIATES

As at 31 March	2013		2012		2011	
	No. of Shares	Cost (Rs.)	No. of Shares	Cost (Rs.)	No. of Shares	Cost (Rs.)
30.1 Company						
Agstar Fertilizers PLC	60,213,500	390,184,250	60,213,500	390,184,250	1,825,000	54,476,250
Galoya Plantations Ltd.	24,788,235	247,882,353	24,788,235	247,882,353	24,788,235	247,882,353
PRASAC Micro Finance Institution Ltd.	889,994	3,502,376,288	138,626	3,300,444,835	138,626	3,302,731,016
Seylan Bank PLC	103,732,852	1,806,345,629	–	–	–	–
Sierra Construction (Pvt) Ltd.	12,488,250	600,000,000	12,488,250	600,000,000	12,488,250	600,000,000
Sierra Holding (Pvt) Ltd.	4,494,492	200,000,000	4,494,492	200,000,000	4,494,492	200,000,000
Total		6,746,788,520		4,738,511,438		4,405,089,619

30.2 Group Holdings in Equity Accounted Investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows:

As at 31 March		Proportion of ownership interest held by the Group						
		2013			2012		1 April 2011	
Investee	Investor Company	No. of Shares	Holding (%)		No. of Shares	Holding (%)	No. of Shares	Holding (%)
Associated Battery Manufacturers (Ceylon) Ltd. (ABM)	SFL	2,439,355	38.50		2,439,355	38.50	2,439,355	38.50
Agstar Fertiliser PLC (AFPLC) - Group	LOLC	60,213,500	19.58		60,213,500	19.58	1,825,000	10.00
	BIL	39,270,061	12.77		39,000,000	12.68	1,825,000	10.00
	Ajax	1,250,000	0.41		1,250,000	0.41	–	–
		100,733,561	32.76		100,463,500	32.67	3,650,000	20.00
Commercial Insurance Brokers (Private) Ltd. (CIB)	CLC	240,000	40.00		240,000	40.00	240,000	40.00
Galoya Plantations Ltd. (GPL)	LOLC	22,309,412	22.05		22,309,412	22.05	22,309,412	22.05
	BCL	22,309,412	22.05		22,309,412	22.05	22,309,412	22.05
		44,618,824	44.10		44,618,824	44.10	44,618,824	44.10
PRASAC Micro Finance Institution Ltd. (PRASAC)	LOLC	889,994	22.25		138,626	18.00	138,626	18.00
Seylan Bank PLC - Group	LOLC	51,326,520	31.15	NV	–	–	–	–
V - Voting shares	LOIV	16,555,954	9.55	V	–	–	–	–
NV - Non-voting shares	BCL	24,049,889	13.87	V	–	–	–	–
	BIL	11,667,068	7.08	NV	–	–	–	–
	Ajax	133,333	0.08	NV	–	–	–	–
		40,605,843	23.43	V	–	–	–	–
		63,126,921	38.32	NV	–	–	–	–
Sierra Construction (Private) Ltd. (SCPL) - Group	LOLC	12,488,250	10.00		12,488,250	10.00	12,488,250	10.00
	BIL	12,488,250	10.00		12,488,250	10.00	12,488,250	10.00
		24,976,500	20.00		24,976,500	20.00	24,976,500	20.00
Sierra Holdings Ltd. (SHL) - Group	LOLC	4,494,492	10.00		4,494,492	10.00	4,494,492	10.00
	BIL	4,494,492	10.00		4,494,492	10.00	4,494,492	10.00
		8,988,984	19.99		8,988,984	19.99	8,988,984	19.99
Taprobane Plantation Ltd. (TPL)	BIL	22,500	44.94		22,500	44.94	–	–
Virginia International Ltd. (VIL)	BIL	800,000	40		800,000	40.00	–	–

30.3 The summarised financial information of equity accounted investees for the year ended 31 March 2013 not adjusted for the percentage of ownership held by the Group:

Component	Principal Activities	Total Assets	Total Liabilities	Equity	Income	Expenses	Comprehensive Income for the Period	Other Comprehensive Income for the Period
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	
ABM	Battery manufacturing	1,086,937,922	530,390,643	556,547,279	2,099,213,120	1,991,568,062	107,645,058	–
AFPLC	Fertilizer manufacturing	4,399,979,909	2,293,054,954	2,106,924,955	1,757,846,542	1,540,297,876	217,548,666	66,611,007
CIB	Insurance broking	215,312,148	51,365,818	163,946,330	185,076,376	165,352,690	19,723,686	(623,344)
GPL	Sugar plantations	1,730,543,437	2,128,486,455	(397,943,018)	352,266,361	805,407,758	(453,141,397)	–
PRASAC	Microfinance	31,997,650,763	26,102,189,742	5,895,461,022	5,358,497,318	3,901,568,777	1,456,928,542	15,735,370
SBPLC	Banking	185,296,652,000	164,579,222,000	20,717,430,000	23,691,574,000	21,609,159,000	2,082,415,000	(205,878,000)
SCPL	Construction	12,044,210,910	8,660,356,801	3,383,854,109	9,729,932,084	9,554,009,359	175,922,725	(125,718,533)
SHL	Investing	20,008,005,844	13,423,235,897	6,584,769,947	14,534,133,569	14,397,767,934	136,365,635	193,853,904
TPL	Management of real estates	11,268,008	24,005,730	(12,737,722)	112,867,319	134,131,754	(21,264,435)	–
VIL	Non-operational	4,000,000	–	4,000,000	–	–	–	–
		256,794,560,941	217,792,308,040	39,002,252,902	57,821,406,689	54,099,263,210	3,722,143,480	(56,019,596)

30.4 Equity value of Investment in Equity Accounted Investees to the Group

For the year ended 31 March 2013

Equity Accounted Investee	Balance as at 1 April 2012	Acquisitions	Reclassifications/ Transfers	Share of Profit/(loss) Net of Tax	Dividend received	Share of other Comprehensive Income	Foreign Currency Translations	Gain on bargain Purchase /(Negative Goodwill)	Balance as at 31 March 2013
ABM	198,440,636	–	–	41,443,348	(25,613,280)	–	–	–	214,270,704
AFPLC	774,755,203	9,302,963	–	68,287,909	(5,322,863)	21,819,154	–	–	868,842,366
CIB	59,570,762	–	–	7,889,475	(1,440,000)	(249,338)	–	–	65,770,899
GPL	316,192,134	–	–	(199,835,354)	–	–	–	–	116,356,780
PRASAC	557,878,279	201,931,453	–	287,490,035	–	–	86,955,516	–	1,134,255,283
SBPLC	–	161,397,138	4,319,864,791	–	–	49,363,006	–	1,500,501,206	6,031,126,141
SCPL	1,198,051,674	–	–	35,351,316	–	(25,157,904)	–	–	1,208,245,086
SHL	427,546,968	–	–	9,877,971	–	24,948,616	–	–	462,373,555
TPL	4,376,176	–	–	(4,376,176)	–	–	–	–	–
VIL	4,000,000	–	–	–	–	–	–	–	4,000,000
	3,540,811,832	372,631,554	4,319,864,791	246,128,524	(32,376,143)	70,723,534	86,955,516	1,500,501,206	10,105,240,814

For the year ended 31 March 2012

Equity Accounted Investee	Balance as at 1 April 2011	Acquisitions	Share of Profit / (loss) Net of tax	Dividend Received	Share of other Comprehensive Income	Foreign Currency Translations	Balance as at 31 March 2012
ABM	191,116,563	–	51,232,553	(43,908,480)	–	–	198,440,636
AFPLC	151,353,139	554,365,500	68,866,779	–	169,785	–	774,755,203
CIB	53,001,889	–	7,889,475	(960,000)	(360,602)	–	59,570,762
GPL	407,623,273	–	(91,431,139)	–	–	–	316,192,134
PRASAC	368,781,919	(2,286,181)	173,591,815	–	–	17,790,726	557,878,279
SCPL	1,202,386,297	–	8,753,029	–	(13,087,652)	–	1,198,051,674
SHL	394,237,893	–	46,393,109	–	(13,084,034)	–	427,546,968
TPL	–	22,500	4,353,676	–	–	–	4,376,176
VIL	–	4,000,000	–	–	–	–	4,000,000
	2,768,500,973	556,101,819	269,649,297	(44,868,480)	(26,362,503)	17,790,726	3,540,811,832

31 DEFERRED TAX ASSETS AND LIABILITIES

31.1 Recognised Deferred Tax Assets

Deferred tax assets are attributable to the originations of following temporary differences:

As at 31 March	Group			Company		
	2013 (Rs.)	2012 (Rs.)	1 April 2011 (Rs.)	2013 (Rs.)	2012 (Rs.)	1 April 2011 (Rs.)
Property, plant and equipment	(514,139,775)	(330,988,752)	(379,006,280)	(396,629,747)	(335,343,033)	(626,046,299)
Lease receivables	(674,190,523)	(308,503,523)	–	(674,190,522)	(387,210,523)	–
Unutilised tax losses	2,774,618,259	1,195,666,705	1,364,746,572	1,201,388,485	1,163,150,402	1,206,745,572
Provision for inventories	(4,804,543)	(18,997,966)	–	–	–	–
Employee benefits	184,112,444	104,670,823	96,854,068	102,209,981	85,996,592	80,123,443
General provisions	(667,809)	(22,017,000)	184,651	–	–	–
Operating lease assets unamortised VAT	–	(6,201,443)	–	–	(6,201,443)	–
Provision for loan loss impairment	14,811,975	–	1,241,000	–	167,191,764	266,966,019
Net deductible temporary difference	1,779,740,028	613,628,844	1,084,020,011	232,778,197	687,583,759	927,788,735
Total recognised deferred tax assets	508,991,830	355,925,196	388,089,808	65,177,895	98,896,065	110,279,876

31.2 Movement in Recognised Deferred Tax Assets

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)
Balance as at the beginning of the period		355,925,196	388,089,808	98,896,065	110,279,876
Originations/reversal to the income statement		127,195,260	(43,765,386)	(33,718,170)	(11,383,811)
Acquisition of subsidiaries			38,269,572	–	–
Directly charged to the equity	31.8	3,518,743	2,056,121	–	–
Recognition of previously unrecognised deferred tax	31.7	58,888,113	184,178	–	–
Other adjustments/transfers		(36,535,482)	(28,909,097)	–	–
Balance as at the end of the period		508,991,830	355,925,196	65,177,895	98,896,065

31.3 Recognised Deferred Tax Liabilities

Deferred tax liabilities are attributable to the originations of following temporary differences:

	Group			Company		
As at 31 March	2013	2012	1 April 2011	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Property, plant and equipment	1,882,861,115	740,910,086	1,832,905,431	–	–	–
Revaluation of properties	592,414,195	429,315,648	399,210,122	–	–	–
Lease recievables	6,620,409,952	3,078,129,640	2,429,831,009	–	–	–
Unutilised tax losses	(1,486,415,570)	(443,123,882)	(674,155,280)	–	–	–
Employee benefits	(112,114,179)	227,545,331	(17,361,381)	–	–	–
Forward exchange contracts assets	(37,896,499)	211,713,264	–	–	–	–
Consumer biological assets	1,598,109,036	1,732,826,407	1,731,044,217	–	–	–
Bear biological assets	2,918,068,574	2,729,520,652	2,347,127,701	–	–	–
Net taxable temporary difference	11,975,436,624	8,706,837,146	8,048,601,819	–	–	–
Total recognised deferred tax liabilities	2,155,854,983	1,633,310,789	1,284,993,689	–	–	–

31.4 Movement in Recognised Deferred Tax Liabilities

		Group		Company	
For the year ended 31 March		2013	2012	2013	2012
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Balance as at the beginning of the period		1,633,310,789	1,284,993,689	–	–
Originations/reversal to the income statement		507,526,346	339,667,416	–	–
Acquisition of subsidiaries		–	–	–	–
Directly charged to the equity	31.8	61,867,108	(38,474,135)	–	–
Other adjustments		(46,849,260)	47,123,819	–	–
Balance as at the end of the period		2,155,854,983	1,633,310,789	–	–

31.5 Deferred Tax Expense

		Group		Company	
For the year ended 31 March		2013	2012	2013	2012
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Deferred Tax Assets	31.2				
Originations/reversal during the period		(127,195,260)	43,765,386	33,718,170	11,383,811
Recognition of previously unrecognised deferred tax		(58,888,113)	(184,178)	–	–
Deferred Tax Liabilities	31.4				
Originations/reversal during the period		507,526,346	339,667,416	–	–
		321,442,973	383,248,624	33,718,170	11,383,811

31.6 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 against which the Company can utilise the benefits therefrom.

	Group			Company		
As at 31 March	2013	2012	1 April 2011	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Deductible temporary differences	–	1,041,465	781,432	–	–	–
Unutilised tax losses	732,281,749	590,105,985	1,069,283,654	–	–	–
	732,281,749	591,147,450	1,070,065,086	–	–	–

31.7 Previously Unrecognised Tax Losses

In 2011/12, the Group has recognised deferred tax assets on previously unrecognised deductible temporary differences and tax losses as management considered it probable that future taxable profits would be available against which they can be utilised.

	Group			Company		
As at 31 March	2013	2012	1 April 2011	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Unutilised tax losses	210,314,686	241,682,001	–	–	–	–
	210,314,686	241,682,001	–	–	–	–

31.8 Deferred Tax Liability Charged Directly to Equity

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 arising on revaluation of property, plant and equipment of Rs. 13,944,894/- (2011/12 - Rs. 5,184,282/-) of the Group was charged directly to revaluation reserve in the Statement of Changes in Equity in 2012/13.

32 INTANGIBLE ASSETS

		Group			Company		
As at 31 March		2013	2012	1 April 2011	2013	2012	1 April 2011
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Goodwill on acquisition	32.1	421,627,920	421,627,920	331,713,877	–	–	–
Other Intangible Assets	32.3						
Computer softwares		227,691,191	87,854,206	106,799,198	87,657,678	45,771,831	61,011,327
Licence and fees		34,015,676	29,560,052	–	7,775,354	1,905,661	–
Brand value		66,349,461	75,827,956	85,306,451	–	–	–
Customer base		19,768,659	29,652,989	39,537,319	–	–	–
Total		769,452,907	644,523,123	563,356,845	95,433,032	47,677,492	61,011,327

32.1 Goodwill On Acquisition

	Group		
For the year ended 31 March	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)
Balance at the beginning of the period	421,627,920	331,713,877	151,415,234
Acquisition during the period	–	89,914,043	180,298,643
	421,627,920	421,627,920	331,713,877

32.2 Goodwill is attributable to the acquisition of following subsidiaries:

	Group		
For the year ended 31 March	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)
Commercial Leasing and Finance Company PLC	151,415,234	151,415,234	151,415,234
Palm Garden Hotels PLC	180,298,643	180,298,643	180,298,643
Speed Italia Ltd.	59,000,000	59,000,000	–
Excel Restaurant (Pvt) Ltd.	20,524,340	20,524,340	–
Ajex Engineers (Pvt) Ltd.	10,389,703	10,389,703	–
	421,627,920	421,627,920	331,713,877

Goodwill as at the Reporting date has been tested for impairment and found no impairment for the carrying value.

32.3 Other Intangible Assets

Group	Computer Software	Licence and Fees 32.4	Brand Value 32.5	Customer Base 32.5	Total	Total 2011/12
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Cost/Valuation						
Balance as at 1 April 2012	183,705,051	30,443,010	94,784,946	49,421,649	358,354,656	316,225,789
Additions	208,803,599	7,487,173	–	–	216,290,772	42,175,367
Disposals	(5,106,411)	–	–	–	(5,106,411)	(46,500)
Balance as at 31 March 2013	387,402,239	37,930,183	94,784,946	49,421,649	569,539,017	358,354,656
Accumulated Amortisation and Impairment Losses						
Balance as at 1 April 2012	95,850,845	882,958	18,956,990	19,768,660	135,459,453	84,582,821
Amortisation during the year	65,475,974	3,031,549	9,478,495	9,884,330	87,870,348	50,876,632
Disposals	(1,615,771)	–	–	–	(1,615,771)	–
Balance as at 31 March 2013	159,711,048	3,914,507	28,435,485	29,652,990	221,714,030	135,459,453
Carrying Amount						
As at 31 March 2013	227,691,191	34,015,676	66,349,461	19,768,659	347,824,987	
As at 31 March 2012	87,854,206	29,560,052	75,827,956	29,652,989	222,895,203	
As at 1 April 2011	106,799,198	–	85,306,451	39,537,319	231,642,968	

32.4 Licence and Fees

This includes the license obtained by LOLC Securities Ltd. (LOSEC) to operate as a registered stockbroker in the Colombo Stock Exchange (CSE) in 2010/11 financial period. The useful life was decided to 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 2013 is Rs. 26,240,324/- (31 March 2012 - Rs. 27,654,392/-).

32.5 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 Years	7 Years
Customer Base	5 Years	2 Years

Company	Computer Software (Rs.)	Licence and Fees (Rs.)	Total (Rs.)	Total 2011/12 (Rs.)
Cost/Valuation				
Balance as at 1 April 2012	118,931,595	2,200,227	121,131,822	113,467,128
Additions	69,545,166	7,487,173	77,032,339	7,664,691
Balance as at 31 March 2013	188,476,761	9,687,400	198,164,161	121,131,819
Accumulated Amortisation and Impairment Losses				
Balance as at 1 April 2012	73,159,764	294,566	73,454,330	52,455,801
Amortisation during the year	27,659,319	1,617,480	29,276,799	20,998,529
Balance as at 31 March 2013	100,819,083	1,912,046	102,731,129	73,454,330
Carrying Amount				
As at 31 March 2013	87,657,678	7,775,354	95,433,032	
As at 31 March 2012	45,771,831	1,905,661	47,677,489	
As at 1 April 2011	61,011,327	–	61,011,327	

33 PROPERTY, PLANT AND EQUIPMENT

	Freehold Lands (Rs.)	Leasehold Lands (Rs.)	Freehold Buildings (Rs.)	Leasehold Buildings (Rs.)	Freehold Motor Vehicles (Rs.)	Leasehold Motor Vehicles (Rs.)	Furniture and Fittings (Rs.)
Group							
Cost/Valuation							
Balance as at 1 April	9,543,621,486	65,144,444	4,649,509,064	310,412,592	1,976,197,863	121,895,974	567,436,780
Additions	225,769,533	1,160,845	179,191,169	7,645,501	189,856,790	482,028,467	139,515,396
Revaluations	415,672,547	–	521,824,704	–	–	–	–
Disposals/transfers	(279,482,600)	(62,986,895)	(68,906,180)	(1,316,809)	(78,462,880)	(33,785,417)	(30,619,777)
Balance as at 31 March	9,905,580,966	3,318,394	5,281,618,757	316,741,284	2,087,591,773	570,139,024	676,332,399
Accumulated Depreciation and Impairment Losses							
Balance as at 1 April		630,698	793,138,044	69,644,476	845,132,046	39,410,533	368,059,239
Charge for the year		91,104	959,604,293	23,698,489	365,873,967	19,607,842	73,466,069
Depreciation on disposals/transfers		–	7,740,328	–	(20,498,618)	(20,559,489)	(13,574,728)
Balance as at 31 March		721,802	1,760,482,665	93,342,965	1,190,507,395	38,458,886	427,950,580
Carrying Amount							
As at 31 March 2013	9,905,580,966	2,596,592	3,521,136,092	223,398,319	897,084,378	531,680,138	248,381,819
As at 31 March 2012	9,543,621,486	64,513,746	3,856,371,020	240,768,116	1,131,065,817	82,485,441	199,377,541
As at 31 April 2011	7,937,654,943	2,778,800	2,512,902,149	76,576,506	940,978,958	203,672,542	490,408,454

33.1 Other Tangible Assets

Group	Water Sanitation and Others (Rs.)	Roads and Bridges (Rs.)	Penstock Pipe Line (Rs.)	Security Fences (Rs.)	Cutlery, Crockery and Glassware (Rs.)	Linen and Furnishing (Rs.)	Swimming Pool (Rs.)	Others (Rs.)	Total (Rs.)
Cost/Valuation									
Balance as at 1 April 2012	26,329,551	71,121,655	76,656,075	1,548,431	19,287,214	47,007,543	11,704,531	63,872,865	317,527,865
Additions	793,187	1,849,856	–	–	781,280	5,004,021	16,069,507	1,383,740	25,881,591
Disposals	–	–	–	–	(3,682,888)	–	–	(321,465)	(4,004,353)
Balance as at 31 March 2013	27,122,738	72,971,511	76,656,075	1,548,431	16,385,606	52,011,564	27,774,038	64,935,140	339,405,103
Accumulated Depreciation									
Balance as at 1 April 2012	16,003,226	5,152,767	7,610,935	1,389,823	14,319,667	31,420,727	8,266,015	12,558,437	96,721,597
Charge for the year	969,083	1,404,242	3,832,804	–	1,102,484	5,255,844	730,076	4,694,369	17,988,902
Depreciation on disposals	–	–	–	–	(1,967,287)	–	(1,222,052)	(321,465)	(3,510,804)
Balance as at 31 March 2013	16,972,309	6,557,009	11,443,739	1,389,823	13,454,864	36,676,571	7,774,039	16,931,341	111,199,695
Carrying Amount									
As at 31 March 2013	10,150,429	66,414,502	65,212,336	158,608	2,930,742	15,334,993	19,999,999	48,003,799	228,205,408
As at 31 March 2012	10,326,325	65,968,888	69,045,140	158,608	4,967,547	15,586,816	3,438,516	51,314,428	220,806,268
As at 31 March 2011	5,779,562	65,585,206	72,200,000	38,372	7,034,576	17,235,863	2,238,185	144,161,483	314,273,247

Office Equipment (Rs.)	Computers (Rs.)	Freehold Plant and Machinery (Rs.)	Leasehold Machinery (Rs.)	Assets for Operating Leases (Rs.)	Other Tangible Assets (Rs.)	Immovable (JEDB/SLSPC) Assets on Finance Lease (Other than Bare land) (Rs.)	Capital Work-in-Progress (CWIP) (Rs.)	Total 2012/13 (Rs.)	Total 2011/12 (Rs.)
					33.1	33.2			
562,597,657	408,870,577	1,488,261,882	22,635,185	745,586,789	317,527,865	85,794,686	153,196,685	21,018,689,529	17,909,196,496
172,921,616	168,140,538	121,019,518	(8,258,096)	5,573,214	25,881,591	–	889,647,585	2,600,093,667	4,822,375,738
–	–	–	–	–	–	–	–	937,497,251	795,287,664
(8,619,704)	(5,064,668)	(11,010,632)	(6,592,089)	(182,568,543)	(4,004,353)	–	(21,067,065)	(794,487,612)	(1,749,886,660)
726,899,569	571,946,447	1,598,270,768	7,785,000	568,591,460	339,405,103	85,794,686	1,021,777,205	23,761,792,835	21,776,973,238
276,470,249	218,494,336	593,708,684	8,094,960	414,406,466	96,721,597	71,542,309		3,795,453,637	3,520,391,785
103,736,010	83,832,839	119,043,538	1,220,100	87,873,287	17,988,902	2,457,367		1,858,493,807	1,533,219,632
(3,631,365)	(11,839,790)	(118,176,180)	(7,023,592)	(141,448,447)	(3,510,804)	–		(332,522,685)	(499,874,071)
376,574,894	290,487,385	594,576,042	2,291,468	360,831,306	111,199,695	73,999,676		5,321,424,759	4,553,737,346
350,324,675	281,459,062	1,003,694,726	5,493,532	207,760,154	228,205,408	11,795,010	1,021,777,205	18,440,368,076	
286,127,408	190,376,241	894,553,198	14,540,225	331,180,323	220,806,268	14,252,377	153,196,685	17,223,235,892	17,223,235,892
205,272,012	112,993,352	506,213,072	48,295,419	605,060,362	314,273,247	16,971,141	52,377,039	14,026,427,996	

33.2 Immovable (JEDB/SLSPC) Estate Assets on Finance Lease (Other than Bare Land)

Group	Improvements to Lands (Rs.)	Buildings (Rs.)	Machinery (Rs.)	Water Sanitation (Rs.)	Permanent Land Development (Rs.)	Other Vested Assets (Rs.)	Total (Rs.)
Capitalised Value							
Balance as at 1 April 2011	3,866,397	56,683,113	13,936,189	8,191,521	888,707	2,228,759	85,794,686
Balance as at 31 March 2012	3,866,397	56,683,113	13,936,189	8,191,521	888,707	2,228,759	85,794,686
Balance as at 31 March 2013	3,866,397	56,683,113	13,936,189	8,191,521	888,707	2,228,759	85,794,686
Accumulated Amortisation							
Balance as at 1 April 2011	2,392,621	42,480,702	13,936,189	7,890,706	482,861	1,640,466	68,823,545
Charged for the period	128,880	2,267,325	–	244,329	25,996	52,234	2,718,764
Balance as at 31 March 2012	2,521,501	44,748,027	13,936,189	8,135,035	508,857	1,692,700	71,542,309
Charged for the period	128,880	2,267,324	–	(17,078)	26,007	52,234	2,457,367
Balance as at 31 March 2013	2,650,381	47,015,351	13,936,189	8,117,957	534,864	1,744,934	73,999,676
Carrying Value							
Balance as at 1 April 2011	1,473,776	14,202,411	–	300,815	405,846	588,293	16,971,141
Balance as at 31 March 2012	1,344,896	11,935,086	–	56,486	379,850	536,059	14,252,377
Balance as at 31 March 2013	1,216,016	9,667,762	–	73,564	353,843	483,825	11,795,010

As more fully explained in Note 24.2, all JEDB/SLSPC estate lease deeds have been executed to date. In terms of the ruling of the UITF of The Institute of Chartered Accountants of Sri Lanka prevailed at the time privatisation of plantation estates, all immovable assets in the JEDP/SLSPC estates under finance leases have been taken into the books of the Company retroactive to 15 June, 1992. For this purpose, the Board decided at its meeting on 8 March 1995, that these assets be revalued at their book values as they appear in the books of the JEDP/SLSPC, on the day immediately preceding the date of formation of the Company. These assets are taken into the Statement of Financial Position as at 15 June 1992 and depreciated as above.

Company	Freehold Lands	Freehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles	Furniture and Fittings	Office Equipment
Cost/Valuation						
Balance as at 1 April	1,162,393,171	253,282,565	1,411,465,530	76,859,775	215,438,145	231,677,970
Additions	2,647,000	–	138,490,781	–	69,935,690	89,601,532
Revaluations	–	–	–	–	–	–
Disposals	–	–	(136,502,625)	(5,250,000)	(6,350,599)	(1,464,354)
Transfers	–	–	82,831,254	(25,910,417)	(1,391,754)	(5,418,581)
Acquisition of subsidiaries	–	–	–	–	–	–
Transfer from/(to) investment properties	–	–	–	–	–	–
Balance as at 31 March	1,165,040,171	253,282,565	1,496,284,940	45,699,358	277,631,482	314,396,567
Accumulated Depreciation and Impairment Losses						
Balance as at 1 April		6,162,792	534,637,500	24,614,355	146,843,591	123,728,552
Charge for the year		7,050,606	288,901,264	9,495,336	41,785,593	45,275,050
Depreciation on disposals		–	(71,394,430)	(2,553,063)	(5,901,100)	(1,300,084)
Depreciation on transfers		–	52,426,838	(16,634,295)	(309,208)	(820,077)
Other adjustments		–	18,281,649	–	–	–
Balance as at 31 March		13,213,398	822,852,821	14,922,333	182,418,876	166,883,441
Carrying Amount						
As at 31 March 2013	1,165,040,171	240,069,167	673,432,119	30,777,025	95,212,606	147,513,126
As at 31 March 2012	1,162,393,171	247,119,773	876,828,030	52,245,420	68,594,554	107,949,418
As at 31 March 2011	1,185,649,236	322,110,482	23,376,977	(2,591,930)	81,669,239	92,794,661

Footnotes

33.1 Property, plant and equipment included fully depreciated assets that are still in use having a gross amount of Rs. 449,816,725/- as at 31 March 2013 (31 March 2012 - Rs. 246,526,432/-).

33.2 The fair value of the revalued properties were determined by Mr. G.J. Sumanasena and Sunil Fernando & Associates (Pvt) Ltd. independent valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the revalued properties.

Date of the revaluation	31 March 2011
Method of determining fair value	Contractor's test

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

As at 31 March	2013 (Rs.)	2012 (Rs.)
Cost	986,168,208	983,521,208
Accumulated depreciation and impairment	(41,809,096)	(32,921,617)
	944,359,112	950,599,591

Computers	Assets for Operating Leases	Capital Work-in-Progress (CWIP)	Total 2012/13	Total 2011/12
246,754,445	662,806,301	4,025,000	4,264,702,902	4,651,473,773
132,600,054	–	7,782,373	441,057,430	903,758,542
–	–	–	–	–
(5,830,462)	(113,136,456)	–	(268,534,496)	(1,125,529,413)
6,810,335	(56,920,837)	–	–	–
–	–	–	–	–
–	–	–	–	(165,000,000)
380,334,372	492,749,008	11,807,373	4,437,225,836	4,264,702,902
125,837,083	355,764,218		1,317,588,091	1,367,977,405
55,471,509	82,597,718		530,577,076	581,976,145
(3,495,979)	(94,174,654)		(178,819,310)	(632,365,459)
1,129,285	(35,792,543)		–	–
–	–		18,281,649	–
178,941,898	308,394,739		1,687,627,506	1,317,588,091
201,392,474	184,354,269	11,807,373	2,749,598,330	
120,917,362	307,042,083	4,025,000	2,947,114,811	
74,293,162	597,589,508	–	3,283,496,368	

33.3 Changes in Estimates

The Company re-estimated the realisable value and useful economic life of all its motor vehicles as at the Statement of Financial Position date. The financial impact on change in realisable value was taken into current financial year of 2012/13 and impact on change in economic life will be considered from 1 April 2013 onwards.

	2012/13	2013/14	2014/15	2015/16	Later
Effect of change to depreciation	12,700,000	82,000,000	82,000,000	82,000,000	-

33.4 Property Details

Details of Land & Building of Company

Address	Land Extent	Building Extent	Cost		Accumulated Depreciation	Last Valuation		Carrying Amount	
			Land	Building		Land	Building	2013	2012
	A-R-P	(Sq. Ft.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya	1A-0R-04.86P	51,800	535,795,000	149,205,000	7,470,470	535,795,000	149,205,000	677,529,530	681,259,655
No. 100 A, Sri Jayewardenepura Mawatha, Rajagiriya	0A-2R-20.00P	–	245,000,000	–	–	245,000,000	–	245,000,000	245,000,000
No. 25/7, Wimalawatta Road, Mirihana, Nugegoda	0A-0R-33.40P	–	20,000,000	–	–	20,000,000	–	20,000,000	20,000,000
No. 103, Sri Jayewardenepura Mawatha, Rajagiriya	0A-1R-12.50P	–	166,399,000	–	–	166,399,000	–	166,399,000	166,399,000
No. 28A, Badulla Road, Nuwara Eliya	0A-0R-21.03P	5,426	56,974,000	57,425,000	3,563,497	56,974,000	–	110,835,503	112,271,128
No. 52/40, Stanley Road, Jaffna	0A-0R-37.31P	–	64,630,000	–	–	64,630,000	–	64,630,000	64,630,000
No. 241 A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-13.01P	–	18,129,736	–	–	18,807,102	–	18,129,736	18,129,736
No. 240, Moragahayata, Colombo Road, Ratnapura	0A-0R-15.80P	7,920	20,919,000	8,400,000	504,575	20,919,000	8,400,000	28,814,425	29,024,425
No. 156, Kolonnawa Road, Gothatuwa	1A-1R-33.71P	–	–	–	–	–	–	–	–
No. 1163/A, Cotta Road, Rajagiriya	0A-0R-08.70P	7,810	34,546,435	38,252,565	1,674,856	26,100,000	33,387,750	71,124,144	72,799,000
Boralukanda, Athabendiwewa Road, Thalakiriyagama	2A-3R-15P	–	2,647,000	–	–	–	–	2,647,000	–
			1,165,040,171	253,282,565	13,213,398	1,154,624,102	190,992,750	1,405,109,338	1,409,512,944

34 TRADING LIABILITIES - FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 March	Group			Company		
	2013	2012	2011	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Derivative liabilities						
forward rate agreements	627,651,548	5,156,409	258,712,141	125,204,130	–	114,161,156
	627,651,548	5,156,409	258,712,141	125,204,130	–	114,161,156

35 DEPOSITS LIABILITIES

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
35.1 Deposits from Customers						
Fixed deposits	33,332,908,522	23,706,299,099	14,564,209,025	–	–	–
Term deposits	944,797,728	2,526,716,286	3,334,879,508	–	–	–
Total deposits from customers	34,277,706,250	26,233,015,385	17,899,088,533	–	–	–

36 INTEREST-BEARING BORROWINGS

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
Commercial papers & Promissory Notes		2,436,039,167	4,053,290,991	3,448,190,519	2,061,132,670	3,676,738,942	2,025,012,091
Short-term loans and others		23,222,132,232	15,709,218,552	13,018,000,670	5,808,000,000	4,056,000,000	7,726,250,000
Debentures		4,241,553,533	4,592,056,318	14,350,000	4,241,553,532	4,237,464,318	–
Finance lease liabilities	36.1	578,832,384	534,262,142	369,696,815	321,916,519	363,666,764	182,019,206
Long-term borrowings	36.2	34,862,963,586	36,525,138,416	28,368,835,218	5,573,499,452	9,868,991,609	10,207,988,635
		65,341,520,902	61,413,966,419	45,219,073,222	18,006,102,173	22,202,861,633	20,141,269,932

36.1 Finance Lease Liabilities

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
Net liability to lessor of JEDB/SLSPC estates	36.1.1	150,113,669	152,390,073	154,836,861	–	–	–
Other lease liabilities	36.1.2	428,718,715	381,872,069	214,859,954	321,916,519	363,666,764	182,019,206
Total lease liabilities		578,832,384	534,262,142	369,696,815	321,916,519	363,666,764	182,019,206

36.1.1 Net Liability to Lessor of JEDB/SLSPC Estates

	Group		
For the year ended 31 March	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)
Gross Liability			
Balance as at 1 April	278,042,956	286,414,956	294,786,956
Repayments	(8,372,000)	(8,372,000)	(8,372,000)
Balance as at 31 March	269,670,956	278,042,956	286,414,956
Finance costs allocated to future years	(119,557,287)	(125,652,883)	(131,578,095)
Net liability	150,113,669	152,390,073	154,836,861
Payable within One Year			
Gross liability	8,372,000	8,372,000	8,372,000
Finance costs allocated to future years	(6,096,892)	(6,113,920)	(6,188,612)
Net liability transferred to current liabilities	2,275,108	2,258,080	2,183,388
Payable within Two to Five Years			
Gross liability	33,488,000	33,488,000	33,488,000
Finance costs allocated to future years	(24,203,250)	(24,278,451)	(25,080,269)
Net liability	9,284,750	9,209,549	8,407,731
Payable after Five Years			
Gross liability	227,810,950	236,182,956	244,554,956
Finance costs allocated to future years	(89,257,139)	(95,260,512)	(100,309,214)
Net liability	138,553,811	140,922,444	144,245,742

Pussellawa Plantations Ltd. and Mathurata Plantations Ltd.

The lease agreement of estates was amended with effect from 22 June 1996 to a substantially higher amount than the previous nominal lease rental of Rs. 500/- per estate per annum. In terms of the agreement entered into with the Ministry of Plantation Industries, the contingent lease rental was suspended for a five year period commencing from the year 2002/03 and expired on 21 June 2008. As per the letter received from the Secretary, Ministry of Plantation Industries dated 12 May 2010, the application of the contingent lease rental was made effective and accordingly the annual lease rental revised with retrospective effect from 2008/09. The Escalated Lease rentals for the Years 2008/09, 2009/10, 2010/11 & 2011/12 were computed applying the GDP Deflators as 2007 - 14%, 2008 - 16.31%, 2009 - 5.70%, 2010 - 7.30% & 2011 - 6.90% respectively. The contingent lease rental charged by the Company in the Income Statement for the year amounted to Rs. 8,236,500/-. The future liability on annual lease payments of the Group would continue till year 2045.

36.1.2 Other Lease Liabilities

	Group			Company		
For the year ended 31 March	2013	2012	2011	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Gross lease rentals payable as at 1 April	486,749,401	251,385,479	386,895,746	467,008,788	215,329,321	333,646,526
On acquisition of subsidiaries	-	6,163,374	864,653	–	–	–
Leases obtained during the year	156,311,735	416,419,360	120,419,803	–	414,663,360	115,141,675
Lease rentals paid during the year	(96,035,170)	(187,218,812)	(256,794,723)	(69,694,349)	(162,983,893)	(233,458,880)
Gross lease rentals payable as at 31 March	547,025,966	486,749,401	251,385,479	397,314,439	467,008,788	215,329,321
Less: Unamortised finance cost	(118,307,251)	(104,877,332)	(36,525,525)	(75,397,920)	(103,342,024)	(33,310,115)
Net lease liability	428,718,715	381,872,069	214,859,954	321,916,519	363,666,764	182,019,206
Repayable within One Year						
Gross lease rentals payable	153,956,331	115,133,623	151,350,410	115,571,347	109,311,565	126,448,109
Less: Unamortised finance cost	(50,679,006)	(40,186,803)	(19,289,097)	(35,068,041)	(39,140,818)	(16,009,250)
Net lease liability	103,277,325	74,946,820	132,061,313	80,503,306	70,170,747	110,438,859
Repayable after One Year before Five Years						
Gross lease rentals payable	393,790,392	371,615,779	102,896,789	281,743,092	357,697,223	88,881,212
Less: Unamortised finance cost	(68,349,002)	(64,690,530)	(20,098,148)	(40,329,879)	(64,201,206)	(17,300,865)
Net lease liability	325,441,390	306,925,249	82,798,641	241,413,213	293,496,017	71,580,347
Repayable after Five Years						
Gross lease rentals payable	–	–	–	–	–	–
Less: Unamortised finance cost	–	–	–	–	–	–
Net lease liability	–	–	–	–	–	–
Total	428,718,715	381,872,069	214,859,954	321,916,519	363,666,764	182,019,206

36.2 Long-Term Borrowings

For the year ended 31 March	Group			Company		
	2013	2012	2011	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Gross balance as at 1 April	36,577,631,640	28,451,184,197	19,354,948,962	9,943,950,649	10,351,562,460	11,051,344,585
Received during the year	11,023,624,444	18,388,863,066	19,482,788,198	–	2,900,000,000	6,443,121,963
Acquisition of subsidiaries	–	218,650,414	–	–	–	–
Repaid during the year	(12,529,905,703)	(10,481,066,037)	(10,386,552,963)	(4,331,769,586)	(3,307,611,811)	(7,142,904,088)
Gross borrowings as at 31 March	35,071,350,381	36,577,631,640	28,451,184,197	5,612,181,063	9,943,950,649	10,351,562,460
Less: Unamortised finance cost	(208,386,795)	(52,493,224)	(82,348,979)	(38,681,611)	(74,959,040)	(143,573,825)
Balance as at 31 March	34,862,963,586	36,525,138,416	28,368,835,218	5,573,499,452	9,868,991,609	10,207,988,635
Long-term borrowings - current	12,124,371,849	13,274,311,735	7,364,787,365	2,347,084,787	3,458,879,712	3,419,961,079
Long-term borrowings - non-current	22,738,591,737	23,250,826,681	21,004,047,853	3,226,414,665	6,410,111,897	6,788,027,556
Total	34,862,963,586	36,525,138,416	28,368,835,218	5,573,499,452	9,868,991,609	10,207,988,635
Analysis of Non-Current Portion of Long-Term Borrowings						
Repayable within 3 years	20,680,220,358	21,748,431,056	17,748,030,361	2,668,366,497	5,558,515,372	5,648,166,932
Repayable after 3 years	2,058,371,379	1,502,395,625	3,256,017,492	558,048,168	851,596,525	1,139,860,624
Total	22,738,591,737	23,250,826,681	21,004,047,853	3,226,414,665	6,410,111,897	6,788,027,556

37 INSURANCE CONTRACT LIABILITIES

As at 31 March		Group		
		2013	2012	2011
	Note	(Rs.)	(Rs.)	(Rs.)
Life insurance contracts	37.1	116,137,976	47,570,659	–
Non-life insurance contracts	37.2	928,051,233	326,060,067	–
Total insurance contract liabilities		1,044,189,209	373,630,726	–

The Company has satisfied liability adequacy test in both Life & General Insurance businesses.

37.1 Life Insurance Contract Liabilities

For the year ended 31 March	2013			2012		
	Insurance Contract Liabilities	Reinsurance of Liabilities	Net	Insurance Contract Liabilities	Reinsurance of Liabilities	Net
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
At 1 April	48,679,285	(1,108,625)	47,570,660	–	–	–
Premiums received	106,237,907	(5,933,618)	100,304,289	51,426,839	(1,108,626)	50,318,213
Claims incurred	(3,664,484)	644,788	(3,019,696)	(553,652)	–	(553,652)
Fees deducted	(142,101)	675,637	533,536	–	–	–
Investment return	9,026,138	–	9,026,138	3,994,117	–	3,994,117
Expenses	(38,969,869)	–	(38,969,869)	(6,188,020)	–	(6,188,020)
	121,166,877	(5,721,818)	115,445,059	48,679,285	(1,108,625)	47,570,659
Claims outstanding	692,917	(277,303)	415,614	–	–	–
	121,859,794	(5,999,121)	115,860,673	48,679,285	(1,108,625)	47,570,659

37.1.1 As per the net liability valuation method, actuary has valued long-term life fund liability as Rs. 64,792,954/- resulting a surplus of Rs. 50,849,309/-. The Board of Directors have decided not to take life surplus for the books of account.

37.2 Non-Life Insurance Contract Liabilities

For the year ended 31 March		2013			2012		
		Insurance Contract Liabilities (Rs.)	Reinsurance of Liabilities (Rs.)	Net (Rs.)	Insurance Contract Liabilities (Rs.)	Reinsurance of Liabilities (Rs.)	Net (Rs.)
At 1 April							
Provision for reported claims	37.3	192,305,591	31,864,322	160,441,269	22,231,164	(127,720)	22,103,444
IBNR		55,124,000	–	55,124,000	3,587,000	–	3,587,000
Outstanding claims provision		247,429,591	31,864,322	215,565,269	25,818,164	(127,720)	25,690,444
Provision for unearned premiums	37.4	696,994,191	(16,372,549)	680,621,642	300,369,623	–	300,369,623
Total non-life contract liabilities		944,423,782	15,491,774	896,186,911	326,187,787	(127,720)	326,060,067

37.3 Outstanding Claims Provision

For the year ended 31 March	2013			2012		
	Insurance Contract Liabilities (Rs.)	Reinsurance of Liabilities (Rs.)	Net (Rs.)	Insurance Contract Liabilities (Rs.)	Reinsurance of Liabilities (Rs.)	Net (Rs.)
At 1 April	22,231,164	127,720	22,103,444	–	–	–
Claims incurred in the current accident year	563,830,850	36,856,389	526,974,461	47,727,071	1,127,720	46,599,351
Claims paid during the year	(393,756,423)	(5,119,787)	(388,636,636)	(25,495,907)	(1,000,000)	(24,495,907)
Total non-life contract liabilities	192,305,591	31,864,322	160,441,269	22,231,164	127,720	22,103,444

37.4 Provision for Unearned Premiums

For the year ended 31 March	2013			2012		
	Insurance Contract Liabilities (Rs.)	Reinsurance of Liabilities (Rs.)	Net (Rs.)	Insurance Contract Liabilities (Rs.)	Reinsurance of Liabilities (Rs.)	Net (Rs.)
At 1 April	300,369,623	–	300,369,623	–	–	–
Premiums written in the year	1,314,097,141	(31,991,806)	1,282,105,335	364,735,086	–	364,735,086
Premiums earned during the year	(917,472,573)	15,619,257	(901,853,316)	(64,365,463)	–	(64,365,463)
At 31 March	696,994,191	(16,372,549)	680,621,642	300,369,623	–	300,369,623

38 CURRENT TAX PAYABLES

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
Income tax payables	674,141,921	542,389,477	515,796,102	–	–	–
VAT payables	186,392,107	115,016,103	41,798,081	74,579,552	97,395,628	72,805,415
WHT payables	19,856,677	8,142,027	2,176,474	267,700	–	–
ESC payables	6,697,675	7,080,091	4,848,997	–	–	–
NBT payables	8,521,970	14,052,192	11,399,085	–	–	–
Other tax payables	29,492,820	87,859,883	112,344,872	(1,323,131)	82,014,909	110,094,472
	925,103,170	774,539,773	688,363,611	73,524,121	179,410,537	182,899,887

39 TRADE AND OTHER PAYABLES

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
Financial Liabilities							
Trade payables		2,244,949,621	3,207,621,516	5,439,056,844	86,535,606	41,288,419	717,835,838
Creditors for leased equipment		1,452,739,576	590,852,057	704,726,218	–	16,226,126	18,599,730
Amount due to related companies	48.3.2	187,379,702	123,317,578	–	15,364,021	5,090,362	250,884,814
Insurance premium payable		34,401,889	20,514,814	–	171,947	–	–
Liability recognised on *Diriya*	28.5.2	245,920,229	–	–	–	–	–
Other financial liabilities		2,074,255,146	1,217,799,238	1,582,293,399	342,998,849	364,291,119	–
		6,239,646,163	5,160,105,203	7,726,076,461	445,070,423	426,896,026	987,320,382
Non-Financial Liabilities							
Unclaimed dividends		168,873,330	27,361,221	12,621,753	40,490,605	2,769,543	2,717,374
Accrued expenses		529,519,102	819,214,130	–	356,522,527	274,957,741	–
Other non-financial liabilities		133,784,889	318,335,428	–	–	–	–
		832,177,321	1,164,910,779	12,621,753	397,013,132	277,727,284	2,717,374
		7,071,823,484	6,325,015,982	7,738,698,214	842,083,555	704,623,310	990,037,756

40 DEFERRED INCOME

	Capital Grants 40.1	Operating Lease Receivabels - PHDT 40.2	Transfer of shares 40.3	Total	Total 2012
Group					
Gross Deferred Income					
Balance as at 1 April 2012	315,245,422	5,367,348	31,996,875	352,609,645	318,898,677
Deferred income received	32,522,725	–	–	32,522,725	33,710,968
Transfers/reclassifications/adjustments	–	–	–	–	–
Balance as at 31 March 2013	347,768,147	5,367,348	31,996,875	385,132,370	352,609,645
Accumulated Amortisation					
Balance as at 1 April 2012	80,974,889	1,783,174	1,081,010	83,839,073	74,041,033
Amortised to profit and loss	7,377,645	268,368	930,587	8,576,600	9,798,040
Transfers/reclassifications/adjustments	–	–	–	–	–
Balance as at 31 March 2013	88,352,534	2,051,542	2,011,597	92,415,673	83,839,073
Carrying Amount					
As at 31 March 2013	259,415,613	3,315,806	29,985,278	292,716,697	
As at 31 March 2012	234,270,533	3,584,174	30,915,865	268,770,572	
As at 1 April 2011	241,005,103	3,852,542	–	244,857,645	

40.1 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.

40.2 Operating Lease Receivabels - PHDT

Premises at St. Andrew's Drive in Nuwara Eliya has been leased out to Plantation Housing and Human Development Trust for a period of 20 years commencing from August 2005 at a total lease rental of Rs. 5,367,348/-.

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	2013 (Rs.)	2012 (Rs.)	2011 (Rs.)
Less than one year	268,368	268,368	268,368
Between one and five years	1,073,470	1,073,470	1,073,470
More than five years	1,973,970	2,242,338	2,510,705
	3,315,807	3,584,175	3,852,542

40.3 Deferred Income in Respect of Transfer of Shares - Mathurata Plantations LTD.

This represents the value of 6,399,375 Nos. of Ordinary Shares received by Mathurata Plantations Ltd. 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.

41 RETIREMENT BENEFIT OBLIGATIONS

		Group			Company		
For the year ended 31 March		2013	2012	2011	2013	2012	2011
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Movement in the Present Value of the Defined Benefit Obligations							
Balance as at the beginning of the period		951,962,647	885,345,379	764,952,608	85,996,592	80,123,443	65,638,616
Acquisition of subsidiaries		–	27,011,254	411,583	–	–	–
Benefits paid by the plan		(135,869,413)	(94,149,667)	(68,607,843)	(3,878,505)	(4,775,626)	(2,880,483)
Expenditure recognised in the Income Statement	41.1	149,502,601	169,052,819	187,671,899	14,722,706	10,648,775	13,197,616
Actuarial gain/(loss) recognised in OCI		31,132,793	(35,297,138)	917,132	–	–	–
Transfers during the year		–	–	–	–	–	4,167,694
Balance as at the end of the period		996,728,628	951,962,647	885,345,379	96,840,793	85,996,592	80,123,443

41.1 Expense Recognised in the Income Statement

	Group		Company	
For the year ended 31 March	2013	2012	2013	2012
	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Current service costs	76,143,150	68,757,316	9,513,757	7,429,063
Interest costs	73,359,451	100,295,503	5,208,949	8,026,320
Transfer of expenses	–	–	–	(4,806,608)
	149,502,601	169,052,819	14,722,706	10,648,775

41.2 Actuarial Assumptions

Principal actuarial assumptions at the reporting date.

	Group			Company		
For the year ended 31 March	2013	2012	2011	2013	2012	2011
Discount rate (%)	11 - 12	10 - 11	9 - 12.35	11.77	11.00	9.3
Future salary increases (%)	5 - 10	5 - 10	8 - 10.75	9	9	8
Staff turnover factor (%)	5 - 10	5 - 10	5 - 10	2.5 -15	2.5 -15	2.5 -15
Retirement age (years.)	55-60	55-60	55-60	55	55	55

42 STATED CAPITAL

For the year ended 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
Issued and fully-paid	42.1	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000
No. of shares	42.2	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000

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.

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 2011 (Rs.)
42.1 Movement in Stated Capital							
Balance at the beginning of the period		475,200,000	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000
Movement during the period		–	–	–	–	–	–
Balance at the end of the period		475,200,000	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000
42.2 Movement in No. of Shares							
Balance at the beginning of the period		475,200,000	475,200,000	47,520,000	475,200,000	475,200,000	47,520,000
Effect of sub-division of shares	42.3	–	–	427,680,000	–	–	427,680,000
Balance at the end of the period		475,200,000	475,200,000	475,200,000	475,200,000	475,200,000	475,200,000

42.3 Effect of Sub-Division of Shares

In the financial period of 2010/11, each existing fully-paid ordinary share of the Company was subdivided into ten (10) ordinary shares in order to facilitate further market liquidity. Consequent to this subdivision, the number of ordinary shares in issue increased from 47,520,000 to 475,200,000.

43 RESERVES

As at 31 March	Note	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Revaluation reserve	43.1	1,047,927,196	812,540,108	698,792,736	600,886,875	600,886,875	600,886,875
Cash flow hedge reserve	43.2	48,355,347	301,481,175	(37,222,885)	25,962,381	79,761,195	(16,922,164)
Fair value reserve on AFS	43.3	(694,007,114)	(372,528,054)	698,297,650	(63,897,230)	209,963,592	642,272,195
Translation reserve	43.4	118,771,081	31,815,565	14,024,840	–	–	–
Future taxation reserve	43.5	205,000,000	205,000,000	205,000,000	205,000,000	205,000,000	205,000,000
Statutory reserve fund	43.6	1,035,296,780	1,131,542,315	732,934,122	–	272,356,156	290,215,933
Investment fund	43.7	507,434,698	281,273,872	57,398,922	–	–	–
Total		2,268,777,988	2,391,124,981	2,369,225,385	767,952,026	1,367,967,818	1,721,452,839

Nature and Purpose of Reserves

43.1 Revaluation Reserve

The revaluation reserve relates to the revaluation surplus of property, plant and equipment and the long-term investments. Once the respective revalued items have been disposed, the relevant portion of revaluation surplus is transferred to retained earnings.

43.2 Hedging 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.

43.3 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.

43.4 Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the Financial Statements of foreign operations.

43.5 Future Taxation Reserve

This reserve was created in order to accommodate unexpected future tax liabilities that might arise at a future date.

43.6 Statutory Reserve Fund

The reserve fund of the Company and subsidiaries (Namely Lanka ORIX Micro Credit Ltd.) involved in leasing business was created according to the Direction No. 5 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 and Commercial Leasing and Finance PLC were created in accordance with the Finance Companies (Capital Funds) Direction No. 1 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.

43.7 Investment Fund

Every company supplying financial services are liable to pay VAT on financial services as per Section 25A-G of the Value Added Tax Act No. 14 of 2002 and are required to deposit the respective sums in an investment fund account established by the respective company as per the Central Bank Guidelines under the cover of letter No. 02/17/800/0014/01 dated 29 April 2011. The Company is required to deposit an amount equal to 8% of the value addition (profits) computed for financial VAT purposes on the same date of each month that VAT on financial services is paid and the 5% of the income tax liability on quarter tax payment. This requirement is effective from 1 January 2011.

44 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.

44.1 Dividends

Declared and Paid

The Company declared and paid an interim dividend of Rs. 0.50 per share amounted to Rs. 237,600,000/-.

45 COMMITMENTS AND CONTINGENCIES

		Group			Company		
As at 31 March		2013	2012	1 April 2011	2013	2012	1 April 2011
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
45.1 Contingent Liabilities							
Guarantees issued to banks and other institutions		1,603,016,233	1,151,229,151	1,538,987,284	43,578,839	102,317,924	1,500,000,000
Corporate guarantees given to foreign funding agencies to grant loans to micro finance clients		601,193,858	598,533,616	598,547,038	601,193,858	598,533,616	598,547,038
Corporate guarantees given to subsidiary		6,084,250,000	3,767,375,000	–	6,084,250,000	3,767,375,000	–
Stumpage payables	45.1.1	50,800,000	50,800,000	–	–	–	–
		8,339,260,091	5,567,937,767	2,137,534,322	6,729,022,697	4,468,226,540	2,098,547,038

45.1.1 Stumpage Payables - Pussellawa Plantations Ltd.

Forest Department has imposed Rs. 50,800,000/- as the stumpage payable to the Government by Pussellawa Plantations Ltd. for harvesting of Forest Department's pinus trees at Delta Estate by the Timber Lake Company. However, the Company has requested Forest Department to reconsider the stumpage calculation, as the said fee is more than the market value of the timber and is not keeping in line with the Supreme Court Judgement. Therefore, the amount of liability and the date of liability are uncertain and will depend on the response of the Forest Department.

45.2 Commitments

		Group			Company		
As at 31 March		2013	2012	1 April 2011	2013	2012	1 April 2011
	Note	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Forward exchange contracts	45.2.1	20,381,879,788	18,808,409,121	12,147,143,462	3,215,296,076	4,279,980,162	5,615,638,725
Capital commitments	45.2.2	4,161,160,897	4,640,914,200	133,456,600	–	–	73,456,600
Letter of credits opened		53,234,625	195,166,239	94,724,861	53,234,625	195,166,239	46,205,504
Facility limits not utilised		2,171,782,433	1,677,621,760	1,531,604,468	–	949,885,653	1,194,934,635
		26,768,057,743	25,322,111,320	13,906,929,391	3,268,530,701	5,425,032,054	6,930,235,464

45.2.1 On the commitment for forward exchange contracts, the Group will receive US$ 123,245,526, Euro 24,638,078, GBP 1,250,000, AUD 2,395,000 and the Company will receive US$ 11,178,637 and Euro 10,890,910 on the conversion.

45.2.2 Capital Commitments

The Group of Companies entered to following capital commitments as at the Balance Sheet date.

United Dendro Energy (Pvt) Ltd.

According to the agreement entered with the Board of Investment (BOI) in Sri Lanka, the Company is committed to invest US$ 6,560,000 or its equivalent in Sri Lankan Rupees in 6 Mn biomass power plant at Dodangoda.

Samudra Beach Resorts (Pvt) Ltd.

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. 1,720,000,000/-. Out of which Rs. 430 Mn already incurred.

FLC Properties (Pvt) Ltd. (FLCPL)

FLCPL has entered into an agreement for a lump sum contract with Sierra Civil Engineering (Pvt) Ltd. as Designing and Building Contractor to construct a multi-storied office complex at new assessment No. 19, Dudley Senanayake Mawatha, Colombo 08. The total cost of this project excluding the cost of land which is already acquired for Rs. 181,674,000/- and taxes, is estimated to be Rs. 625,000,000/- plus taxes.

The FLCPL has also committed to incur additional cost of Rs. 9,190,638/- for the purpose of the aforementioned Project FLCPL has entered into an agreement with the Board of Investment on 8 March 2012 to obtain financial benefits/concessions under the agreement. Accordingly, FLCPL is required to invest in fixed assets not less than US$ 7,000,000 or its equivalent in Sri Lankan Rupees.

Tea Leaf Resort Holdings (Pvt) Ltd. (TLRHL)

TLRHL has entered into an agreement with Sierra Construction (Pvt) Ltd. for Rs. 850,000,000/- for the construction of two boutique style hotels.

FLC Hydro Power PLC

The Company has entered into various contracts to construct following Mini Hydro Power Projects:

	Thebuwana	**Stellenberg**
Commitment on Construction	85,214,153	48,810,744

45.3 Contractual Commitments

Mathurata Plantations Ltd.

The Company has entered into an agreement with Messrs Whight & Company Ceylon (Private) Ltd. (WCCL) for a period from 1 April 2013 to June 2045 in respect of the followings:

1. To hand over the possession of 'C' category fields (uneconomical) not less than 50 hectares per estate and in addition uncultivated land not less than 50 hectares per estate of Alma, Bramley, Gonapitiya, High Forest, Kabaragalla, Mahacoodagalla, Maha Uva and Mathurata Estates in High Grown region for the purpose of growing coffee plantations as a Mono Crop and Inter Planting. MPL is entitled for annual audited net profit share of 20%.
2. To hand over the possession of an abandon tea factory called 'Merigold Factory' to WCCL for the operation of Coffee Project for an annual rental of Rs. 300,000/- subject to 10% increase once in every 10 years. The repairs and improvements to the factory will be at the expense of WCCL.
3. To rent out Superintendent's Bungalow of Mahacoodagalla Estate to WCCL for an annual rental of Rs. 180,000/- for the operation of Coffee Project subject to 10% increase once in every 10 years. The repairs and improvements to the bungalow will be at the expense of WCCL.

46 SUBSEQUENT EVENTS

46.1 Acquisition of Subsidiaries - Green Paradise Resort (Private) Ltd. (GPR)

In April 2013, Browns Investments PLC (BI) , one of the investments arm of the Group has acquired 51% voting rights of GPR for a consideration of Rs. 500 Mn.

GPR owns and operates 67-roomed luxury hotel in Dambulla. The resort was build on an eco green concept which is situated on 12-acre area. The construction of the hotel was completed in April 2012 and resort was in fully operational since then. Taking control of GPR will enable the Group to further expand its presence in leisure sector and meet the strategic business objectives set by the management.

46.2 Acquisition of Equity Accounted Investees - Nanda Investments and Finance PLC (NIF)

In June 2013, LOLC Micro Investments Ltd. a wholly-owned subsidiary of the Group acquired 33% controlling stake of NIF for a consideration of Rs. 306 Mn. The acquisition was made in alliance with BRAC, one of the world's largest microfinancing providers.

The objective of this acquisition is to further establish the LOLC presence of the microfinance sector with global microfinance providers. The management is confident that the acquisition will result in providing fair return on the investment and the achievement of strategic objectives of the Group.

46.3 Increase in Wage Rate - Mathurata Plantations Ltd. and Pussellawa Plantations Ltd.

A revised wage collective agreement of plantation workers in respect of wages and other relevant payments was signed on 4 April 2013 with effective from 1 April 2013 to 31 March 2015 subject to renegotiation of certain provisions.

47 ASSETS PLEDGED

Nature of Assets	Nature of Liability	Group			Company		
		2013	2012	1 April 2011	2013	2012	1 April 2011
		(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Foreign currency term deposits	Interest-bearing loans and borrowings	67,578,861	177,326,195	2,862,886,491	63,355,710	177,326,195	245,366,725
Government Treasury Bonds	Interest-bearing loans and borrowings	–	20,000,000	–	–	20,000,000	–
Lease, hire purchase and loans receivable	Term loan/bank drafts/ short-term loan/field and processing developments	13,971,613,635	30,007,350,919	21,192,989,226	704,186,717	7,459,596,482	8,597,310,764
Marketable shares and loans and buildings	Bank overdrafts/term loans/investments in field development	3,243,012,168	4,355,710,634	3,761,387,771	2,681,468,080	3,587,746,035	–
Leasehold right	Finance lease	157,696,844	1,109,426,398	646,803,409	–	–	–
Leasehold property and vehicles	Term loan	4,191,769,383	474,506,586	205,078,015	30,777,025	52,245,420	155,128,015
Stock and book debts		–	913,391,947	940,000,000	–	–	–
		21,631,670,891	37,057,712,679	29,609,144,912	3,479,787,532	11,296,914,132	8,997,805,504

48 RELATED PARTY DISCLOSURES

48.1 Transactions with Key Management Personnel

According to Sri Lanka Accounting Standard (LKAS) 24 - 'Related Party Disclosures', Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including Executive and Non-Executive Directors), personnel 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/s. Dependent is defined as anyone who depends on the respective Director for more than 50% of his/her financial needs.

Key Management Personnel Compensation

	Group			Company		
For the year ended 31 March	2013	2012	2011	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
48.1.1 Short-Term Employment Benefits						
Includes						
- Directors' fees	68,465,802	70,764,453	58,234,796	43,478,484	46,064,635	38,837,878
- Directors' emoluments	137,611,500	112,093,760	99,662,530	24,987,318	24,699,818	19,396,918
- Other short-term benefits	50,668,014	152,016,106	117,083,140	50,668,014	152,016,106	117,083,140
	256,745,316	334,874,319	274,980,466	119,133,816	222,780,559	175,317,936
No. of KMPs	30	27	27	30	27	27

48.1.2 Long-Term Employment Benefits

There are no long-term employment benefits paid to the Key Management Personnel during the year.

48.1.3 Other Transactions with Key Management Personnel

	Group			Company		
For the year ended 31 March	2013	2012	2011	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Operating lease facilities granted	–	20,324,508	6,111,876	–	20,324,508	6,111,876
Rentals paid	(5,084,145)	(2,455,832)	(691,528)	(5,084,145)	(2,455,832)	(691,528)
Balance rentals outstanding	18,204,879	23,289,024	5,420,348	18,204,879	23,289,024	5,420,348
Deposits balance	202,989,317	526,243,122	516,251,281	–	–	–
Interest paid	22,389,909	56,767,230	33,749,864	–	–	–

48.2 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'.

48.2.1 Transactions with Subsidiaries, Associates and Joint Ventures:

For the year ended 31 March		Company		
		2013 (Rs.)	2012 (Rs.)	2011 (Rs.)
Subsidiaries	Fund transfers in	72,111,096,917	62,855,971,628	31,306,783,120
	Fund transfers out	63,915,889,679	59,181,931,638	34,213,911,311
	Expenses shared	3,069,622,692	5,034,082,411	1,317,147,190
	Asset hire income	92,084,565	96,884,566	35,624,049
	Interest received on fund transfer	1,904,816,540	816,270,507	119,933,399
	Debenture interest received	40,894,225	59,752,485	83,579,449
	Treasury handling changes	302,386,585	370,101,349	300,378,935
	Transfer of finance portfolio	752,654,425	1,216,014,769	–
	Royalty income	35,941,930	–	6,415,960
	Investments in subsidiaries	850,000,000	4,357,453,642	3,987,220,040
	Investments	82,561,371	–	–
	Assets purchased from subsidiaries	7,625,000	–	–
	Interest received on facilities granted	1,622,833	–	–
	Sale of investments	–	3,114,151,432	–
	Transfer of loans	–	2,100,579,120	–
	Shared services	–	111,707,515	–
	Transfer of factoring portfolio	–	3,663,568,510	–
	Reversal of interest - Browns investments	–	7,303,638	–
	Transfer of subsidiary investments	–	75,251,733	–
	Loan transfer	–	550,579,121	–
	Purchase of assets	–	259,999,000	252,468,877
	Part of consideration of the Deed of Transfer Bearing	–	10,000,000	–
	Restructuring fees	–	383,600,000	–
	Rentals paid	–	4,800,000	–
	Assets transferred	–	270,833	–
	Rendering of services received	–	–	94,434,997
	Treasury Bond transfer	–	–	2,575,252,804
	Loan granted	–	–	822,668,356
	Loan transfer to subsidiary	–	–	820,968,356
	Repayment of finance leases and loans obtained	–	–	148,151
Associates	Fund transfers in	–	–	78,233,663
	Repayments of finance leases and loans granted	124,908,480	93,841,527	15,564,299
	Loans granted	–	–	761,800,000
	Interest received	270,862,498	76,345,098	99,752,718
	Expenses shared	–	–	1,115,471
Joint Ventures	Loan granted	–	5,250,000	9,219,808
	Repayment of finance leases and loans granted	12,365,983	57,378,815	37,681,632
	Interest received	10,165,405	19,510,107	22,755,017
	Purchase of commodities	–	–	159,250
	Purchase of land	–	–	160,000,000

Balance Outstanding on facilities granted to related parties as at 31 March.

As at 31 March		Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
Subsidiaries	Finance leases and loans granted	70,177,713	87,460,819	1,551,849
Associates	Finance leases and loans granted	706,210,739	955,838,622	796,235,701
Joint Ventures	Finance leases and loans granted	95,197,805	118,870,714	135,388,809
		871,586,257	1,162,170,155	933,176,359

Note 48.3 shows other balances with related parties.

For the year ended 31 March		Group 2013 (Rs.)	Group 2012 (Rs.)	Group 2011 (Rs.)
Associates	Insurance commission received	17,180,403	6,617,341	6,109,928
	Term deposits	–	–	498,815,217
	Trading transactions			
	- Sales	2,336,796,831	2,081,256,307	2,161,016,433
	- Purchases	310,045,719	94,735,127	132,841,202
	Interest paid	295,754,206	180,114,031	125,630,589
	Fund transfers	18,146,440,505	150,000,001	78,233,663
	Loans granted	382,857,144	–	761,800,000
	Repayment of loans and finance leases obtained	7,348,011	95,093,289	15,564,299
	Expenses shares	32,708,616	1,124,523	1,115,741
	Deposits made	36,944,840	–	–
	Swaps entered (gross)	8,222,500,000	–	–
Joint Ventures	Loans, advances and Promissory Notes obtained	332,580,773	693,671,718	110,976,404
	Interest paid	399,864,204	26,650,339	20,664,903
	Repayment of finance leases and loans obtained	20,876,800	152,567,213	43,207,178
	Rent and management fee received	–	2,770,956	16,876,000
	Vehicle hire income	–	900,000	240,000
	Trading transactions			
	- Sales	13,880,959	914,801	183,500
	- Purchases	1,430,869	44,660,447	61,800,625
	Purchase of land	–	–	80,000,000
	Term and savings deposits and commercial papers	700,000,000	1,354,868,525	137,500,000
	Deposits interest income	107,315,981	68,353,555	1,977,740
	Dividend income	–	55,090,046	40,569,000
	Expenses incurred on behalf of the Company	–	12,708,311	22,352,500
	Other operating expenses	746,878	31,570,258	26,545,500

48.2.2 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 favourable 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 or significant influence were as follows:

	Company		
For the year ended 31 March	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)
1. Ishara Traders (Pvt) Ltd.			
Loans Obtained			
Balance as at the beginning of the year	–	–	764,708,631
Loan obtained	–	2,550,579,120	1,000,000,000
Loan settlements	–	(2,550,579,120)	(1,764,708,631)
Balance at the end of the year	–	–	–
Interest paid	–	101,885,179	104,051,420
Lease vehicles and fixed assets purchased	–	8,500,000	330,050,000
2. Sathya Capital (Pvt) Ltd.			
Loans Obtained			
Balance as at the beginning of the year	–	–	–
Loans obtained	–	610,000,000	–
Loan settlements	–	(610,000,000)	–
Balance at the end of the year	–	–	–
Interest paid	–	17,195,459	–
Subordinated Debentures			
Balance as at the beginning of the year	3,000,000,000	–	–
Invested during the period	–	3,000,000,000	–
Balance at the end of the year	3,000,000,000	3,000,000,000	–
Interest paid	566,030,822	37,873,507	–
3. Infinity Capital (Pvt) Ltd.			
Loans Granted			
Balance as at the beginning of the year	–	–	–
Loan granted	210,000,000	–	–
Loan settlements	–	–	–
Balance at the end of the year	210,000,000	–	–

For the year ended 31 March	Group		
	2013 (Rs.)	2012 (Rs.)	2011 (Rs.)
1. Ishara Traders (Proprietary)			
Loans Obtained			
Balance as at the beginning of the year	3,889,007,694	1,200,000,000	–
Loans obtained	1,850,000,000	3,850,579,120	1,200,000,000
Loans settlements	(1,112,809,517)	(1,161,571,426)	–
Balance at the end of the year	4,626,198,177	3,889,007,694	1,200,000,000
Interest paid	844,971,973	474,849,538	12,626,712
Short-Term Investments Made			
Balance as at the beginning of the year	–	–	–
Investments made	450,000,000	–	–
Realised during the period	(450,000,000)	–	–
Balance at the end of the year	–	–	–
Interest received	4,586,301	–	–
2. Ishara Traders (Pvt) Ltd.			
Loans Obtained			
Balance as at the beginning of the year	1,486,522,522	2,658,854,772	1,539,090,987
Loans obtained	550,000,000	3,800,579,120	3,100,579,120
Loans settlements	(1,203,229,556)	(4,972,911,370)	(1,980,815,335)
Balance at the end of the year	833,292,966	1,486,522,522	2,658,854,772
Interest paid	201,329,191	496,094,115	376,029,959
Lease vehicles and fixed assets purchased	23,061,642	102,532,684	500,583,569
Loans Granted			
Balance as at the beginning of the year	–	–	–
Loans obtained	301,579,315	–	–
Loans settlements	(301,579,315)	–	–
Balance at the end of the year	–	–	–
Interest income received	9,205,479	–	–
Short-Term Investments Made			
Balance as at the beginning of the year	–	–	–
Investments made	450,000,000	–	–
Realised during the period	(450,000,000)	–	–
Balance at the end of the year	–	–	–
Interest received	4,586,301	–	–
3. Saakya Capital (Pvt) Ltd.			
Loans Granted			
Balance as at the beginning of the year	703,500,000	–	–
Loans granted	–	703,500,000	–
Loans settlements	–	–	–
Balance at the end of the year	703,500,000	703,500,000	–
Interest received	160,937,556	14,937,329	–

For the year ended 31 March	Group		
	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)
Loans Obtained			
Balance as at the beginning of the year	–	–	–
Loans obtained	750,000,000	–	–
Loans settlements	–	–	–
Balance at the end of the year	750,000,000	–	–
Interest paid	89,189,851	–	–
Stockbroking income	392,935	–	–
4. Sathya Capital (Pvt) Ltd.			
Loans Obtained			
Balance as at the beginning of the year	–	–	–
Loans obtained	–	610,000,000	–
Loans settlements	–	(610,000,000)	–
Balance at the end of the year	–	–	–
Interest paid	–	17,195,459	–
Subordinated Debentures			
Balance as at the beginning of the year	3,000,000,000	–	–
Invested during the period	–	3,000,000,000	–
Balance at the end of the year	3,000,000,000	3,000,000,000	–
Interest paid	566,030,822	37,873,507	–
Loans Granted			
Balance as at the beginning of the year	633,296,313	–	–
Loans granted	–	633,296,313	–
Loans settlements	–	–	–
Balance at the end of the year	633,296,313	633,296,313	–
Interest received	144,877,522	13,446,703	–
5. Kashyapa Capital (Pvt) Ltd.			
Commercial Paper Invested			
Balance as at the beginning of the year	–	–	–
Commercial paper invested	344,757,203	–	–
Commercial paper matured	(264,020,258)	–	–
Balance at the end of the year	80,736,945	–	–
Capital outstanding	80,000,000	–	–
Interest payable	736,945	–	–
Interest paid	3,037,665	–	–

For the year ended 31 March	Group		
	2013	2012	2011
	(Rs.)	(Rs.)	(Rs.)
6. Rahula Capital (Pvt) Ltd.			
Commercial Paper Invested			
Balance as at the beginning of the year	–	–	–
Commercial paper invested	629,214,857	–	–
Commercial paper matured	(371,821,980)	–	–
Balance at the end of the year	257,392,877	–	–
Capital outstanding	255,000,000	–	–
Interest payable	2,392,877	–	–
Interest paid	6,821,980	–	–
7. Infinity Capital (Pvt) Ltd.			
Loans granted	210,000,000	–	–
Stockbroking income	200,000	–	–

48.3 Balances with Related Parties

As at 31 March	Group			Company		
	2013	2012	1 April 2011	2013	2012	1 April 2011
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
48.3.1 Amounts due from Related Parties						
Brown and Company PLC	–	–	–	–	–	7,303,638
Browns Investments PLC	–	–	–	76,500	–	–
Central Services (Pvt) Ltd.	–	–	–	1,814	–	–
Commercial Leasing & Finance PLC	–	–	–	552,591,537	1,315,393,739	278,993,550
Dikwella Resort Ltd.	–	–	–	8,262,425	75,022,856	–
Diriya Investments (Pvt) Ltd.	–	–	–	–	198,534	–
Eden Hotels Lanka PLC	–	–	–	9,925,526	234,090	295,503
Galoya Holdings Ltd.	–	–	–	–	1,115,471	–
Lanka ORIX Finance PLC	–	–	–	128,964,628	792,773,199	644,562,624
Lanka ORIX Information Technology Services Ltd.	–	–	–	–	24,621,697	26,519,579
Lanka ORIX Project Development Ltd.	–	–	–	–	13,623,891	–
LOLC Assets Holding Ltd.	–	–	–	1,137,990	–	–
LOLC Factors Ltd.	–	–	–	3,097,746,633	5,971,710,109	200,000
LOLC Insurance Company Ltd.	–	–	–	131,925,828	73,228,777	4,509,229
LOLC Investments Ltd.	–	–	–	2,388,385,860	438,153,063	–
LOLC Land Holdings Ltd.	–	–	–	120,320	57,600	–
LOLC Leisure Ltd.	–	–	–	64,912,064	5,013,096	–
LOLC Micro Credit Ltd.	–	–	–	59,388,642	977,767,712	145,657,483
LOLC Motors Ltd.	–	–	–	480,185,244	405,437,356	–
LOLC Property Investments Ltd.	–	–	–	64,266,590	12,766,590	–
LOLC Realty Ltd.	–	–	–	203,465,229	160,028,990	–
LOLC Securities Ltd.	–	–	–	24,826,379	70,812,304	9,514,000
LOLC Services Ltd.	–	–	–	225,207,686	113,440,548	–

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
LOLC Technologies Ltd.	–	–	–	15,799,210	–	–
Orient Academy Ltd.	–	–	–	–	60,251,732	–
Palm Garden Hotels PLC	–	–	–	46,099,620	–	–
Riverina Hotel PLC	–	–	–	–	24,041,728	–
Speed Italia Ltd.	–	–	–	67,163,728	47,940,459	–
Sundaya Lanka (Pvt) Ltd.	–	–	–	–	657,388	4,157,388
Tropical Villas (Pvt) Ltd.	–	–	–	19,376,986	–	–
United Dendro Energy (Pvt) Ltd.	–	–	–	243,937,634	84,935,534	16,304,234
Lanka ORIX Insurance Brokers Ltd.	–	13,478	–	–	13,478	–
Agstar Fertilizers PLC	2,170	12,600,000	–	–	–	–
Associates Battery Manufactures (Ceylon) Ltd.	25,828,194	8,150	930,651	–	–	–
Galoya Plantations Ltd.	649,227,983	290,077,825	–	–	–	–
Rain Forest Eco Lodge (Pvt) Ltd.	119,171	–	–	–	–	–
Sierra Construction (Pvt) Ltd.	156,887,481	95,324	–	–	–	–
(-) Provision for impairment		–	–	–	(73,875,623)	–
	832,064,999	302,794,777	930,651	7,833,768,073	10,595,364,318	1,138,017,228

As at 31 March	Group 2013 (Rs.)	Group 2012 (Rs.)	Group 1 April 2011 (Rs.)	Company 2013 (Rs.)	Company 2012 (Rs.)	Company 1 April 2011 (Rs.)
48.3.2 Amount due to Related Parties						
Commercial Factors Ltd.	–	10	–	10	10	10
Lanka ORIX Information Technology Services Ltd.	–	–	–	10,607,221	–	–
Lanka ORIX Insurance Brokers Ltd.	–	–	–	–	–	106,934
LOLC Asset Holdings Ltd.	–	–	–	–	10	10
LOLC Eco Solutions Ltd.	–	–	–	4,756,780	4,819,500	4,875,000
LOLC Estates Ltd.	–	–	–	10	10	10
LOLC Investments Ltd.	–	–	–	–	–	41,160,377
LOLC Land Holdings Ltd.	–	–	–	–	–	4,000
LOLC Leisure Ltd.	–	–	–	–	–	160,506,311
LOLC Motors Ltd.	–	–	–	–	–	30,268,302
LOLC Property Investments Ltd.	–	–	–	–	–	10
LOLC Reality Ltd.	–	–	–	–	–	10
LOLC Securities Ltd.	–	–	–	–	–	13,963,840
Palm Gardens Hotel PLC	–	–	–	–	120,832	–
Tropical Villas (Pvt) Ltd.	–	–	–	–	150,000	–
Associates Battery Manufactures (Ceylon) Ltd.	116,385,408	72,491,530	–	–	–	–
Galoya Plantations Ltd.	53,077,862	50,826,038	–	–	–	–
Taprobane Plantations (Pvt) Ltd.	17,916,432	–	–	–	–	–
	187,379,702	123,317,578	–	15,364,021	5,090,362	250,884,814

48.4 Related Party Transactions Exceeding 10% of the Equity or 5% of the Total Assets of the Entity as per Audited Financial Statements,whichever is lower.

There are no related party transactions those require specified disclosure in accordance with the continuing listing requirements of Colombo Stock Exchange.

49 VALUATION OF FINANCIAL INSTRUMENTS

Fair Value Hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.3.1.5.

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.

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: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or 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.

The table below analyses financial instruments measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised:

Group *As at 31 March 2013*	Note	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Total (Rs.)
Trading Assets - Fair Value Through Profit or Loss					
Corporate bonds	16.1	129,131,073	–	–	129,131,073
Government Securities	16.2	–	–	–	–
Equity securities	16.3	1,579,885,218	–	–	1,579,885,218
		1,709,016,291	–	–	1,709,016,291
Investment Securities					
Available-for-sale investment securities					
Government Securities	17.1.1	–	3,555,068,605	–	3,555,068,605
Designated available-for-sale investment securities	17.1.2	4,095,298,058	–	–	4,095,298,058
Equity securities with readily determinable fair values	17.1.3	159,268,700	–	–	159,268,700
Unquoted equity securities	17.1.4	–	39,947,214	–	39,947,214
Derivative assets held for risk management	17.3	–	28,812,538	–	28,812,538
		4,254,566,758	3,623,828,357	–	7,878,395,115
		5,963,583,049	3,623,828,357	–	9,587,411,115

Group *As at 31 March 2012*	Note	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Total (Rs.)
Trading assets - Fair Value Through Profit or Loss					
Corporate bonds	16.1	125,608,568	–	–	125,608,568
Government Securities	16.2	–	35,481,252	–	35,481,252
Equity securities	16.3	6,097,580,289	–	–	6,097,580,289
		6,223,188,857	35,481,252	–	6,258,670,109
Investment Securities					
Available-for-sale investment securities					
Government Securities	17.1.1	–	1,605,569,132	–	1,605,569,132
Designated available-for-sale investment securities	17.1.2	4,058,486,388	–	–	4,058,486,388
Equity securities with readily determinable fair values	17.1.3	221,923,131	–	–	221,923,131
Unquoted equity securities	17.1.4	–	191,471,770	–	191,471,770
Derivative assets held for risk management	17.3	–	1,983,988,620	–	1,983,988,620
		4,280,409,519	3,781,029,522	–	8,061,439,041
		10,503,598,376	3,816,510,774	–	14,320,109,150

Company *As at 31 March 2013*	Note	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Total (Rs.)
Trading Assets - Fair Value Through Profit or Loss					
Equity securities	16.3	805,024,365	–	–	805,024,365
		805,024,365	–	–	805,024,365
Investment Securities					
Available-for-sale investment securities					
Designated available-for-sale investment securities	17.1.2	388,309,600	–	–	388,309,600
Unquoted equity securities	17.1.4	–	–	–	–
Derivative assets held for risk management	17.3	–	7,216,790	–	7,216,790
		388,309,600	7,216,790	–	395,526,390
		1,193,333,965	7,216,790	–	1,200,550,755

Company *As at 31 March 2012*	Note	Level 1 (Rs.)	Level 2 (Rs.)	Level 3 (Rs.)	Total (Rs.)
Trading Assets - Fair Value Through Profit or Loss					
Equity securities	16.3	2,459,362,449	–	–	2,459,362,449
		2,459,362,449	–	–	2,459,362,449
Investment Securities					
Available-for-sale investment securities					
Government Securities	17.1.1	–	16,537,465	–	16,537,465
Designated available-for-sale investment securities	17.1.2	664,009,416	–	–	664,009,416
Unquoted equity securities	17.1.4	–	–	–	–
Derivative assets held for risk management	17.3	–	405,845,969	–	405,845,969
		–	422,383,434	–	1,086,392,850
		3,123,371,865	422,383,434	–	3,545,755,299

50 MATURITY ANALYSIS OF FINANCIAL LIABILITIES

50.1 Group

2013	Note	Carrying amount Rs.	Less than 1 month Rs.	1-3 months Rs.	4 - 12 months Rs.	13 - 60 months Rs.	More than 60 months Rs.
Non-Derivative Liabilities							
Bank overdrafts	15.2	6,875,475,249	5,271,598,308	1,603,876,941	–	–	–
Deposits Liabilities							
Deposits from customers	35.1	34,277,706,250	6,987,011,455	8,892,920,039	13,407,809,393	4,989,965,363	–
Interest Bearing Borrowings							
Commercial papers & promissory notes	36	2,436,039,167	649,112,963	1,487,684,155	299,242,049	–	–
Short-term loans and others	36	23,222,132,232	15,274,203,876	1,479,633,871	6,674,899,807	(206,605,322)	–
Debentures	36	4,241,553,533	–	–	–	4,241,553,533	–
Finance lease liabilities	36.1	578,832,384	6,351,162	22,230,551	76,970,720	334,726,140	138,553,811
Long-term borrowings	36.2	34,862,963,586	2,773,078,522	1,578,168,105	8,987,141,930	21,422,663,740	101,911,288
Other current liabilities	39	6,239,646,163	1,500,634,379	1,501,123,934	3,237,887,850	–	–
Derivative Liabilities	34	627,651,548	110,162,330	217,975,058	299,514,160	–	–
		113,362,000,112	32,572,152,995	16,783,612,654	32,983,465,909	30,782,303,454	240,465,099
2012							
Non-Derivative Liabilities							
Bank overdrafts	15.2	4,011,455,278	3,572,788,047	438,667,231	–	–	–
Deposits Liabilities							
Deposits from customers	35.1	26,233,015,385	5,249,156,262	5,878,015,455	10,890,732,349	4,215,111,319	–
Interest Bearing Borrowings							
Commercial papers & promissory notes		4,053,290,991	692,002,274	3,336,007,979	25,280,738	–	–
Short-term loans and others		15,709,218,552	8,251,851,796	2,977,719,013	4,479,647,743	–	–
Debentures		4,592,056,318	–	–	4,592,056,318	–	–
Finance lease liabilities	36.1	534,262,142	7,843,255	17,276,741	52,084,904	316,134,798	140,922,444
Long-term borrowings	36.2	36,525,138,416	324,448,105	1,063,447,471	11,886,416,159	22,921,330,773	329,495,908
Other current liabilities	39	5,160,105,203	1,509,906,237	1,550,433,198	2,099,765,768	–	–
Derivative Liabilities	34	5,156,409	–	5,156,409	–	–	–
		96,823,698,694	19,607,995,976	15,266,723,497	34,025,983,979	27,452,576,890	470,418,352

50.2 Company

As at 31 March 2013

	Note	Carrying amount Rs.	Less than 1 month Rs.	1-3 months Rs.	4 - 12 months Rs.	13 - 60 months Rs.	More than 60 months Rs.
Non-Derivative Liabilities							
Bank overdrafts	15.2	1,374,998,484	1,374,998,484	–	–	–	–
Interest-Bearing Borrowings							
Commercial papers & promissory notes	36	2,061,132,670	299,709,016	1,487,684,154	223,499,500	50,240,000	–
Short-term loans and others	36	5,808,000,000	5,808,000,000	–	–	–	–
Debentures	36	4,241,553,532	–	–	–	4,241,553,532	–
Finance lease liabilities	36.1	321,916,519	6,351,160	19,444,395	54,707,750	241,413,214	–
Long-term borrowings	36.2	5,573,499,452	–	165,600,000	2,220,165,877	3,085,822,287	101,911,288
Other current liabilities	39	445,070,423	–	445,070,423	–	–	–
Derivative liabilities	34	125,204,130	–	106,220,350	18,983,780	–	–
		19,951,375,210	7,489,058,660	2,224,019,322	2,517,356,907	7,619,029,033	101,911,288

As at 31 March 2012

Company	Note	Carrying amount Rs.	Less than 1 month Rs.	1-3 months Rs.	4 - 12 months Rs.	13 - 60 months Rs.	More than 60 months Rs.
Non-Derivative Liabilities							
Bank overdrafts		1,603,899,113	1,603,899,113	–	–	–	–
Interest-Bearing Borrowings							
Commercial papers & Promissory Notes		3,676,738,942	113,015,963	3,336,007,979	227,715,000	–	–
Short-term loans and others		4,056,000,000	–	4,056,000,000	–	–	–
Debentures		4,237,464,318	–	–	–	4,237,464,318	–
Finance lease liabilities	36.1	363,666,764	7,843,255	17,276,741	48,394,670	290,152,098	–
Long-term borrowings	36.2	9,868,991,609	–	307,900,000	3,217,786,730	6,174,523,257	168,781,622
Other current liabilities	39	426,896,026	–	426,896,026	–	–	–
Derivative liabilities	34	–	–	–	–	–	–
		24,233,656,772	1,724,758,331	8,144,080,746	3,493,896,400	10,702,139,673	168,781,622

51 SEGMENTAL INFORMATION

	Financial Services (Rs.)	Insurance (Rs.)	Trading (Rs.)	Leisure (Rs.)	Plantation (Rs.)	Power & Energy (Rs.)	Others/ Adjustments (Rs.)	Total (Rs.)
2012/13								
Gross income	26,145,083,766	1,181,799,822	13,745,709,672	1,349,410,648	3,508,742,864	45,736,550	(4,495,118,190)	41,481,365,132
Net interest cost	(14,624,969,130)	–	(1,236,471,760)	(231,654,247)	(109,594,016)	(43,212,309)	1,718,242,817	(14,527,658,645)
Cost of sales	–	–	(10,202,736,686)	(215,739,839)	(729,828,209)	(7,236,147)	433,626,396	(10,721,914,485)
Profit before operating expenses	11,520,114,636	1,181,799,822	2,306,501,226	902,016,562	2,669,320,639	(4,711,906)	(2,343,248,977)	16,231,792,002
Operating expenses	(8,121,127,807)	(1,155,008,691)	(2,158,656,008)	(1,805,861,635)	(2,203,014,529)	(142,814,026)	1,313,788,542	(14,272,694,154)
Results from operating expenses	3,398,986,829	26,791,131	147,845,218	(903,845,073)	466,306,110	(147,525,932)	(1,029,460,435)	1,959,097,848
Share of profit from associate companies	–	–	–	–	–	–	246,128,524	246,128,524
Negative goodwill	–	–	–	–	–	–	1,500,944,862	1,500,944,862
Profit before taxation	3,398,986,829	26,791,131	147,845,218	(903,845,073)	466,306,110	(147,525,932)	717,612,951	3,706,171,234
2011/12								
Gross income	19,997,756,861	139,373,440	14,010,858,908	1,108,385,758	3,156,304,944	39,213,054	(2,919,138,840)	35,532,754,125
Net interest cost	(9,269,936,579)	–	(531,478,635)	(179,090,016)	(88,061,410)	(14,068,490)	736,829,089	(9,345,806,041)
Cost of sales	–	–	(10,045,590,269)	(215,499,048)	(887,840,494)	(2,162,400)	192,804,547	(10,958,287,664)
Profit before operating expenses	10,727,820,282	139,373,440	3,433,790,004	713,796,694	2,180,403,040	22,982,164	(1,989,505,204)	15,228,660,420
Operating expenses	(7,158,542,816)	(205,946,997)	(2,582,886,203)	(1,085,519,428)	(1,973,747,834)	(84,881,509)	1,746,479,232	(11,345,045,555)
Results from operating expenses	3,569,277,466	(66,573,557)	850,903,801	(371,722,734)	206,655,206	(61,899,345)	(243,025,972)	3,883,614,865
Share of profit of associate companies	–	–	–	–	–	–	269,649,297	269,649,297
Negative goodwill	–	–	–	–	–	–	2,914,536,420	2,914,536,420
Profit before taxation	3,569,277,466	(66,573,557)	850,903,801	(371,722,734)	206,655,206	(61,899,345)	2,941,159,745	7,067,800,582
2012/13								
Depreciation and amortisation	(623,363,948)	(11,061,799)	(237,317,587)	(964,991,283)	(85,370,743)	(49,330,382)	(8,337,832)	(1,979,773,574)
Net impairment loss on financial assets	(2,033,887,936)	–	(13,057,781)	–	–	–	(43,436,089)	(2,090,381,806)
2011/12								
Depreciation and amortisation	(652,854,384)	–	(179,346,294)	(629,658,033)	(96,702,007)	(24,803,821)	(31,616,641)	(1,614,981,180)
Net impairment loss on financial assets	(959,437,864)	–	(20,523,867)	(27,624,725)	–	–	117,664,854	(889,921,602)
As at 31 March 2013								
Total assets	137,568,610,563	1,930,328,297	28,762,849,389	16,565,575,936	9,177,229,534	888,291,737	(31,911,356,939)	162,981,528,517
Total liabilities	118,658,957,248	1,343,971,790	14,255,792,167	3,130,937,663	2,817,361,730	407,912,630	(21,006,163,108)	119,608,770,120
As at 31 March 2012								
Total assets	124,807,725,827	671,862,963	23,951,537,835	16,455,995,050	8,720,781,457	707,104,832	(30,110,832,143)	145,204,175,821
Total liabilities	98,548,036,677	417,665,235	10,629,602,163	2,174,564,525	2,670,525,011	280,174,629	(12,729,744,260)	101,990,823,980

52 EXPLANATION OF TRANSITION TO SLFRS

As stated in Note 2.1, these are the Group's first Consolidated Financial Statements prepared in accordance with SLFRS.

The accounting policies set out in Note 3 have been applied in preparing the Financial Statements for the year ended 31 March 2013, the comparative information presented in these Financial Statements for the year ended 31 March 2012 and in the preparation of an opening SLFRS Statement of Financial Position as at 1 April 2011 (the Group's date of transition to SLFRS).

In preparing its opening SLFRS Statement of Financial Position, the Group has adjusted amounts reported previously in Financial Statements prepared in accordance with SLAS (previous Accounting Standards). All brief explanation of how the transition from previous SLAS to SLFRS has affected financial position and financial performance, is set out in the following tables and the remeasurements are explained in the accompanying notes.

Reconciliation of Equity

		Group					
		31 March 2012			1 April 2011		
		SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS	SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Assets							
Cash and cash equivalents		4,444,709,429	(415,519,645)	4,029,189,784	4,659,100,494	430,060,762	5,089,161,256
Financial assets at fair value through profit or loss	52.1	–	6,258,670,109	6,258,670,109	–	4,476,638,618	4,476,638,618
Investment securities	52.2	–	10,390,920,699	10,390,920,699	–	11,919,262,733	11,919,262,733
Short-term investments		158,676,105	(158,676,105)	–	196,698,996	(196,698,996)	–
Investment in term deposits		1,192,812,399	(1,192,812,399)	–	2,456,187,694	(2,456,187,694)	–
Other investment securites		13,559,263,441	(13,559,263,441)	–	14,456,096,680	(14,456,096,680)	–
Finance lease receivables, hire purchases and operating leases	52.3	40,140,654,684	(11,594,264)	40,129,060,420	28,936,756,777	230,815,507	29,167,572,284
Advances and other loans	52.4	40,104,757,589	(1,119,932,705)	38,984,824,884	29,479,575,638	(78,075,004)	29,401,500,634
Premium receivables		239,616,479	–	239,616,479	–	–	–
Inventories	52.6	3,226,719,371	(28,357,129)	3,198,362,242	1,599,184,190	(43,770,002)	1,555,414,188
Trade and other current assets	52.8	9,428,802,502	(837,648,105)	8,591,154,397	5,637,082,628	716,762,855	6,353,845,483
Prepaid lease rentals		243,943,630	53,418,496	297,362,126	305,535,859	2,997	305,538,856
Investment properties		4,345,970,500	809,923,505	5,155,894,005	439,649,668	683,144,145	1,122,793,813
Real estate stocks		16,449,276	–	16,449,276	16,261,676	–	16,261,676
Consumer biological assets	52.9	3,777,671,171	(1,004,236,336)	2,773,434,835	3,778,893,130	(793,544,073)	2,985,349,057
Bearer biological assets		1,692,000,390	1,682,740,132	3,374,740,522	1,615,524,496	1,315,404,279	2,930,928,775
Investments in group of companies:							
Subsidiary companies	52.11	–	–	–	–	–	–
Joint venture companies		–	–	–	–	–	–
Equity accounted investees - Associates	52.10	3,552,556,908	7,279,820	3,540,811,832	2,759,078,715	32,757,016	2,768,500,973
Deferred tax assets	52.12	347,479,485	8,445,711	355,925,196	434,654,001	(46,564,193)	388,089,808
Intangible assets		644,745,912	(222,789)	644,523,123	571,244,996	(7,888,151)	563,356,845
Property, plant and equipment	52.13	18,170,909,670	(947,673,778)	17,223,235,892	14,472,006,950	(445,578,954)	14,026,427,996
Total assets		145,287,738,941	(83,563,120)	145,204,175,821	111,813,532,588	1,257,110,407	113,070,642,995

Company					
31 March 2012			1 April 2011		
SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS	SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
250,011,865	–	250,011,865	392,011,825	–	392,011,825
–	2,459,362,449	2,459,362,449	–	1,723,282,991	1,723,282,991
–	1,645,252,402	1,645,252,402	–	2,188,119,025	2,188,119,025
31,676,105	(31,676,105)	–	53,754,799	(53,754,799)	–
149,251,925	(149,251,925)	–	221,601,049	(221,601,049)	–
3,519,958,963	(3,519,958,963)	–	3,564,192,696	(3,564,192,696)	–
27,884,646	28,765,392	56,650,038	1,712,647,297	78,270,160	1,790,917,457
5,773,752,301	96,655,686	5,870,407,987	9,320,932,008	95,426,917	9,416,358,925
–	–	–	–	–	–
–	–	–	1,750,000	–	1,750,000
11,819,408,501	(507,827,495)	11,311,581,006	1,816,916,447	(192,433,224)	1,624,483,223
–	–	–	–	–	–
412,500,000	–	412,500,000	247,500,000	–	247,500,000
–	–	–	–	–	–
–	–	–	–	–	–
–	–	–	–	–	–
9,978,045,185	18,198,145,773	28,176,190,958	8,944,162,094	19,888,104,752	28,832,266,846
14,298,187	–	14,298,187	136,384,471	–	136,384,471
1,544,757,723	3,193,753,715	4,738,511,438	1,211,335,904	3,193,753,715	4,405,089,619
145,709,757	(46,813,692)	98,896,065	185,030,360	(74,750,484)	110,279,876
47,677,489	3	47,677,492	61,011,327	–	61,011,327
2,947,114,811	–	2,947,114,811	3,283,496,368	–	3,283,496,368
36,662,047,458	21,366,407,240	58,028,454,698	31,152,726,645	23,060,225,308	54,212,951,953

		Group					
		31 March 2012			1 April 2011		
		SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS	SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Liabilities and Equity							
Liabilities							
Bank overdrafts		4,014,222,740	(2,767,462)	4,011,455,278	4,029,204,315	7,472,243	4,036,676,558
Financial liabilities at fair value through profit or loss	52.15	–	5,156,409	5,156,409	–	258,712,141	258,712,141
Deposits from customers	52.14	25,196,686,539	1,036,328,846	26,233,015,385	16,348,135,523	1,550,953,010	17,899,088,533
Interest-bearing borrowings	52.16	62,060,524,584	(646,558,165)	61,413,966,419	46,784,293,787	(1,565,220,565)	45,219,073,222
Insurance provision - Life		47,570,657	2	47,570,659	–	–	–
Insurance provision - General		320,324,550	5,735,517	326,060,067	–	–	–
Trade and other payables	52.17	8,108,694,318	(1,009,138,563)	7,099,555,755	7,878,151,775	548,910,050	8,427,061,825
Deferred tax liabilities	52.18	1,196,442,542	436,868,247	1,633,310,789	872,361,434	412,632,255	1,284,993,689
Deferred income		328,277,459	(59,506,887)	268,770,572	288,877,431	(44,019,786)	244,857,645
Retirement benefit obligations		950,486,084	1,476,563	951,962,647	889,356,837	(4,011,458)	885,345,379
Total liabilities		102,223,229,473	(232,405,493)	101,990,823,980	77,090,381,102	1,165,427,890	78,255,808,992
Equity							
Stated capital		475,200,000	–	475,200,000	475,200,000	–	475,200,000
Reserves		2,210,863,862	199,286,016	2,391,124,981	1,747,745,668	644,814,475	2,369,225,385
Retained earnings		16,602,055,414	100,694,118	16,702,749,532	10,773,393,641	(560,871,242)	10,212,522,399
Equity attributable to shareholders of the Company		19,288,119,276	299,980,134	19,569,074,513	12,996,339,309	83,943,233	13,056,947,784
Minority interest		23,776,390,192	(132,112,865)	23,644,277,327	21,726,812,177	31,074,042	21,757,886,219
Total equity		43,064,509,468	167,867,269	43,213,351,841	34,723,151,486	115,017,275	34,814,834,003
Total liabilities and equity		145,287,738,941	(64,538,224)	145,204,175,821	111,813,532,588	1,280,445,165	113,070,642,995

Company					
31 March 2012			1 April 2011		
SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS	SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,603,899,113	–	1,603,899,113	2,094,424,623	–	2,094,424,623
–	–	–	–	114,161,156	114,161,156
–	–	–	–	–	–
22,290,356,355	(87,494,722)	22,202,861,633	20,284,843,757	(143,573,825)	20,141,269,932
–	–	–	–	–	–
–	–	–	–	–	–
932,184,970	(48,151,123)	884,033,847	1,244,690,709	(71,753,066)	1,172,937,643
–	–	–	–	–	–
–	–	–	–	–	–
85,996,592	–	85,996,592	80,123,443	–	80,123,443
24,912,437,030	(135,645,845)	24,776,791,185	23,704,082,532	(101,165,735)	23,602,916,797
475,200,000	–	475,200,000	475,200,000	–	475,200,000
1,078,243,031	289,724,787	1,367,967,818	1,096,102,808	625,350,031	1,721,452,839
10,196,167,397	21,212,328,298	31,408,495,695	5,877,341,305	22,536,041,012	28,413,382,317
11,749,610,428	21,502,053,085	33,251,663,513	7,448,644,113	23,161,391,043	30,610,035,156
–	–	–	–	–	–
11,749,610,428	21,502,053,085	33,251,663,513	7,448,644,113	23,161,391,043	30,610,035,156
36,662,047,458	21,366,407,240	58,028,454,698	31,152,726,645	23,060,225,308	54,212,951,953

Reconciliation of Comprehensive Income

		Group			Company		
		2012			2012		
		SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS	SLAS	Effects of Transition to SLFRS/ Reclassifications	SLFRS
	Note	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Gross income		37,815,861,546	(2,283,107,421)	35,532,754,125	8,709,835,017	(1,148,557,644)	7,561,277,373
Revenue	52.19	17,136,314,250	(590,140,719)	16,546,173,531	–	–	–
Less: cost of sales	52.20	(11,805,638,691)	847,351,027	(10,958,287,664)	–	–	–
Gross profit		5,330,675,559	257,210,308	5,587,885,867	–	–	–
Income	52.21	17,312,892,336	1,010,973,892	18,323,866,228	3,030,395,171	(13,612,018)	3,016,783,153
Other income/(expenses)	52.22	3,366,654,960	(2,703,940,594)	662,714,366	5,679,439,846	(1,134,945,626)	4,544,494,220
Net finance costs	52.23	(8,469,890,440)	(875,915,601)	(9,345,806,041)	(2,543,317,728)	(28,247,996)	(2,571,565,724)
Profit before operating expenses		17,540,332,415	(2,311,671,995)	15,228,660,420	6,166,517,289	(1,176,805,640)	4,989,711,649
Operating Expenses							
Direct expenses excluding finance costs		(985,721,033)	55,304,667	(930,416,366)	(198,478,582)	–	(198,478,582)
Personnel costs	52.25	(3,312,149,808)	(851,576,296)	(4,163,726,104)	(267,636,548)	(6,983,158)	(274,619,706)
Net impairment loss on financial assets	52.24	(609,059,502)	(280,862,100)	(889,921,602)	(22,839,520)	(246,720,811)	(269,560,331)
Depreciation and amortisation		(1,669,629,317)	54,648,137	(1,614,981,180)	(602,974,674)	–	(602,974,674)
Other operating expenses		(4,072,138,935)	54,485,966	(4,017,652,969)	(651,220,519)	78,860,103	(572,360,416)
Change in fair value of investment properties	52.26	251,224,000	20,428,666	271,652,666	–	–	–
Results from operating activities		7,142,857,820	(3,259,242,955)	3,883,614,865	4,423,367,446	(1,351,649,506)	3,071,717,940
Gains on bargain purchase (negative goodwill)		2,914,536,420	–	2,914,536,420	–	–	–
Share of profit of equity accounted investee	52.27	269,958,673	(309,376)	269,649,297	–	–	–
Profit before income tax expense		10,327,352,913	(3,259,552,331)	7,067,800,582	4,423,367,446	(1,351,649,506)	3,071,717,940
Income tax expense	52.28	(1,390,275,815)	26,243,188	(1,364,032,627)	(122,401,131)	27,936,792	(94,464,339)
Profit for the year		8,937,077,098	(3,233,309,143)	5,703,767,955	4,300,966,315	(1,323,712,714)	2,977,253,601

52.1 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

The Group measured the derivative contracts at cost under previous accounting policy. However, LKAS 39 - 'Financial Instruments' requires all the derivative contracts, unless held for hedge accounting, shall be measured at fair value through profit and loss. In complying with this requirement all the derivative contracts were measured at market value and related asset is recognised.

As permitted by SLFRS1 on 'First-time Adoption of SLFRS', the Group designated some of previously recognised financial instruments as available-for-sale financial instruments. Accordingly, these investments which were previously classified as trading instruments were transferred to available-for-sale category.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact on measurement of derivatives on fair value	19,560,300	211,713,264	–	–
Designation of previously recognised financial instruments as AFS	(642,272,195)	(429,963,238)	(642,272,195)	(429,963,238)

52.2 Investment Securities

The entity holds some of its Government Securities for statutory purpose. Accordingly, these were classified as available-for-sale instruments and will be measured at fair value. The fair valuation difference will be recognised in Other Comprehensive Income as per LKAS 39 requirement.

As permitted by SLFRS1 on 'First-time Adoption of SLFRS', the Group designated some of previously recognised financial instruments as available-for-sale financial instruments. Accordingly, these investments which were previously classified as trading instruments transferred to available-for-sale category.

The Group have also designated some of its derivative contracts for foreign currency risk management purpose. Accordingly, these contracts were measured under hedge accounting guidelines issued under LKAS 39 - 'Financial Instruments'. The resultant gain or loss due to fair valuation of derivative contract were recognised in Other Comprehensive Income.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact due to fair valuation of Government Securities classified as available-for-sale	–	(21,076,900)	–	(2,080,016)
Designation of previously recognised financial instruments as AFS	642,272,195	429,963,238	642,272,195	429,963,238
Derivatives held for risk management purpose	112,801,268	1,772,275,355	71,853,472	405,845,968

52.3 Finance Lease Receivables, Hire Purchases and Operating Leases

Under the previous accounting policy, the provision for bad and doubtful debts were estimated using the Guidelines issued by the Central Bank of Sri Lanka on certain percentages based on the overdue position of the contracts. Under New Sri Lanka Accounting Standards (SLFRS), all the Leases, Hire Purchases & Loans will be tested for impairment based on the guidance of the standard and impairment (provision for doubtful debts) will be made accordingly

Under previous SLAS the interest income on overdue Leases, HP & Operating Leases Contracts have been suspended. However, under New Accounting Standards - LKAS 39 - 'Financial Instruments' require entity to continuously recognise interest using original effective interest rate of the contracts.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Net impact due to impairment of Leases, HP and operating lease receivables	95,276,913	(132,276,719)	19,356,933	(38,088,896)
Net impact due to reversal of interest in suspense	87,061,589	234,024,702	58,913,229	43,171,033

52.4 Advances and Other Loans

Under the previous accounting GAAPs the provision for bad and doubtful debts were estimated using the Guidelines issued by the Central Bank of Sri Lanka on certain percentages based on the overdue position of the contracts. Under New Sri Lanka Accounting Standards (SLFRS), all the loans and receivables will be tested for impairment based on the guidance of the standard.

Under previous SLAS the interest income on overdue Loans contracts were suspended. However, under New Accounting standards - LKAS 39 - 'Financial Instruments' require entity to continuously recognise interest on the original effective rate of the contracts continuously.

In order to categorise and comply with LKAS 32 - 'Financial Instrument Presentation - Receivables' relating to instalment sales have been classified under advances and loans.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Net impact on impairment	(192,200,369)	(130,967,323)	(79,889,039)	(80,771,308)
Net Impact on reversal of interest in suspense	216,632,438	246,412,242	186,161,615	178,216,400
Adjustment on disposal of factors portfolio to LOFAC	–	–	(21,067,615)	21,067,615
Reclassification of instalment sales into advances and loans category	10,221,957	(789,405)	10,221,957	(789,405)

52.5 Instalment Sales

Under the previous accounting GAAPs the provision for bad and doubtful debts were estimated using the Guidelines issued by the Central Bank of Sri Lanka on certain percentages based on the overdue position of the contracts. Under New Sri Lanka Accounting Standards (SLFRS), all Leases, Hire Purchases & Loans will be tested for impairment based on guidance of the standard.

Under previous SLAS the interest income on overdue instalment sales contracts will be suspended. However, under New Accounting standards - LKAS 39 - 'Financial Instruments' require entity to continuously recognise interest on the original effective rate of the contracts continuously.

Previously classified instalment sale item will be reclassified into advances and loans category as at the transitions date.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Net impact on impairment	6,838,740	(1,002,065)	6,838,740	(1,002,065)
Net Impact on reversal of interest in suspense	3,383,217	212,659	3,383,217	212,659
Reclassification of instalment sales into advances and loans category	(10,221,957)	789,405	(10,221,957)	789,405

52.6 Inventories

The produce stock of biological assets were valued at their estimated realisable values, net of direct selling expenses in terms of SLAS 32. With the adoption of SLFRS, the agricultural products that are harvested from biological assets are required to measure at its fair value less cost to sell at the point of harvest.

The revenue will be recognised when the criteria for sale of goods is met under the relevant agreement. Accordingly an adjustment is made in order to comply with the requirement under SLFRS in order to recognise such revenue.

Nurseries were classified as inventories under previous accounting standards. These are reclassified to Biological assets in conformity with the requirement of LKAS 41 Agriculture as these form a part of Biological assets.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011 Rs.	31 March 2012 Rs.	1 April 2011 Rs.	31 March 2012 Rs.
Impact on remeasurement of Biological produce at fair value less cost to sell	(46,736,552)	(36,892,012)	–	–
Adjustment on inventories in accordance with the requirement of revenue	53,151,807	61,227,478	–	–
Reclassification of nurseries to Biological assets	(15,821,467)	(23,209,513)	–	–

52.7 Current Tax Assets

In order to better present the current tax asset position of the Company and due to its different nature, the current tax asset of the Company and the Group were reclassified from trade and other current assets.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011 Rs.	31 March 2012 Rs.	1 April 2011 Rs.	31 March 2012 Rs.
Reclassification Adjustment				
Reclassification of tax assets from trade and other current asset	531,782,607	774,148,486	74,557,824	35,775,218

52.8 Trade and Other Current Assets

Under previous accounting policy the difference between the contracted rate and the exercise rate of derivative contracts were recognised in the income statement, amortising over the period, as a cost of derivative contracts. Under SLFRS as LKAS 39 requires these contracts to be measured at fair value.

Under SLFRS all the transaction fee related to borrowings will be capitalised and recognised in Income Statement using Effective interest rate. This cost was previously recognised under other current assets. These costs are reclassified in to borrowings in line with the SLFRS requirement.

Under previous accounting policy all the refundable deposits were measured at cost. These are fair valued under LKAS 39 - financial instruments and day one fair value difference will be directly recognised in either retained earnings (at transition date) or Income Statement after transition date. Subsequent to fair valuation, refundable deposits will be measured at amortised cost.

All the financial instruments which was classified under loans and receivable were subjected to impairment under LKAS 39 Financial instruments. The effect is recognised accordingly.

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	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact due to reversal of cost on derivative contracts	(301,078,798)	(1,516,650,293)	(46,367,546)	(46,367,546)
Reclassification of fee relating to borrowings into borrowings	(143,887,712)	(107,957,618)	(143,887,712)	(107,957,618)
Recognition of refundable deposits at fair value and measurement at amortised cost	(2,177,967)	(2,515,185)	(2,177,967)	(1,799,150)
Impairment on trade and other receivables	(80,638,738)	(103,641,8976)	–	–

52.9 Biological Assets

Under SLFRS managed biological assets are measured at fair value less cost to sell. In accordance with the SORP (Statement of Recommended Practice) issued by The Institute of Chartered Accountants of Sri Lanka the entity may elect to apply the cost method in accordance with the LKAS 16 - property, plant and equipment or LKAS 41 - Biological Assets. Bearer biological assets were previously measured at cost.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Change due to fair value adjustment on biological assets	636,993,996	785,622,464	–	–

52.10 Equity Accounted Investees - Associates

Investment in equity accounted investees were fair valued as of transition to SLFRS date (1/4/2011) as allowed by SLFRS 1-First time adoption of Sri Lanka Accounting Standards. The fair value of those investments as at 1 April 2011 shall be considered deemed cost thereafter of that investment. Accordingly the fair value gains and losses pertaining to the investment made in PRASAC Micro Finance Cambodia was taken into retained earnings as at the transition date of 1 April 2011.

The valuation was based on the following method & assumptions,

Valuation technique: Discounted cash flow basis (Level 3 Inputs)

Discounted rate used: 17.36% p.a

Growth Rate: 6.5% p.a (Country growth rate of Cambodia)

Risk allowance: 20% on the valuation

	Company	
	Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012
	Rs.	Rs.
Valuation of investment in associates at deemed cost	3,193,753,715	-

52.11 Subsidiary Companies

Certain investments in subsidiaries were revalued as at the SLFRS transition date of 1 April 2011 as allowed by SLFRS 1-First time adoption of Sri Lanka Accounting standards. The fair value of those investments shall be the deemed cost thereafter of those investments. Accordingly the fair value gains and losses pertaining to investments in Lanka ORIX Finance PLC, Commercial Leasing & Finance PLC & Lanka ORIX Micro Credit Limited were taken into retained earnings as at the transition date. The gain of the disposed shares of those subsidiaries were revised in accordance with the deemed cost.

The valuation was based on the following methods and assumptions,

Valuation technique: P/E based market valuation (Level 2 inputs)

Data input: Comparable market data available at Colombo Stock Exchange

Risk allowance: 20% on the valuation

	Company	
	Impact on Statement of Financial Position	
	1 April 2011	31 March 2012
	Rs.	Rs.
Valuation of investment in subsidiaries at deemed cost	19,888,104,751	–
Impact on disposal of share of subsidiaries	–	(1,689,958,979)

52.12 Deferred Tax Assets

The effect of transition on income taxes is due to the temporary difference arisen due to SLFRS convergence is remeasured.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact on deferred tax due to SLFRS conversion	(46,564,193)	(8,445,711)	(74,750,485)	(46,813,694)

52.13 Property, Plant and Equipment

The Group elected to apply the optional exemption to use the deemed cost for certain assets under property, plant and equipment under First-time Adoption of SLFRS 1.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact on measurement of property, plant and equipment at deemed cost	63,002,785	42,164,775	–	–

52.14 Deposits from Customers

Customer deposits are currently measured at cost using simple interest rate method to recognise the interest. As per the requirement of LKAS 39 - Financial Instruments, these will be measured at amortised cost using effective interest rate method.

Under amortised cost methods the interest payable on customer deposits will be shown under customer deposits. Currently interest payable on customer deposits are shown under other payables. Accordingly interest payable will be reclassified into customer deposits.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Effect on customer deposits due to measurement of amortised cost	(16,104,791)	(18,101,807)	–	–
Reclassification of Interest on customer deposit from accounts payable	522,006,696	766,490,065	–	–

52.15 Financial Liabilities at Fair Value Through Profit or Loss

Under the current accounting treatment derivative contracts are measured at cost. LKAS 39 - 'Financial Instruments' requires all the derivative contracts shall be measured at fair value. The resultant change in fair value will be recognised as follows:

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact on measurement of derivatives at fair value	258,712,141	5,156,409	114,161,156	(114,161,156)

52.16 Interest-Bearing Borrowings

LKAS 39 - 'Financial Instruments' require recognition of all the liabilities other than the liabilities fair value through profit or loss, at amortized cost. Accordingly the interest on borrowings were recognised based on effective interest rate (EIR) considering any directly attributable transaction cost.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact on interest liabilities from effective interest rate	17,269,720	20,444,352	313,888	20,462,896

52.17 Trade and Other Payables

Derivative contracts are measured at fair value. Accordingly, previously recognised cost pertaining to derivatives are reversed in complying with the new requirement.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Reversal of cost pertaining to derivatives	(387,795,841)	(513,377,388)	(71,753,066)	(71,834,391)

52.18 Deferred Tax Liabilities

The effect of transition on income taxes is due to the temporary difference arise due to SLFRS convergence is recognised.

	Group		Company	
	Impact on Statement of Financial Position		Impact on Statement of Financial Position	
As at	1 April 2011	31 March 2012	1 April 2011	31 March 2012
	Rs.	Rs.	Rs.	Rs.
Impact due to Conversion to SLFRS	412,632,255	436,868,247	–	–

52.19 Revenue

Profit & loss of the perennial crop has been recognised in the financial period of harvesting in terms of SLAS 32 - Plantation. Thus the unsold stocks were treated as a part of revenue. The scope of revenue recognition was changed to LKAS 18. Accordingly, the revenue is recognised based on the date of auction where the recognition criteria's are met and therefore the quantity which is sold at auction is treated as the sales.

The revenue will be recognised when the criteria for sale of goods is met under the relevant agreement. Accordingly an adjustment is made in order to comply with the requirement under SLFRS in order to recognise such revenue.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
For the year ended	31 March 2012	31 March 2012
	Rs.	Rs.
Reversal of unsold stock which was part of the revenue	78,306,554	–
Impact on Recognition of revenue	(34,137,745)	–

52.20 Cost of Sales

Recognition of the cost of sales has been changed simultaneous to the changes to the revenue recognition. Thus, cost of sales consists with the costs that are directly attributable to goods sold.

Inventories were remeasured inline with the new requirement and adjusted to the cost of production. Unsold inventories have been re-measured at the fair value of the date of harvest in terms of LKAS 41 - Agriculture.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
For the year ended	31 March 2012	31 March 2012
	Rs.	Rs.
Reversal of unsold stock which was part of the revenue	22,190,279	–
Reversal of opening stock adjustment to revenue	(76,521,502)	–

52.21 Income

Under previous SLAS the interest income on overdue Leases, HP & Loans contracts have been suspended. However under New Accounting Standards - LKAS 39 - 'Financial Instruments' require entity to continuously recognise interest using original effective interest rate of the contracts.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
For the year ended	31 March 2012	31 March 2012
	Rs.	Rs.
Net Impact due to reversal of interest in suspense on Leases, HP & Loans	111,797,030	(21,711,009)

52.22 Other Income/(Expense)

Government Securities were measured at amortised cost in order to comply with the requirement of LKAS 39 - 'Financial Instruments' in arriving at the carrying value of these Government Securities using effective interest rates.

In conformity with LKAS 41 - 'Agriculture' the Group revalued Coconut & Rubber plantation and the resultant gain is recognised in the Statement of Comprehensive Income. Proceeds from Sales of Trees are matched against the previously recognised FV to identify the gain/(loss) from the sale of trees.

The fair value and the loan amount is considered as a benefit given to the employee and is recognised as an expense over the loan period. The interest income on the loan is subsequently recognised at market rates.

Under the previous accounting policy the group recognised the gain or loss result in change in ownership without losing control in subsidiary, in the Income Statement. However under new accounting standards these will be recognised in equity. Accordingly previous gains recognised in Income Statement were reclassified into equity.

Certain subsidiaries were fair valued as at the transition date and stated at deemed cost. The effect thereof on disposal gain was recomputed.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Impact on measurement of Government bonds at amortised cost	161,538	75,686
Increase in fair value of biological assets	89,416,671	–
Adjustment on proceeds from sale of trees	(99,613,204)	–
Reclassification of FVTPL instruments to AFS	429,963,238	429,963,238
Impact on capital gain on disposal of Factoring portfolio	–	117,612,455
Recognition of interest based on market rates	8,222,510	6,983,157
Change in ownership without loosing control	(3,844,344,452)	–
Adjustment due to deemed cost on disposal of subsidiaries	–	(1,689,958,979)

52.23 Net Finance Cost

LKAS 39 - 'Financial Instruments' require recognition of all the liabilities other than the liabilities fair value through profit or loss, at amortised cost. Accordingly the interest on borrowings were recognised based on effective interest rate (EIR) considering any directly attributable transaction cost.

The cost pertaining to derivative contracts were reversed as derivatives are measured at fair value under SLFRS.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Impact on interest liabilities from effective interest rate	(22,709,220)	(20,149,008)
Reversal of premium on forward rate contracts	(12,465,904)	–

52.24 Net Impairment Loss on Financial Assets

Under the previous accounting standards the provision for bad and doubtful debts were estimated using certain percentages developed based on best historical estimates. Under New Sri Lanka Accounting Standards (SLFRS), all the financial instruments will be tested for impairment based on the guidance of the standard.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Impact on allowance for impairment	(221,104,771)	(167,860,704)

52.25 Personal Costs

The loans granted to employees at below market rates are measured at fair value at grant date and the fair value and the loan amount is considered as a benefit given to the employee and is recognised as an expense over the loan period.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Interest benefit given to employees	(12,909,068)	(6,983,157)

52.26 Change in Fair Value of Investment Properties

This represents the adjustment due to the remeasurement of investment property at its fair value on the date of transition of 1 April 2011.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Remeasurement of investment property at fair value	20,428,666	–

52.27 Share of Profit of Equity-Accounted Investees (Net of Tax)

This represents the Group's share of the adjustments to the profits of the equity accounted investees on adoption of the SLFRSs.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Change in associate profit due to adoption of SLFRS	(309,376)	–

52.28 Income Tax Expense

The effect of transition on income taxes is due to SLFRS convergence is adjusted.

	Group	Company
	Impact on Comprehensive Income	Impact on Comprehensive Income
	31 March 2012	31 March 2012
	Rs.	Rs.
Impact of income tax due to adoption of SLFRS	26,243,188	27,936,791

53 FINANCIAL RISK MANAGEMENT

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 counter party 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.

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

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:

At at 31 March	Note	Group 2013 Rs.	Group 2012 Rs.	Company 2013 Rs.	Company 2012 Rs.
Finance lease	18.1.4	517,389,461	260,729,282	–	–
Hire purchase	18.2.4	64,759,220	90,598,066	260,983	15,793,789
Operating lease		48,877,363	47,251,544	48,877,363	47,251,544
Advances and loans	19.1	599,220,467	1,011,438,024	438,658,541	539,310,966
Pawning advances		92,636,261	11,136,109	–	–
		1,322,882,772	1,421,153,025	487,796,887	602,356,299
Neither past due nor impaired		86,491,803,092	77,692,732,279	2,289,303,206	5,324,701,726

Impairment losses related to each of the above asset classes are shown in Note 9 to these Financial Statements.

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 and 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 49 to these Financial Statements shows the discounted cash flows on the Group's/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 Group has used the transitional provisions given in SLFRS 7 - 'Financial Instrument Disclosure' and guideline issued thereof, in preparing these Financial Statements.

54 CAPITAL MANAGEMENT

The Board of Directors monitors the return on capital investment on a regular 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 on the 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 established. The 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.

ANNEXES

SUSTAINABILITY REPORT

In this Annual Report you would have come across words like - *'Ulpatha'* (or 'wellspring' - its English equivalent). These are symbols of true sustainability - for in the 'profusion' that is associated with both when in full flow; they manifest the well-being of nature and the environment.

Of course, this is in the literal sense.

These words are also descriptive of LOLC's business ethos - where in and through our enterprise, the nation and its people are supported and empowered to seek true sustainability. The 'profusion' of opportunity that our portfolio provides towards this goal is the ultimate end to which all our businesses are directed.

It is within this framework that we seek to deliver value to and derive value from all our stakeholders whilst being committed to the national development agenda.

AN ENDURING ADHERENCE

LOLC is a member of the UN Global Compact, a group of responsible bodies and businesses that have embraced a charter on sustainability in practice.

The UNGC principles provide for members to adhere to best practice and specific commitments in the areas of human rights, labour rights, environmental protection and action against corruption.

THE UNGC PRINCIPLES

Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights.
2. Businesses should make sure that they are not complicit in human rights abuses.

Labour

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.
5. Businesses should uphold the effective abolition of child labour.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Environment

7. Businesses should support a precautionary approach to environmental challenges.
8. Businesses should undertake initiatives to promote greater environmental responsibility.
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

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

ABIDING BY THE UNGC PRINCIPLES

Human Rights

All Group companies and divisions abide by these principles. All enterprise is guided by these principles.

This is of particular importance in the plantation sector, where historical conditions have resulted in heightened sensitivity to human rights issues.

Our Maturata and Pussellawa Plantations, through their continuing efforts to improve worker housing and sanitation facilities and provide community medical care and access to education for children of estate families, are going well beyond mere fulfilment of human rights, into the realm of extension of public services and benefits.

Through a process of regular community meetings and management group review, LOLC ensures that the human rights protection on our plantations is exemplary and free from abuses of any kind.

Labour

LOLC is a diversified conglomerate, employing a large and varied workforce across equally diversified working environments.

All employees enjoy freedom of association and a voice that is heard at management deliberations concerning their careers, pay and working conditions.

On our plantations, workers' committees and collective agreements determine wages, grievance handling and more. Gender equity, another area of historical concern, is upheld with female staff appointed on our estates to oversee women's issues.

We are an equal opportunity employer, without bias as regards recruitment, wages and benefits, training and development opportunities and career advancement. Women, for example have and do serve in the highest echelons of LOLC and its subsidiaries. We simply recruit individuals with the best qualifications, skills, experience and mindset irrespective of their sex, race, religion or any other bias.

We insist that all our employees abide by our policy against sexual harassment.

Our employment policy prohibits the hiring of anyone less than 18 years of age. We shun child labour. Likewise, we do not condone forced or compulsory labour in any shape or form.

In all these matters, we are governed by the law of the land and the terms of employment agreed upon with our employees.

Human Resources

If we had to choose a single factor as the driver of all our enterprise and achievements, it would certainly be our team of young, talented and dynamic employees. All honour and acclaim for the Group's excellent performance and growth is due to them, aided and guided by a strong leadership team of great sagacity and experience. In fact, another distinguishing feature of LOLC's success story is the strong relationship that exists between employees and leaders - as one single team/family.

Lanka ORIX Finance PLC, LOLC Micro Credit Ltd., Commercial Leasing & Finance PLC participated in the first ever 'Sri Lanka's Best Companies to Work for - 2013 Study' which was carried out by The Great Place to Work Institute, in partnership with LMD and the Ceylon Chamber of Commerce. All three companies which partook in the survey were selected within the 'Top 15 - Best Companies to Work for in Sri Lanka - 2013'. This is a significant achievement, and one that truly exemplifies the Group's tag line 'Imagine the Possibilities'.

Being branded as a preferred employer in the industry provides us a definite edge in attracting and retaining our future talent. Our employees have always been our greatest strength and they have been instrumental in positioning the Group as a leading Conglomerate in Sri Lanka today. The findings of the Great Place to Work (GPTW) study carried out amongst our employees across the country reflect the enduring loyalty and exceptional levels of motivation and engagement of the team in a highly competitive and dynamic industry.

The GPTW study in Sri Lanka is a part of a large global study of its kind covering over 40 countries and more than 2 million employees. The survey findings of the three Companies which participated attested to the fact that our ratings had surpassed the international benchmark, which is a predominant indicator of our success.

Amply reflecting our 'preferred employer' standing, staff retention levels for the Group stood at 72.14% for the year in review.

With 3 of the Groups hotels being closed for renovations, the hotel employees attached to Club Palm Garden PLC, Riverina Hotels (Pvt) Ltd., Tropical Villas (Pvt) Ltd., Southern Cleaners (Pvt) Ltd. and Central Services (Pvt) Ltd. were offered a voluntary severance package. The Company saw a total of 369 employees accepting the scheme which resulted in the Company having a negative growth in the cadre ratio. A total of Rs. 107.1 Mn was paid to the employees through this scheme.

Here is a statistical snapshot of the spread of our cadre, its growth and retention ratio for the year under review:

	Browns		LOLC		Financial Sector		Non-Financial Sector		Group (- VSS)		Group	
	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013
Total No. of Staff	724	760	2,975	2,849	2,119	2,387	856	462	3,699	3,978	3,699	3,609
Staff Growth		4.97%		-4.24%		12.65%		-46.03%		7.54%		-2.43%
Retention		78.84%		70.43%		84.91%		20.94%		83.09%		72.14%

At Group level, our total cadre was 3,609 for the year 2012/13, a marginal reduction of 2.43% from the previous year due to 369 employees being offered the voluntary severance scheme.

The training curriculum adopted a holistic approach, seeking to develop the whole individual and thus focussed not only on job specific knowledge but also on soft skills such as relationship building, negotiation skills and the like. A total of Rs. 14,744,312/- was invested in training and development, covering 95% of the employees.

The Executive Development Programme for newly appointed Officers-In-Charge titled 'Take the Lead' was launched during the financial year. With the expansion of our branch network across the regions, potential leaders were identified and appointed as Officers-In-Charge within the branch network. This programme was conducted over a 3-month period, where both internal and external facilitators were brought in to groom these potential leaders of the Company. This programme built a foundation for leadership skills to effect changes within their working roles and lead to establishing highly motivated teams.

Across the Group, LOLC adopts a comprehensive approach to engaging with our employee. From recruitment through to retirement, we welcome, inspire, communicate with, develop, listen to, thank and reward and care for employees as one family, whilst sharing and celebrating achievement and life's greatest moments.

This approach encompasses a detailed recruitment processes, fully participative review and assessment programmes, training and development, an open-door policy, complete openness to staff suggestions/ideas, fully-supported grievance redressal and whistle-blowing policies, an impartial performance management system rewarding exceptional performance and coaching employees who do not meet the expected standard, industry leading pay structures, industry best target - based bonuses rewarding outstanding performance, comprehensive social and health programmes to support healthy work/life balance, insurance schemes including accident cover and more.

We are completely 'bias free'; - we make no distinction on grounds of race, religion, sex or any other aspect. The best qualified and equipped for the job will fill the post.

The team 'Spirit', committed in creating stronger networks and sense of togetherness within the organisation organised yet another eventful year for the LOLC family.

Events such as the 'Blood Donation Campaign' and the *'Peduru Party'* were organised to start the year by bringing the teams together. The highlight of the year was the 'LOLC Olympics' Sports Day, which was carried out for the very first time in the history of LOLC. This event was a remarkable success-bringing team members from all regions and sectors together while showcasing their sporting abilities in the truest sense of team spirit.

Annual events such as the *Pirith* ceremony, LOLC dinner dance and kiddies party were also organised out by this team.

The Environment

One has only to cast a cursory glance across the breadth and scope of LOLC's enterprise to realise how inextricably linked our operations are, with the 'health and well-being' of the environment - and indeed with every aspect of sustainability.

In the financial services sector, our work in the microfinance and SME sector brings us into daily contact with environmental, social and economic factors (the tripod of sustainability) as we set about our role of empowering and progressively developing a substantial segment of our country's population.

We are 'on the ground' in the plantation sector; we are intimately involved with climate, soil conditions and preparation, ground water supplies/water conservation, planting techniques, reforestation programmes, eco-friendly waste management programmes and more. Several of our estates have substituted wood for fossil fuels in their tea drying processes, with their own forestry programmes generating the wood for fuel.

Our initiative has been recognised within a recent Energy Governance Case Study published by the Lee Kuan Yew School of Public Policy, National University of Singapore. The case study was titled 'Harvesting the Elements: The Achievements of Sri Lanka's Energy Services Delivery Projects'. The study identified LOLC as one of 56 stakeholders from 28 institutions in Sri Lanka who are engaged in renewable energy initiatives.

LOLC, as far back as 2003, has taken solar power to rural homes - to areas where the main grid had not reached. And at our Head Office, we generate 15% of all our power needs through one of the largest and 'first of its kind' solar power projects in the commercial business arena. And we have hydro power (registered for carbon trading) and dendro power generation ongoing on our plantations, as well as bio fuel fired energy generation at the Gal Oya - Hingurana Sugar Factory. The latter generates 2 MW of energy per day with plans to increase this to 6 MW.

The Gal Oya Factory has also received approval for a control system for factory fly-ash and effluent emission generated during factory operations from the Central Environmental Authority.

Group subsidiary LOLC Eco Solutions, through their investment in United Dendro Energy, is in the process of setting up power plants that utilise renewable fuel wood, Gliricidia. They have an ongoing scheme without growers to source this wood as a sustainable venture.

United Dendro has entered into a power purchase agreement with the Ceylon Electricity Board to supply and sell 10 megawatts of electricity to the national grid. A 10 megawatts power plant is being constructed in the Hambantota District at a cost of US $ 16 Mn. To date the Company has invested Rs. 100 Mn on the overall electricity supply project.

In furtherance of the above objective the Company has also entered into an agreement with the Department of Wildlife Conservation to remove two species of invasive plants, *'Kalapu Andara'* and *'Pathok'* from the Bundala National Park which is depleting the natural habitat of the park. The wood chips generated from *'Kalapu Andara'* will be used as fuel wood for the power plant making this a truly sustainable project. The international conservation body, Ramsar Convention, constituted for the preservation of wet lands, complimented the Company for launching such a project.

And then there's the rainwater harvesting, waste water recycling initiatives at LOLC Motors, together with their Green Motor Service Facility, which maximises use of natural lighting.

Society - CSR Activities

LOLC CARE

'LOLC Care' is an entity entrusted with the strategic CSR initiatives of the Group. Founded in 2009, LOLC Care has an extensive societal agenda which envisages rendering care to children as well as to society at large.

LOLC Care has concerned itself initially with care and shelter for orphans. Its maiden project involves the Madiwela Special Education and Home for Boys run by the National Council for Child and Youth Welfare (NCCYW). LOLC Care now sponsors this establishment and under phase 1 of its planned assistance, the capacity of the Home has been enhanced. This establishment was home to 34 developmentally-challenged boys and adults and the intake has been upped by another six.

Phase 2 of the project saw the construction of a new two-storied home - 'The LOLC CARE Child Development Centre', also in Madiwela, which was declared open in January 2013 and subsequently donated to the NCCYW. The new home can accommodate 50 young orphaned boys, who will be nurtured and educated until they reach 18 years of age. With competent staff, the new home will also provide inmates with vocational skills and help to secure employment at a later stage.

Going forward, LOLC Care has undertaken to provide infrastructural, financial and welfare support to both establishments to ensure that the occupants are well looked after and given the necessary skills for their individual growth and successful integration into society.

LOLC's staff, customers and well wishers are all engaged with LOLC Care in supporting the programmes at these homes.

CSR Initiatives by other Group Entities

Our overall CSR agenda includes caring for and providing shelter for orphaned children, differently-abled individuals, helping the sick to obtain medical assistance, uplifting basic living standards of society and providing emergency relief at times of dire need. It also includes the extension of sustainable assistance and business guidance via our microfinance and SME development initiatives to the entrepreneurially endowed, particularly from the low income segment, who would otherwise have no means of establishing an enterprise on their own.

Lanka ORIX Finance PLC

As a constituent of the LOLC Group, LOFC adheres to the principles of the UN Global Compact. It subscribes to the same collective ethos that honours and complies with the laws of the land and has the same regard for society, our employees and the environment.

From the social perspective, we facilitate economic prosperity for the rural poor in collaboration with the Financing Facility for Remittances (FFR) of the International Fund for Agricultural Development (IFAD). The programme supports migrant workers and their families via a number of benefits such as free life insurance cover for migrant workers and insurance against loss of employment.

Through this programme we reached over 10,000 migrant worker families during the year under review.

LOFC also operates a 24-hour hotline to answer any inquiries from migrant communities.

Furthermore, LOFC has introduced a scholarship scheme for children of workers who pass the Grade 5 Scholarship Examination.

Reconciliation is a core pursuit of the nation. Doing our bit saw LOFC distribute trilingual dictionaries to children's savings account holders. This initiative helped to address a burning social issue as well as helped to inculcate the healthy habit of saving.

Nurturing, developing and empowering our employees is a core priority at LOFC. From goal setting, candid appraisal, recognition and reward, training and development and so much more, we make sure that our team is the best it can be.

Beyond such initiatives, we have many welfare measures such as support for life encompassing life events such as weddings, illnesses, death and more. LOFC opens savings accounts for new born babies of our worker family too.

LOFC's branches have carried out many CSR activities in the year under review.

Some of the highlights of this calendar of activity included continuing assistance to a pre-school in the Mullaitivu District attended by 45 toddlers from internally, displaced families - a project funded entirely by voluntary contributions from the staff of our Horana branch; a blood donation campaign conducted at our Hatton branch; support extended by the Kurunegala branch (in memory of a deceased colleague) and the donation of equipment and consumables to local schools and hospitals by our Badulla, Kurunegala, Nawalapitiya and Ratnapura branches.

Commercial Leasing & Finance PLC

This Company's CSR activities are broadly focused on the aspects of economic prosperity and physical and emotional well-being of the community at large, particularly in rural areas of the country. Often such initiatives coincide with a company event such as a branch opening, and continue thereafter.

For the year under review, CLC offered 5 scholarships to students of the Kilinochchi Maha Vidyalaya whilst also donating a projector to the school.

CLC donated school books and computers to the G/Martin Wickremasinghe Vidyalaya, Habaraduwa, whilst also re-painting several class rooms of the school.

We offered assistance to 353 needy students of Borawewa Maha Vidyalaya, Moragollagama in the Kurunegala District. These students were badly affected as they did not possess even the basic needs to receive an education.

In addition, the Company helped a deserving National Athlete - National High Jump Champion, Manjula Kumara - with a gift of a car to aid him in his transport requirements to further a promising career.

The Company's branch network extended assistance in connection with the festival of Vesak, in various parts of the island.

LOLC Micro Credit Ltd.

The main CSR project of LOMC is the *Isuru Diriya Sisu Upahara* Grade 5 Scholarship Award Programme.

This is an ongoing initiative which the Company has conducted since 2010. The programme helps deserving pupils prepare for the National Grade 5 Scholarship Examination. The beneficiaries of this programme are gifted students from rural areas, whose families do not have the necessary resources to spend on their education.

Students selected under this programme are afforded preparatory classes held across various locations in the country. Thereafter, top achievers are recognised and felicitated at a special ceremony in Colombo. For the year under review, 340 students received scholarships as well as savings passbooks with a start up deposit of Rs. 1,000/- each.

The *Isuru Diriya* scholarship programme forms the central pillar of LOMC's CSR strategy. In addition, the Company's unique 'credit plus' approach to microfinance also helps realise its vision for sustainable development.

LOMC was the first Micro Financing Institution to enter the post-conflict areas of the North and East of Sri Lanka in 2009.

At the beginning of the year under review, only 10% of LOMC's portfolio came from the North and East. Today, this has risen to 20% with 18,249 borrowers and a portfolio amounting to Rs. 2,040 Mn.

The Company has also prioritised recruitment from these areas, thereby developing rural talent and assisting impoverished communities. We have recruited more than 80 Loan Officers (22.4% of the existing workforce) from the North and East over the last three years. Young school leavers were trained and groomed and Tamil speaking professionals have been recruited to our Head Office.

Our presence in the North and East has allowed us to extend help and assistance to displaced families by providing them with much needed financial products to help them kickstart entrepreneurships of their own.

One of the intriguing trends of the field of micro finance is the emergence of women as entrepreneurs in their own right, who avail themselves with great responsibility and diligence, of the products and services we offer.

Women comprise 90% of all adherents to our Group Loan Scheme.

LOMC's branches also conduct CSR activities of their own, which revolve mainly around educational, entrepreneurial and socially relevant themes.

Plantation Companies - Gal Oya, Pussellawa and Maturata

Across our plantation companies, there runs a rich vein of CSR initiatives that address a wide cross-section of needs within the estate worker community, their families and even the wider community.

The areas covered include contributing to - housing and infrastructure enhancement, healthcare, education, social and cultural life of the communities, environmental consciousness and so much more.

Many of the programmes being run on the plantations build awareness of critical issues such as those to do with adult and children's health, gender equality among other subjects.

The companies and their worker communities also go out to the wider community, typically through programmes such as blood donation campaigns, assisting religious institutions with infrastructure development and the like.

IT'S GREAT TO BE A GPW!

Great Place to Work (GPW) is a global initiative that had its beginnings in New York, USA.

'Great Place to Work® began with an unexpected discovery. In 1981 a New York editor asked two business journalists - Robert Levering and Milton Moskowitz - to write a book called *The 100 Best Companies to Work for in America*. Although the pair were skeptical about discovering 100 companies that could qualify, they yet agreed, starting a journey that would lead to more than 25 years of researching, recognising, and building great workplaces.

What was the core insight uncovered by the pair's extensive research? It was that the key to creating a great workplace was not a prescriptive set of employee benefits, programmes and practices, but the building of high-quality relationships in the workplace - relationships characterised by trust, pride, and camaraderie. These relationships weren't a 'soft' activity, but key drivers that help improve an organisation's business performance. The role of trust in the workplace became core, not only for that first, pioneering 1984 book, but its 1988 sequel, A Great Place to Work: 'What makes some employers so good - and most so bad'.

GPW has since spread to Sri Lanka too and is represented by the Great Places to Work Institute, Sri Lanka. In 2012, in its first ever survey conducted amongst companies in Sri Lanka, the LOLC Group earned the proud distinction of having no less than three constituent companies listed among the top 15 entities designated as great places to work.

Our companies, Lanka ORIX Finance PLC, LOLC Micro Credit Ltd. and Commercial Leasing & Finance PLC not only made it to the top 15, but they also came within the '1 to 5' ranking. Rubbing shoulders with some of the leading brands in the country and being ranked amongst the top five is a unique achievement that LOLC can justifiably be proud of. It also testifies eloquently to the 'LOLC ethos', which is what makes our Group a true blue chip institution.

According to GPW officials, their Global Benchmark is 82 points. While two of our companies surpassed well above the Global Benchmark, the other was almost there. This is a clear indication that LOLC is one of the great places to work in the world. These three constituents of the Group were recognised and honoured for their embodiment of LOLC's exemplary working culture, its empowering relationships, camaraderie and high degree of trust that runs across every aspect of the Group.

This prestigious recognition was achieved based on the examination of LOLC against a broad range of pre-defined criteria, including aspects such as credibility, respect, fairness, pride and camaraderie, displayed within the workplace.

A highlight that came to the fore in GPW's evaluatory process and which impressed the surveying institution greatly was the very high approval rating averaging over 95% given by the staff of our 3 companies, confirming that LOLC companies were indeed great places to work.

This is a well deserved accolade, given the passion with which LOLC seeks to develop an exceptional and contented workforce as it lives its ethos of Imagining Possibilities.

INFORMATION ON THE COMPANY'S LISTED DEBENTURES

COMPANY'S LISTED DEBENTURES

During the financial year 2011/12, the Company issued debentures amounting to Rs. 1.25 Bn (4 years tenure of Rs. 610 Mn at 11.7%, Rs. 500 Mn at 12% and 5 years tenure of Rs. 140 Mn at 11.9%) which are listed in the Colombo Stock Exchange (CSE). The details related to them are as follows:

1. Interest rate of comparable Government Security -
   Buying and selling prices of Treasury Bonds at the auction held on 28 March 2013

	Buying Price	Buying Yield (%)	Selling Price	Selling Yield (%)
4-Year bond	101.16	11.07	101.49	10.88

	Buying Price	Buying Yield (%)	Selling Price	Selling Yield (%)
5-Year bond	90.37	11.10	90.70	10.96

2. Debt/equity ratio 0.59
3. Interest cover ratio 1.02
4. Market prices and yield during the year (ex interest)

Market Price			Market Yeild (%)
Highest price	Not traded during the financial year	4-Year bond	11.14
Lowest price		5-Year bond	11.28
Last traded price (as at dd/mm/yy)			

5. Current ratings applicable to the Company - [SL]A - (Stable) - ICRA

TEN YEAR SUMMARY

For the year ended 31 March (Rs. '000)	2004	2005	2006	2007	2008	2009	2010	2011	2012 SLFRS	2013 SLFRS
Group										
Operating Results										
Revenue	–	–	–	–	–	3,495,607	3,571,367	15,531,630	16,849,174	16,988,149
Cost of sales	–	–	–	–	–	(2,993,076)	(2,869,272)	(9,911,222)	(10,958,288)	(10,721,914)
Income	1,695,600	1,930,019	2,586,502	3,950,751	5,934,772	9,843,454	9,941,904	11,971,270	18,020,866	22,890,876
Other income/(expenses)	78,323	121,410	55,571	207,675	313,376	282,660	1,388,560	5,003,070	662,714	1,602,341
Interest costs	(552,770)	(617,597)	(895,570)	(1,787,751)	(3,403,965)	(6,441,182)	(6,178,137)	(6,504,682)	(9,345,806)	(14,527,659)
Profit before operating expenses	1,221,153	1,433,832	1,746,503	2,370,675	2,844,183	4,187,463	5,854,422	16,090,066	15,228,660	16,231,792
Other operating expenses	(814,162)	(855,600)	(1,037,153)	(1,372,936)	(1,880,700)	(3,080,622)	(4,386,721)	(8,373,770)	(11,345,046)	(14,272,694)
Results from operating activities	406,991	578,232	709,350	997,739	963,483	1,106,841	1,467,701	7,716,296	3,883,615	1,959,098
Negative goodwill	(4,550)	(6,429)	–	–	131,293	–	1,423,837	271,911	2,914,536	1,500,945
Profit/(loss) on disposal of subsidiaries and associates	–	–	–	–	–	–	(167,088)	–	–	–
Share of profit of associate companies	–	–	–	–	88,277	140,458	116,337	178,522	269,649	246,129
Profit before tax	402,441	571,803	709,350	997,739	1,183,053	1,247,299	2,840,787	8,166,729	7,067,801	3,706,171
Income tax expense	(11,832)	3,553	(20,762)	52,443	160,443	(192,122)	(455,382)	(1,259,279)	(1,364,033)	(1,153,884)
Net profit after tax	390,609	575,356	688,588	1,050,182	1,343,496	1,055,177	2,385,405	6,907,450	5,703,768	2,552,287
As at 31 March										
Assets										
Net lending portfolio	5,853,064	7,173,915	11,123,245	16,103,706	21,434,958	32,697,993	35,084,686	58,416,332	79,353,502	88,118,117
Total assets	8,986,749	10,706,443	16,226,692	24,483,950	32,994,258	46,287,066	75,371,319	113,070,643	145,204,176	162,981,528
Liabilities										
Total liabilities	7,063,271	8,342,029	13,295,525	20,659,031	27,816,389	40,195,588	55,631,672	78,255,809	101,990,824	119,608,770
Shareholders' Funds										
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	1,386,382	1,863,134	2,424,847	3,309,657	4,649,019	5,536,270	7,428,554	12,581,747	19,093,875	20,413,040
Minority interest	61,896	26,080	31,120	40,062	53,650	80,008	11,553,927	21,757,886	23,644,277	22,484,518
Shareholders' funds	1,923,478	2,364,414	2,931,167	3,824,919	5,177,869	6,091,478	19,457,681	34,814,834	43,213,352	43,372,758
Investor Ratios										
Return on assets (%)	5	6	5	5	5	3	4	8	4	2
Return on equity (%)	21	27	26	31	30	19	26	37	39	6
Other Information										
No. of branches	12	12	16	18	22	26	48	73	80	80
No. of LIOC/mini branches	–	–	–	–	10	14	13	22	25	25
No. of service centres	–	–	–	–	–	11	36	72	87	87
No. of service centres	–	–	–	–	–	–	–	9	–	–
No. of subsidiary companies	6	7	8	8	9	9	41	48	66	84
No. of associate companies	–	–	–	–	2	2	7	7	9	10
No. of joint ventures	–	–	–	–	1	1	15	18	18	19

For the year ended 31 March (Rs. '000)	2004	2005	2006	2007	2008	2009	2010	2011	2012 SLFRS	2013 SLFRS
Company										
Operating Results										
Gross income	1,401,776	1,566,952	1,908,291	3,034,110	4,960,979	6,626,308	4,722,479	3,511,733	3,016,783	3,541,670
Other income/(expenses)	97,806	145,294	93,449	291,840	261,254	71,445	1,022,138	2,832,627	4,544,494	1,141,958
Interest costs	(493,338)	(532,298)	(703,399)	(1,442,881)	(2,972,057)	(4,205,474)	(3,090,912)	(2,384,015)	(2,571,566)	(3,464,147)
Profit before operating expenses	1,006,244	1,179,948	1,298,341	1,883,069	2,250,176	2,492,279	2,653,705	3,960,346	4,989,712	1,219,481
Other operating expenses	(588,339)	(617,719)	(621,628)	(972,865)	(1,408,840)	(1,910,159)	(2,162,578)	(2,062,356)	(1,917,994)	(1,151,579)
Results from operating activities	417,905	562,229	676,713	910,204	841,336	582,120	491,127	1,897,989	3,071,718	67,902
Profit before tax	417,905	562,229	676,713	910,204	841,336	582,120	491,127	1,897,989	3,071,718	67,902
Income tax expense	–	–	(12,701)	76,390	217,901	(76,532)	(164,187)	(374,646)	(94,464)	(33,718)
Net profit after tax	417,905	562,229	664,012	986,594	1,059,237	505,588	326,940	1,523,343	2,977,254	34,184
As at 31 March										
Assets										
Total assets	7,616,680	8,746,741	13,297,988	20,888,694	28,996,068	31,335,180	29,737,969	54,212,952	58,028,455	53,239,341
Liabilities										
Total liabilities	5,772,331	6,438,611	10,447,735	17,194,407	24,233,931	26,233,467	24,309,315	23,602,917	24,776,791	20,518,753
Shareholders' Funds										
Share capital and reserves										
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	1,369,149	1,832,930	2,375,053	3,219,087	4,286,937	4,626,513	4,953,454	30,134,835	32,776,464	32,245,387
Shareholders' funds	1,844,349	2,308,130	2,850,253	3,694,287	4,762,137	5,101,713	5,428,654	30,610,035	33,251,664	32,720,587
Investor Ratios										
Gross dividends	92,664	110,009	142,560	71,280	106,920	133,056	–	–	–	237,600
Total assets to shareholders' funds (times)	4	4	5	6	6	6	5	2	2	2
Return on assets (%)	6	7	6	6	4	2	1	4	5	0.06
Return on equity (%)	24	27	26	30	25	10	6	24	9	0.10
Other Information										
No. of employees	259	269	346	414	521	664	787	848	948	1,007

SUMMARISED QUARTERLY STATISTICS

Company

Income Statements (Rs.'000)

For the 3 months ended	2012/13 30-June	2012/13 30-September	2012/13 31-December	2012/13 31-March	2011/12 30-June	2011/12 30-September	2011/12 31-December	2011/12 31-March
Gross income	383,207	421,464	318,528	2,418,471	578,697	648,946	532,095	1,257,045
Other income/(expenses)	708,104	772,242	345,732	(684,120)	1,816,869	1,243,815	387,257	1,096,553
Interest costs	(817,284)	(878,611)	(892,911)	(875,341)	(450,990)	(350,712)	(429,848)	(1,340,016)
Profit before operating expenses	274,027	315,095	(228,651)	859,010	1,944,576	1,542,049	489,504	1,013,583
Other operating expenses	(245,757)	(200,935)	(153,784)	(551,103)	(521,438)	(425,869)	(372,000)	(598,687)
Results from operating activities	28,270	114,160	(382,435)	307,907	1,423,138	1,116,180	117,504	414,896
Income tax expense	(16,657)	(21,521)	(20,562)	25,022	(60,000)	–	(92,659)	58,195
Net profit after tax	11,613	92,639	(402,997)	332,929	1,363,138	1,116,180	24,845	473,091

Statement of Financial Position (Rs.'000)

As at	2012/13 30-June	2012/13 30-September	2012/13 31-December	2012/13 31-March	2011/12 30-June	2011/12 30-September	2011/12 31-December	2011/12 31-March
Assets	37,514,957	35,937,765	34,857,901	53,239,341	32,942,908	36,540,451	38,009,542	58,028,455
Liabilities	25,753,733	24,083,902	23,644,635	20,518,753	24,131,126	26,612,488	28,056,734	24,776,791
Net assets	11,761,224	11,853,863	11,213,266	32,720,587	8,811,782	9,927,963	9,952,808	33,251,664
Share capital and reserves	11,761,224	11,853,863	11,213,266	32,720,587	8,811,782	9,927,963	9,952,808	33,251,664
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	11,286,024	11,378,663	10,738,066	32,245,387	8,336,582	9,452,763	9,477,608	32,776,464

Group

Income Statements (Rs.'000)

For the 3 months ended	2012/13 30-June	2012/13 30-September	2012/13 31-December	2012/13 31-March	2011/12 30-June	2011/12 30-September	2011/12 31-December	2011/12 31-March
Revenue	4,444,801	3,991,442	4,853,165	3,489,398	3,615,680	4,350,519	4,166,625	4,716,350
Cost of sales	(3,468,357)	(3,072,045)	(3,719,320)	(462,192)	(2,821,385)	(3,348,592)	(2,820,054)	(1,968,257)
Income	4,503,230	5,215,776	5,611,590	7,560,280	3,699,562	4,259,072	5,128,071	4,934,161
Other income/(expenses)	630,954	1,649,343	(599,653)	131,039	1,798,646	446,735	(274,972)	(1,307,695)
Interest costs	(2,937,608)	(3,581,411)	(3,917,748)	(4,090,892)	(1,807,944)	(1,915,591)	(2,435,548)	(3,186,723)
Profit before operating expenses	3,173,020	4,203,105	2,228,034	6,627,633	4,484,559	3,792,143	3,764,122	3,187,836
Other operating expenses	(2,199,829)	(3,030,504)	(2,889,406)	(6,152,955)	(2,421,068)	(2,077,706)	(2,200,905)	(4,645,367)
Results from operating activities	973,191	1,172,601	(661,372)	474,678	2,063,491	1,714,437	1,563,217	(1,457,530)
Negative goodwill	–	–	1,330,061	170,884	–	2,605,936	93,201	215,399
Share of profit of associate companies	87,796	2,612	56,299	99,422	46,854	136,840	121,408	(35,453)
Profit before tax	1,060,987	1,175,213	724,988	744,983	2,110,345	4,457,213	1,777,826	(1,277,583)
Income tax expense	(339,500)	(402,970)	(258,262)	(153,152)	(307,162)	(446,517)	(642,385)	32,031
Net profit after tax	721,487	772,243	466,726	591,831	1,803,183	4,010,696	1,135,441	(1,245,552)

Statement of Financial Position (Rs.'000)

As at	2012/13 30-June	2012/13 30-September	2012/13 31-December	2012/13 31-March	2011/12 30-June	2011/12 30-September	2011/12 31-December	2011/12 31-March
Assets	150,899,157	154,441,943	161,069,915	162,970,850	123,773,551	136,115,672	146,790,748	145,204,176
Liabilities	107,293,580	110,080,802	116,662,471	162,981,528	86,375,820	95,076,946	104,490,883	101,990,824
Net assets	43,605,577	44,361,141	44,407,444	43,372,758	37,397,731	41,038,726	42,299,865	43,213,352
Share capital, reserves and minority interest	43,605,577	44,361,141	44,407,444	43,372,758	37,397,731	41,038,726	42,299,861	43,213,352
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	19,226,217	20,133,328	20,269,597	20,413,040	14,304,875	16,078,924	16,225,089	19,093,875
Minority interest	23,904,160	23,752,613	23,662,647	22,484,518	22,617,656	24,484,602	25,599,572	23,644,277

VALUE ADDITION

	2012/13 (Rs.)	2012/13 (%)	2011/12 (Rs.)	2011/12 (%)
Group				
Value Added				
Income	29,157,110,077		23,911,752,095	
Other income	1,602,340,570		662,714,366	
Cost of borrowings and services	(24,012,458,847)		(15,802,065,914)	
Provisions	2,090,381,806		889,921,602	
Goodwill on consolidation	1,500,944,862		2,914,536,420	
Share of profits of associate companies	246,128,524		269,649,297	
Value added tax	820,869,966		1,153,663,591	
	11,405,316,958		14,000,171,457	
Distribution of Value Added				
To Employees	4,898,502,184	43	4,163,726,104	30
Remuneration and other benefits	4,898,502,184		4,163,726,104	
To Government	1,974,753,866	17	2,517,696,218	18
Indirect taxes	820,869,966		1,153,663,591	
Direct taxes	1,153,883,900		1,364,032,627	
To Providers of Capital	893,868,844	8	3,482,946,687	26
Dividends to shareholders	237,600,000		–	
Minority interest	656,268,844		2,889,036,467	
Reserves	–		593,910,220	
To Expansion and Growth	3,638,192,064	32	3,835,802,448	27
Retained profits	1,658,418,490		2,220,821,268	
Depreciation and amortisation	1,979,773,574		1,614,981,180	
	11,405,316,958	100	14,000,171,457	100

	2012/13		2011/12	
	(Rs.)	(%)	(Rs.)	(%)
Company				
Value Added				
Income	3,541,669,893		3,016,783,153	
Other income	1,141,957,915		4,544,494,220	
Cost of borrowings and services	(3,968,606,083)		(3,881,525,384)	
Provisions	54,256,448		269,560,331	
Value added tax	143,687,755		342,495,984	
	912,965,928		4,291,808,304	
Distribution of Value Added				
To Employees	141,522,605	16	274,619,706	6
Remuneration and other benefits	141,522,605		274,619,706	
To Government	177,405,925	19	436,960,323	10
Indirect taxes	143,687,755		342,495,984	
Direct taxes	33,718,170		94,464,339	
To Providers of Capital	–	–	–	–
Dividends to shareholders	–		–	
Reserves	–		–	
To Expansion and Growth	594,037,398	65	3,580,228,275	84
Retained profits	34,183,523		2,977,253,601	
Depreciation and amortisation	559,853,875		602,974,674	
	912,965,928	100	4,291,808,304	100

AWARDS

- 'Great Places to Work' inaugural ranking places Lanka ORIX Finance PLC, LOLC Micro Credit Ltd., Commercial Leasing & Finance PLC amongst the 'Top 15 - Best Companies to Work for in Sri Lanka for 2013'.
- 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 from the 8th position the previous year.
- 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.

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 long-term 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 long-term 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 subcommittee 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 micro banking 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, Kadawatha, Ambalangoda, Debarawewa, Beliatta and Talawakelle
- Won Bronze Award at Effie Awards 2008, in the Financial Services/ Products Category
- Spin-off of Microfinance 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 Microfinance Steering Committee appointed by the Department of Development Finance attached to the 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
- 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 US$ 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' and Bronze Award for 'Extra Large Sector'. LOLC Leisure Ltd. was awarded Silver for 'Hospitality' for Eden Resorts & 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 Centre'
- 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) for 2012 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. 10.3 Bn 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 55.5 Mn 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 Travellers' 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 Honours 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, Ja-Ela, Balangoda, Kekirawa and Tissamaharama

GROUP COMPANIES/DIRECTORS

Associated Battery Manufacturers Ceylon Ltd.
Mr. P. K. Kataky
Mr. N.M. Prakash
Mr. S.V. Somasunderam
Mr. W. Wong
Mr. A.K. Mukherjee
Mr. K. Ganeshan
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Mr. Panduka Weerasinghe

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Mr. P.R. Saldin
Mr. D.S.K. Amarasekera
Mr. I.C. Nanayakkara
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Mr. R.M. Nanayakkara
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Mrs. R.N.A. Nanayakkara
Mr. I.C. Nanayakkara
(Alternate Director to Mrs. N. Nanayakkara)
Mr. R.M. Nanayakkara
Mr. I.C. Nanayakkara
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United Dendro Energy Walawewatta (Pvt) Ltd.
Mr. K.A.K.P. Gunawardena
Mr. P.D.G. Jayasena
Mr. H. Karunanayake

Virginia International Ltd.
Mr. A.R. Gunawardena
Mr. H.D.K.P. Alwis
Mr. A.L. Devasurendra
Mr. D.S.K. Amarasekera
Mr. E.M.M. Boyagoda
Mr. D.W.P. Upali
Mr. T.N.M. Peiris
Mr. E.K.I. De Zoysa
Mr. W.C.J. Alwis

Walker & Greig (Pvt) Ltd.
Mrs. R.L. Nanayakkara
Mr. N.M. Prakash
Mr. S.V. Somasunderam
Mrs. R.N.A. Nanayakkara
Mr. I.C. Nanayakkara
(Alternate Director to Mrs. N. Nanayakkara)

LOLC Logistics (Pvt) Ltd.
Mr. K.A.K.P. Gunawardena
Mr. J.B.W. Kelegama
Mr. P.D.G. Jayasena

LOLC Myanmar Micro-Finance Co. Ltd.
Mr. I.C. Nanayakkara
Mr. R.D. Tissera
Mr. K.A.K.P. Gunawardena

SHARE INFORMATION

1. SHARE DISTRIBUTION

1.1 Shareholding as at 31 March

			2013			2012		
Range			No. of Shareholders	No. of Shares	% of Shares	No. of Shareholders	No. of Shares	% of Shares
1	-	1,000	2,542	1,057,653	0.22	2,767	1,236,693	0.26
1,001	-	10,000	1,181	4,358,660	0.92	1,295	4,861,277	1.02
10,001	-	100,000	382	12,029,055	2.53	386	12,051,712	2.53
100,001	-	1,000,000	56	14,235,307	3.00	59	15,165,212	3.20
Over 1,000,000 Shares			15	443,519,325	93.33	15	441,885,106	92.99
			4,176	475,200,000	100.00	4,522	475,200,000	100.00

Categories of Shareholders						
Local Individuals	3,836	288,260,551	60.66	4,158	286,400,987	60.27
Local Institutions	274	29,940,549	6.30	301	45,230,566	9.52
Foreign Individuals	55	693,050	0.15	57	651,580	0.14
Foreign Institutions	11	156,305,850	32.89	6	142,916,867	30.07
	4,176	475,200,000	100.00	4,522	475,200,000	100.00

1.2 Share Prices for the Year

	As at 31.03.2013 (Rs.)	As at 31.03.2012 (Rs.)
Market Price per Share		
Highest during the Year	71.90	128.00
Lowest during the Year	26.50	49.00
As at end of the Year	57.00	54.00

PUBLIC HOLDING

The percentage of shares held by the public - 15.50%. (2012 - 15.49%)

1.3 Twenty Major Shareholders of the Company as at 31 March

Name of Shareholder	2013 No. of Shares	2013 % of Issued Capital	2012 No. of Shares	2012 % of Issued Capital
1. ORIX Corporation	142,560,000	30.00	142,560,000	30.00
2. Mr. R.M. Nanayakkara	141,433,220	29.76	141,433,220	29.76
3. Mr. I.C. Nanayakkara	59,895,500	12.60	59,895,500	12.60
4. Mrs. K.U. Amarasinghe	52,432,000	11.03	52,432,000	11.03
5. Employees' Provident Fund	15,061,442	3.17	14,810,236	3.11
6. HSBC Intl Nom Ltd. - BBH - Matthews International Funds	10,216,236	2.15	–	–
7. Mrs. I. Nanayakkara	5,215,020	1.10	5,215,020	1.10
8. Employees' Trust Fund Board	3,749,950	0.79	3,749,950	0.79
9. HSBC Intl Nom Ltd. - State Street Luxembourg C/O SSBT-ABN Amro Multi-Manager Funds	3,013,237	0.63	–	–
10. Mr. G.G. Ponnambalam	2,089,920	0.44	2,089,920	0.44
11. Mr. C.P. De Silva	2,000,000	0.42	2,000,000	0.42
12. HSBC/Romesh Charitha De Silva	1,800,000	0.38	1,800,000	0.38
13. Bank of Ceylon - No. 2 Account	1,546,000	0.33	1,546,000	0.33
14. Mr. Mariapillai Radhakrishnan (Deceased)	1,500,000	0.32	1,500,000	0.32
15. Swastika Mills Ltd.	1,006,800	0.21	1,006,800	0.21
16. Vallibel One PLC	965,840	0.20	–	–
17. Mrs. S.N. Fernando	818,440	0.17	818,440	0.17
18. Ms. F.A.J.A. Cader	759,000	0.16	759,000	0.16
19. Mr. C.L. De Silva	722,000	0.15	722,000	0.15
20. Mr. S. Nadesan	660,000	0.14	660,000	0.14
	447,444,605	94.16	432,998,086	91.11
Others	27,755,395	5.84	42,201,914	8.89
Total	475,200,000	100.00	475,200,000	100.00

GLOSSARY

TERMS

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, instalment 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 instalment receivable of the advances granted to customers under leasing, hire purchase, instalment 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.

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 instalment receivable excluding interest of the advances granted to customers under leasing, hire purchase, instalment 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).

LANKA ORIX LEASING COMPANY PLC - PQ 70

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT THE THIRTY FOURTH ANNUAL GENERAL MEETING of the Company will be held on Wednesday 11 September 2013 at 10.30 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 31 March 2013 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 Mr. H. Yamaguchi who retires by rotation in terms of Article 95 of the Articles of Association of the Company.
4. To re-elect as a Director Mr. Y. Oshima who retires by rotation in terms of Article 95 of the Articles of Association of the Company.
5. To re-elect as a Director Mrs. R.L. Nanayakkara, who retires in terms of Sections 210/211 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 her re-election (see Note 4).
6. To re-elect as a Director Mr. R.M. Nanayakkara, who retires in terms of Sections 210/211 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 5).
7. To re-elect as a Director Deshamanya M.D.D. Pieris, who retires in terms of Sections 210/211 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 6).
8. To re-appoint Messrs Ernst and Young, Chartered Accountants as Auditors for the ensuring financial year at a remuneration to be fixed by the Directors.
9. To authorise the Directors to make donations.

By Order of the Board,

Ms. Chrishanthi Emmanuel
Secretary

19th August 2013

Rajagiriya (in the Greater Colombo)

Notes:

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, No. 100/1, Sri Jayawardenepura Mawatha, Rajagiriya, not later than 10.30 a.m. on 9th September 2013.
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 Mrs. R.L. Nanayakkara who reached the age of 70 years in 2006, 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, Mrs. R.L. Nanayakkara."
5. 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 Mr. R.M. Nanayakkara who reached the age of 70 years in 2010, 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, Mr. R.M. Nanayakkara."
6. 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. 07 of 2007 shall not apply to the said Director, Deshamanya M.D.D. Pieris."

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
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka

Head Office
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Tel: 011-5880880
Fax: 011-2865606 (Gen.)
Website: www.lolc.com

Directors
Rohini Lettitia Nanayakkara
Non-Executive Chairperson

Ishara Chinthaka Nanayakkara
Executive Deputy Chairman
(Also alternate to Mr. R.M. Nanayakkara)

Waduthantri Dharshan Kapila Jayawardena
Managing Director/Group CEO

Kalsha Upeka Amarasinghe
Executive Director

Deshamanya Minuwanpitiyage Dharmasiri Dayananda Pieris
Independent Director

Ravindra Ajith Fernando
Independent Director

Rajah Mahinda Nanayakkara
Non-Executive Director

Harukazu Yamaguchi
Non-Executive Director
(Appointed w.e.f. 10 December 2012)

Yuki Oshima
Non-Executive Director
(Appointed w.e.f. 10 December 2012)

Shinji Yamana
Non-Executive Director
(Alternate to Mr. H. Yamaguchi)
(Appointed w.e.f. 10 December 2012)

Shin Hamada
Non-Executive Director
(Alternate to Mr. Y. Oshima)
(Appointed w.e.f. 10 December 2012)

Rajanayagam Nalliah Asirwatham
Independent Director
(Resigned w.e.f. 10 May 2012)

Hideo Ichida
Non-Executive Director
(Resigned w.e.f. 10 December 2012)

Masaaki Kawano
Non-Executive Director
(Resigned w.e.f. 10 December 2012)

Takuma Yamazaki
Non-Executive Director
(Alternate To Mr. H. Ichida and Mr. M. Kawano)
(Resigned w.e.f. 3 December 2012)

Board Sub Committees

Audit Committee
Mrs. R.L. Nanayakkara
Chairperson
M.D.D. Pieris
R.A. Fernando
R.N. Asirwatham
(Resigned w.e.f. 10 May 2012)

Remuneration Committee
R.A. Fernando - Chairman
M.D.D. Pieris
R.N. Asirwatham
(Resigned w.e.f. 10 May 2012)

Nomination Committee
M.D.D. Pieris - Chairman
R.A. Fernando
I.C. Nanayakkara
R.N. Asiriwatham
(Resigned w.e.f. 10 May 2012)

Corporate Governance Committee
M.D.D. Pieris - Chairman
R.A. Fernando
Mrs. R.L. Nanayakkara
R.N. Asiriwatham
(Resigned w.e.f. 10 May 2012)

IT Steering Committee
Mrs. R.L. Nanayakkara - Chairperson
W.D.K. Jayawardena
Mrs. K.U. Amarasinghe
Mrs. S. Wickremasekera (Chief Risk Officer)
Mrs. S. Kotakadeniya (Chief Financial Officer)
F.K.C.P.N. Dias (Chief Information Officer)

Integrated Risk Management Committee
Mrs. R.L. Nanayakkara
Chairperson
M.D.D. Pieris
W.D.K. Jayawardena
Mrs. S. Wickremasekera (Chief Risk Officer)
Mrs. S. Kotakadeniya (Chief Financial Officer)
F.K.C.P.N. Dias (Chief Information Officer)
R. Perera (GM - Treasury)
J. Kelegama (Chief Credit Officer)
R.N. Asirwatham
(Resigned w.e.f. 10 May 2012)

Company Secretary
Miss Chrishanthi S. Emmanuel, FCIS, FCCS

Auditors
Ernst & Young
Chartered Accountants

Lawyers
Julius & Creasy
Nithya Partners

Registrars
P.W. Corporate Secretarial (Pvt) Ltd.
No. 3/17, Kynsey Road, Colombo 8.

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, Public Bank of Berhad, Sampath Bank PLC, Seylan Bank PLC, Pan Asia Banking Corporation PLC, Union Bank PLC, ICICI Bank, MCB Bank

LANKA ORIX LEASING COMPANY PLC - PQ 70

FORM OF PROXY

I/We .... of

.... being a member/members of

the abovenamed Company hereby appoint ....of

.... whom failing

Mrs. R.L. Nanayakkara	of Colombo or failing her
Mr. I.C. Nanayakkara	of Colombo or failing him
Mr. W.D.K. Jayawardena	of Colombo or failing him
Deshamanya M.D.D. Pieris	of Colombo or failing him
Mr. R.M. Nanayakkara	of Colombo or failing him
Mrs. K.U. Amarasinghe	of Colombo or failing her
Mr. R.A. Fernando	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Annual General Meeting of the Company to be held on 11 September 2013 and at any adjournment thereof and at every poll which may be taken in consequence of the aforesaid Meeting.

	For	Against
1. To receive and consider the Report of the Directors and Statement of Accounts for the year ended 31 March 2013 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, Mr. H. Yamaguchi who retires by rotation in terms of Article 95 of the Articles of Association of the Company.		
4. To re-elect as a Director, Mr. Y. Oshima who retires by rotation in terms of Article 95 of the Articles of Association of the Company.		
5. To re-elect as a Director, Mrs. R.L. Nanayakkara, who retires in terms of Sections 210/211 of the Companies Act No. 7 of 2007.		
6. To re-elect as a Director Mr. R.M. Nanayakkara, who retires in terms of Sections 210/211 of the Companies Act No. 7 of 2007.		
7. To re-elect as a Director Deshamanya M.D.D. Pieris, who retires in terms of Sections 210/211 of the Companies Act No. 7 of 2007.		
8. To re-appoint as Auditors Messrs Ernst and Young, Chartered Accountants for the ensuring financial year at a remuneration to be fixed by the Directors.		
9. To authorise the Directors to make donations.		

Dated this .... day of ...., Two Thousand and Thirteen.

....

Signature of Shareholder

Notes:

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 Jayawardenepura Mawatha, Rajagiriya not less than 48 hours before the time appointed for the holding of the Meeting.

FINANCIAL CALENDAR 2012/13

1st Quarter Results 2012/13 released on	15 August 2012
2nd Quarter Results 2012/13 released on	15 November 2012
3rd Quarter Results 2012/13 released on	15 February 2013
4th Quarter Results 2012/13 released on	30 May 2013
Annual Report for 2012/13 released on	19 August 2013
34th Annual General Meeting on	11 September 2013

PROPOSED FINANCIAL CALENDAR 2013/14

1st Quarter Results 2013/14 will be released on	15 August 2013
2nd Quarter Results 2013/14 will be released on	15 November 2013
3rd Quarter Results 2013/14 will be released on	15 February 2014
Annual Report for 2013/14 will be released on	June 2014
35th Annual General Meeting in	June 2014

This Annual Report is Carbon Neutral

This Lanka ORIX Leasing Company PLC annual report has been produced by Smart Media The Annual Report Company, a certified carbon neutral organisation. Additionally, the greenhouse gas emissions resulting from activities outsourced by Smart Media in the production of this annual report, including the usage of paper and printing, are offset through verified sources.

www.smart.lk

www.carbonfund.org

www.lolc.com

Lanka ORIX Leasing Company PLC
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya,
Sri Lanka.

T: +94 11 5880880
F: +94 11 2865606