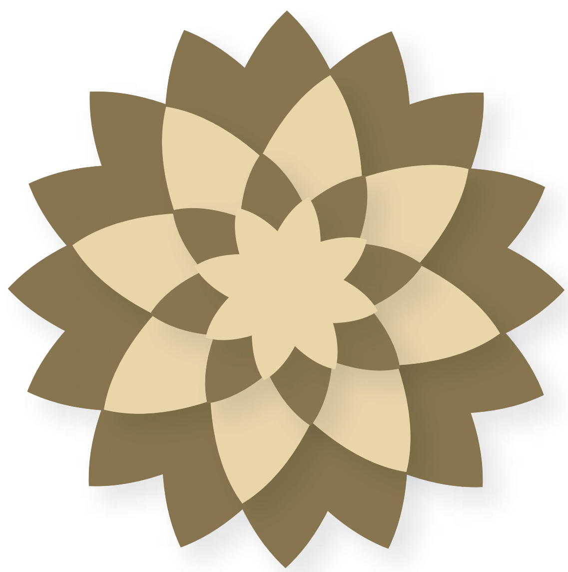
Flourish

LANKA ORIX LEASING COMPANY PLC

Annual Report 2013/14



Flourish

LANKA ORIX LEASING COMPANY PLC

Annual Report 2013/14

Contents

Flourish

With a strong portfolio of rapidly diversifying interests in a number of core business sectors and industries, LOLC is flourishing in several highly competitive markets. We are intent on capitalizing on the myriad opportunities presented by booming regional economies so as to capture both local and international market spaces.

At LOLC we are committed to our vision of flourishing prosperity for every Sri Lankan through responsible investments and growth initiatives launched in marketplaces holding maximum potential for growth.

About Us

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

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

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

The Group, as a leading player in the SME and Micro finance sectors of the country has been a catalyst in financial inclusion in Sri Lanka. The contribution we make to the nation's economic growth is one we hold high. Our role in micro finance has enabled us to impact beyond our bottom line-to benefit society at large and to be in sync with our Triple Bottom Line focus in enterprise.

LOLC's businesses are in thrust areas of the economy which currently spearhead Sri Lanka's growth agenda. We will thus see the Group growing in its potential and expanding its value creation for all its stakeholders in the post war environment of Sri Lanka.

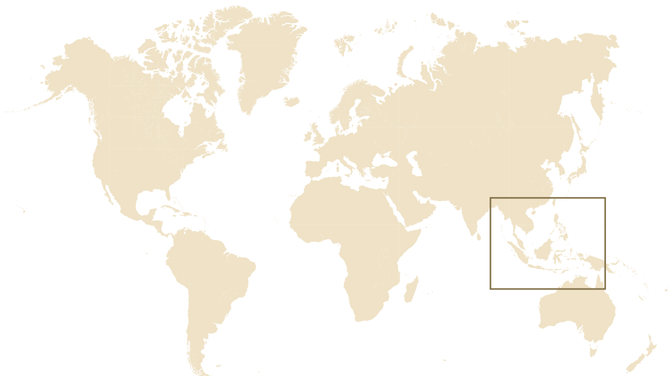
Financial achievements and goals

	2013/14 Rs'000	%	2012/13 Rs'000	%	2011/12 Rs'000
EBIT growth	20,923,946	14.75	18,233,829	11.09	16,413,607
PBT growth	4,514,999	21.82	3,706,171	-47.56	7,067,801
ROCE %	13.09	4.93	12.47	-0.27	12.51
ROE %	7.05		5.90		14.62
Net debt to equity	2.62		2.36		2.04

A flourishing business operation

2013

- Al-Falaah Ladies launch "Empress" the first ever discount card for ladies.
- LOLC lays foundation stone for new regional office in Anuradhapura.
- LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.
- LOLC Technologies achieves ISO/IEC 20000: 2011 certification.
- LOFC introduces product extensions and benefits for "Speed Draft".
- LOLC wins the first ever Gold at SLITAD People Development Award.
- LOLC Insurance launches new life products.
- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.



A Regional Footprint

The LOLC Group has been exploring opportunities to expand our presence overseas. We now hold a 22.25% stakeholding in PRASAC Micro Finance Institution Ltd - the largest micro-finance institution in Cambodia. 2013 saw a landmark achievement when we became only the fourth foreign license holder in Myanmar when the Group was licensed to establish and operate LOLC Myanmar Micro-Finance Company Ltd as a deposit-taking institution in that country.

Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.

LOLC, LOMC & CLC among the Top 5 Best Companies to work in Sri Lanka.

Al-Falaah Ladies launched.

BRAC & LOLC acquires Nanda Investments.

LOLC ranked among Business Today's Top 25 Corporates for the year 2013.

LOFC & CLC ranked among LMD's 100 Leading Listed Companies of Sri Lanka

LOLC & CLC among the Brand Annual's most valuable brands.

New branches were opened in Ambalantota and Matale.

Financial Highlights

For the year ended 31 March	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Group										
Performance Indicators (Rs. Mn)										
Net profit before tax	572	709	998	1,183	1,247	2,841	8,282	7,068	3,706	4,515
Net profit after tax	575	689	1,050	1,343	1,055	2,385	7,023	5,704	2,552	3,108
Total assets	10,706	16,227	24,484	32,994	46,287	75,371	113,070	145,204	162,982	175,543
New executions	5,591	10,064	13,340	14,320	14,906	21,963	47,392	58,233	48,119	65,299
Gross portfolio (rentals receivable)	10,112	14,806	23,057	29,282	44,824	47,351	70,077	105,932	107,038	112,747
Deposits from customers	716	1,194	1,746	3,340	5,229	10,095	17,899	26,233	35,397	49,615
Outstanding borrowings	6,634	10,475	17,001	22,887	31,764	38,235	49,256	65,425	72,946	69,221
Non-performing portfolio	865	113	137	526	1,933	1,431	1,159	1,702	3,071	3,354
Return on equity (%)	27.06	26.02	31.08	29.84	18.72	18.67	25.88	14.62	5.90	7.05
Key Indicators (Rs. Per share)										
Net asset value per share (adjusted)	4.92	6.10	7.96	10.78	12.65	16.63	27.53	41.22	43.96	48.19
Earnings per share(adjusted)	1.21	1.44	2.19	2.82	2.22	3.88	8.08	12.00	5.37	6.54
Company										
Performance Indicators (Rs. Mn)										
Net profit before tax	562	677	910	841	582	491	1,898	3,072	68	689
Net profit after tax	562	664	987	1,059	505	327	1,523	2,977	34	694
Total assets	8,747	13,298	20,889	28,996	31,335	29,738	54,213	58,028	53,239	49,254
New executions	4,972	8,858	12,068	12,127	12,170	4,569	5,036	3,926	271	–
Gross portfolio (rentals receivable)	9,144	12,858	19,851	25,056	25,185	17,958	11,897	7,704	3,881	2,134
Outstanding borrowings	6,025	9,824	16,250	22,273	24,850	23,087	22,379	23,807	19,738	14,254
Non-performing portfolio	865	113	137	443	538	769	545	500	357	178
Key Indicators (Rs. per share)										
Dividends per share	0.23	0.30	0.15	0.23	0.28	–	–	–	0.50	–
Market price per share	8.50	10.10	10.75	11.78	6.95	16.50	119.60	54.00	60.70	75.00
Net asset value per share	4.86	6.00	7.77	10.02	10.74	11.42	15.67	69.97	68.86	71.82
(Times)										
Debt to equity ratio	2.61	3.45	4.40	4.66	4.87	4.25	3.00	0.72	0.60	0.42
Interest cover	2.56	1.96	1.63	1.28	1.14	1.16	1.80	2.19	1.02	1.25
Dividend cover	5.09	4.64	13.86	9.53	3.79	–	–	–	0.14	–

Operational Highlights

Rs. 45 Bn

Gross Income

"We are proud to see our people executing in the marketplace, delivering quality products and services to our customers and achieving extraordinary things through strategy and leadership."

Rs. 28,420 Mn

Financial Services

Rs. 3,388 Mn

Agriculture & Plantation

Rs. 38 Mn

Renewable Energy

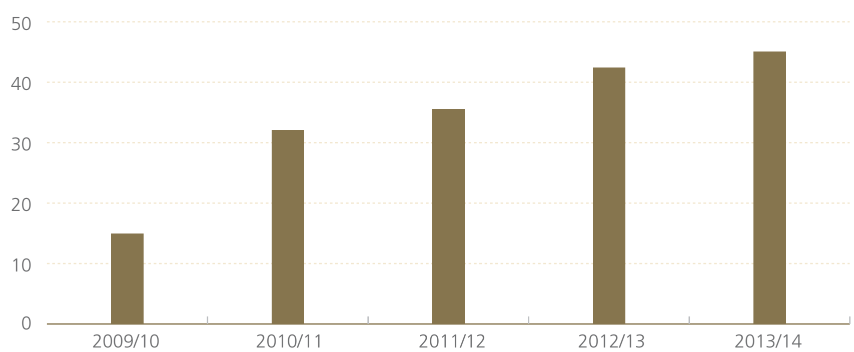
Rs. 1,334 Mn

Leisure

Rs. 11,827 Mn

Manufacturing & Trading

Gross Income (Rs. Bn.)



Awards and Certifications

LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.

LOLC Micro Credit Ltd., (LOMC) was evaluated according to the standards of the Client Protection Certification Program and found to take adequate care to implement Client Protection Principles as promoted by the Smart Campaign.

Social upliftment Merit award for Al-Falaah at Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.

Al-Falaah, the Islamic Business Unit of Lanka ORIX Finance PLC wins a Merit Award for "Social Upliftment Recognition".

LOLC wins Gold Award at the SLITAD People Development Awards 2013.

The LOLC Group, reiterating its name as a top employer in the Sri Lankan Corporate Sector, wins Gold Award at the SLITAD People Development Awards 2013 for excellence in Human Resource Management and Development.

LOLC Technologies wins accolades at the SLIBFI Awards 2013.

Lanka ORIX Information Technology Services Ltd wins the Gold award for "Best Islamic Finance IT Solutions Provider"

Al-Falaah's Annual Report "Choice" wins Gold.

Al - Falaah, the Islamic business unit of Lanka ORIX Finance PLC wins Gold for their Annual Review "Choice"

1. Gold for "Printing and Production" category at the ARC Awards
2. Gold for "Financial Services" category at the ARC Awards
3. Silver for "Written Text in the Financial Services" category at the LACP Vision Awards

Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.

Eden Resort and Spa won the bronze award in the Provincial Level - Extra Large Category, Service Sector and the merit award in the National Level - Extra Large Category, Service Sector at the CNCI Achiever of Industrial Excellence 2013 awards ceremony.

Islamic Finance Product/Deal of The Year" for Al-Falaah at Sri Lanka Islamic Banking and Finance Industry (SLIBFI) Awards.

Al-Falaah, the Islamic Business Unit of Lanka ORIX Finance PLC was awarded silver in recognition of "Islamic Finance Product/ Deal of The Year".

LOLC Technologies achieves ISO/IEC 20000: 2011 certification.

Lanka ORIX Information Technology Services Ltd was certified against the ISO/ IEC 20000:2011 standard, covering services rendered through its Service Desk. LOLC Technologies became the first and only institution predominantly serving the banking and financial service sector to have this certification.

Our Trademarks

Club
PALM GARDEN

LOLC
MOTORS
geared for perfection

LANKA ORIX
FINANCE
Imagine the opportunities

LOLC
الفلاح
AL-FALAAH
Shari'ah is our Success

LOLC
SECURITIES
Venture into success
(An LOLC Group Company)

ලංකා ඔරික්ස්
ෆිනෑන්ස්
ඉසුරෙන් සරුවෙන්න

ORIX Wealth

LOLC
මයික්‍රෝ ක්‍රෙඩිට්

லங்கா ஓறிக்ஸ்
பினான்ஸ்
வளமான வாழ்வின் வழிகாட்டி

ඉසුරු ගෙනෙයි

LOLC
MICRO CREDIT
(An LOLC Group Company)

LOLC
INSURANCE

LOLC - a compelling investment proposition....

The Group offers an attractive growth strategy, supported by a strong balance sheet, and a portfolio of diverse businesses, products and brands in several thrust areas of the economy. Our long term vision and risk mitigation strategies have also prompted us to extend our foot print beyond Sri Lanka to South East Asia; and the success of these ventures have encouraged us to pursue expansion into other new ventures in overseas markets.

Our approach to enterprise is a Triple Bottom Line one – i.e: one which seeks to optimise returns to all our stakeholders, knowing that the long term profitability of an enterprise ultimately depends on how favourably it impacts communities and the environment which it is a part of. An integrated approach which links our economic objectives, to the national economy, environmental preservation, social impact along with the organizational culture and are hence the key elements of our sustainable strategies.

Pillars that reflect this integrated approach and make us a strong investment case include :

1 Competitive franchises creating value and enhancing brand value;

2 Continued delivery on growth - strategies

3 Being well positioned for a cyclical economic upturn, underpinned by operational and financial gearing;

4 Defensive investment given the stable banking sector in Sri Lanka and

5 Leadership in integrated sustainability.

Companies that have integrated sustainability into their strategies and operations have proven to yield superior returns over the longer term. With this in mind, LOLC focuses on embedding and integrating a focus on economic, environmental, social and cultural sustainability across the Group in order to expand value creation and enhance the Group's long-term investment appeal.

The integration of economic, environmental, social and the cultural dimensions of business at LOLC :

Economic

Sri Lanka's economy is expected to continue to grow at a rapid pace in 2015, and this post war environment will offer many opportunities for the Group to expand its potential, and harness its key strengths to capitalize on new opportunities in Sri Lanka, whilst also expanding overseas to harness the potential for value creation in these markets.

The Group, over the past three decades has been well established in the micro finance and SME sectors to become the largest private sector micro finance company in the country, and its strength is demonstrated by the above 20% ROE achieved in this sector.

Environmental

We remain committed to reducing our direct and indirect impact on the environment, and assisting our clients, suppliers and business partners to do the same, while simultaneously delivering economic benefits in the form of long-term cost savings.

Cultural

A culture of strong governance, compliance and a sustainable approach are characteristics which have made our organization resilient during lean times and well equipped to thrive during cyclical upturns.

Social

A continual contribution to socioeconomic growth and development remains a key focus area of the Group. This extends beyond economic empowerment; to include SME development, financial empowerment of women through micro finance, community upliftment, targeted lending to areas such as healthcare, education, and enterprise development.

Our strategy to expand internationally has been on course. In the year under review, we launched our first fully owned overseas subsidiary – LOLC Myanmar Micro Finance Company. In the first few months of its operation, it has become a success story with a 20 manned operation it has already opened its 3rd branch and established a portfolio of USD 750,000 and an outreach of 5,600 active borrowers.

A compelling proposition in summary:

ABILITY TO EXECUTE ON OUR STRATEGIC VISION

- Sustainable strategy encompassing economic, social and environment factors, with a clear short, medium and long term vision towards becoming the leading conglomerate in chosen markets locally and internationally,
- Successful implementation and execution of strategic vision, through a presence of 31 years in core business sectors, thrust industries and markets,

LEADERSHIP IN LOCAL AND INTERNATIONAL MARKETS

- Ideally positioned to capture attractive growth opportunities in Sri Lanka's SME, Development Banking, Micro Finance, and Insurance sectors,
- Partnerships with leading international organizations and businesses including ORIX Corporation of Japan
- A branch network of 87 and 47 customer centres and a variety of electronic channels spread across the country in every district.

SRI LANKAN ECONOMY - POISED FOR GROWTH

- A US Dollar 67 Billion economy expected to grow at 7.8%
- Inflation target of 4-6%
- A Balance of payments surplus, forecast at USD 1.5 Billion
- Political stability
- One of the most peaceful macro environments since the war ended in 2009

A HIGH QUALITY OPERATING PLATFORM

- Extensive market experience, strong network of relationships and presence across all customer segments
- A Risk Management framework which is on par with accepted benchmarks
- Robust IT systems and electronic channels which drive digital convergence

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A STRONG TRACK RECORD OF ECONOMIC PERFORMANCE AND SUSTAINABLE RETURNS OVER TIME

- Stress tested profitability for over 30 consecutive years
- A strong capital base and capital adequacy
- 31% 5 year CAGR growth in assets and 56% year CAGR in deposits
- Market capitalization of Rs.35.64 Bn. and a PE ratio of 23.51

Our Presence

→ Northern Province

- 07
- 01
- 05
- 01

→ North-Central Province

- 07
- 07
- 07
- 01

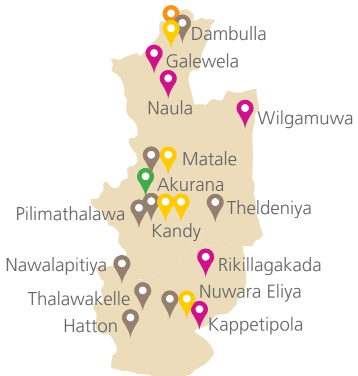
→ North-Western Province

- 05
- 05
- 05
- 01

as at 31st march

- LOFC and 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 and LOFC Collection Centres
- CLC & COMFAC Channel Network
- Browns Centres (Retail)*

*Browns Dealers and Service Centres are located island-wide



Central Province

- 09
- 05
- 05
- 01
- 01

Sabaragamuwa Province

- 05
- 04
- 04

Southern Province

- 09
- 05
- 06
- 01

as at 31st march

LOFC and 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 Channel Network

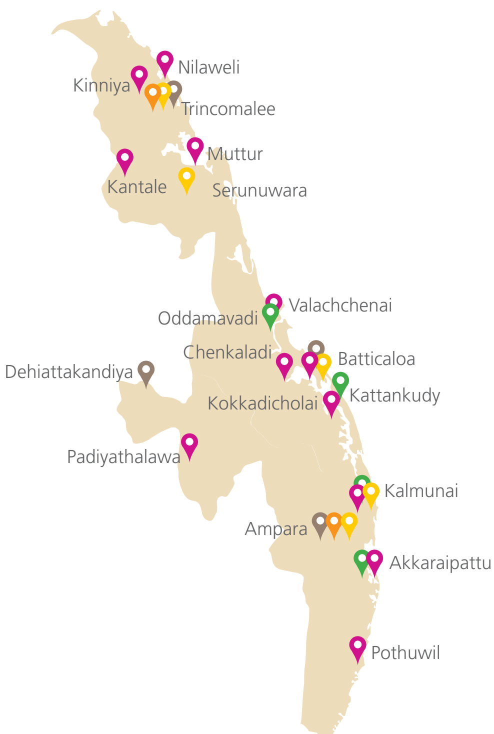
Browns Centres (Retail)*

*Browns Dealers and Service Centres are located island-wide

Our Presence

Uva Province

- 03
- 04
- 04
- 01



Eastern Province

- 04
- 12
- 05
- 02
- 04

as at 31st march

- LOFC and 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 Channel Network
- Browns Centres (Retail)*

*Browns Dealers and Service Centres are located island-wide

Western Province

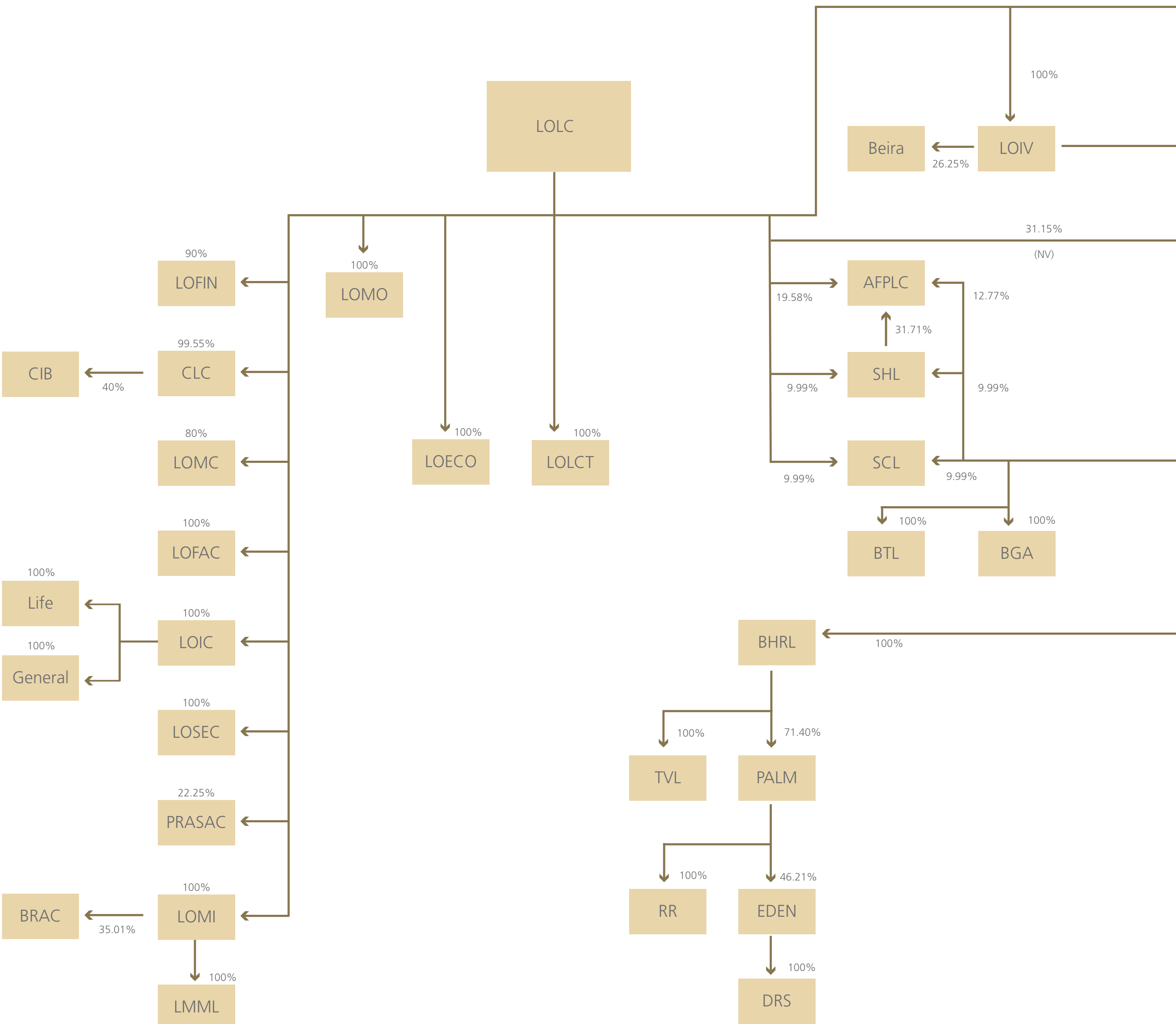
LOFC and LOMC Channel Network	26
LOMC Post Office Service Centres & LOFC Collection Centres	12
CLC & COMFAC Channel Network	11
Browns Centres (Retail)	01

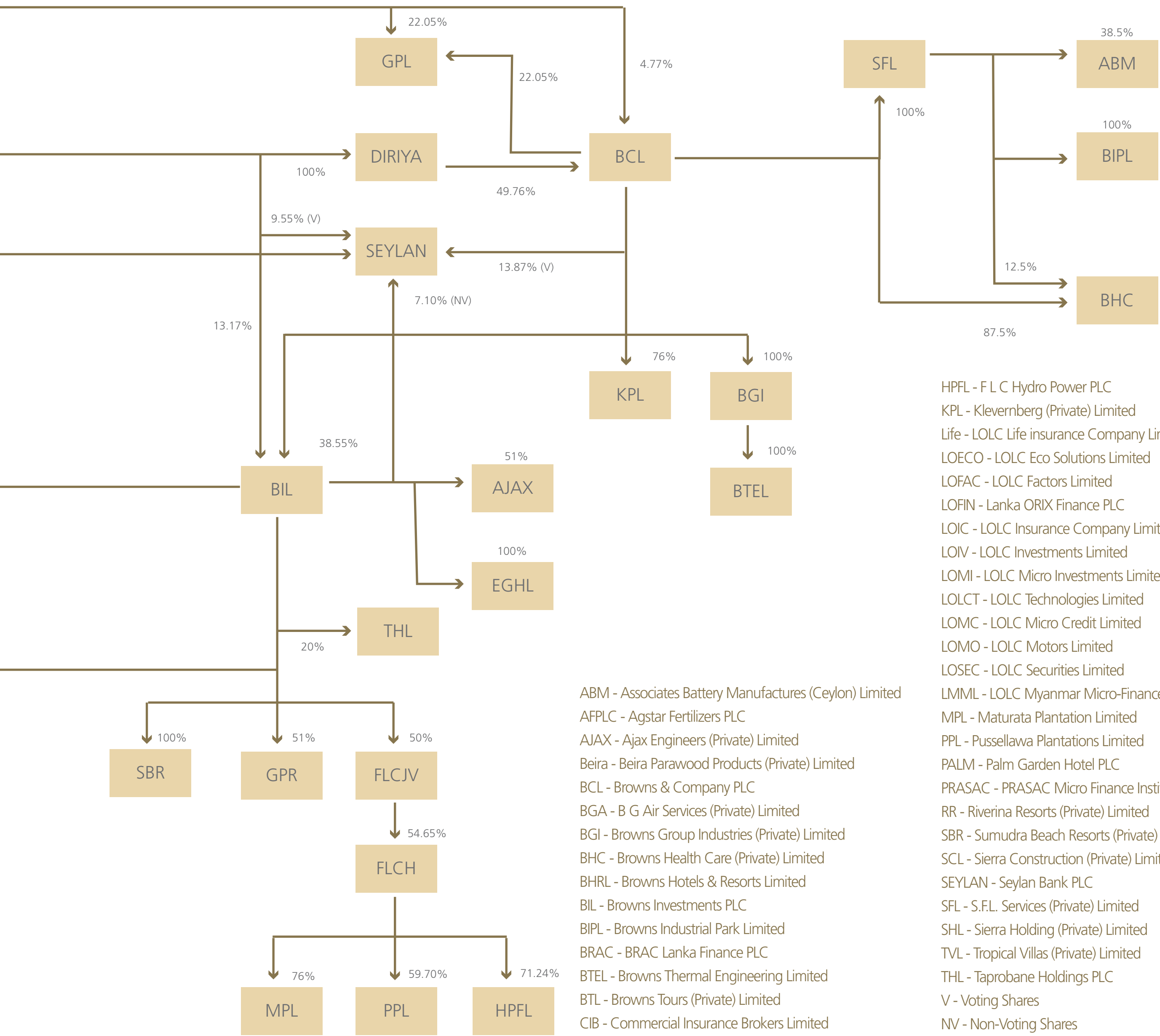
as at 31st march

- LOFC and 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 Channel Network
- Browns Centres (Retail)*

*Browns Dealers and Service Centres are located island-wide

Group Structure





ABM - Associates Battery Manufactures (Ceylon) Limited
AFPLC - Agstar Fertilizers PLC
AJAX - Ajax Engineers (Private) Limited
Beira - Beira Parawood Products (Private) Limited
BCL - Browns & Company PLC
BGA - B G Air Services (Private) Limited
BGI - Browns Group Industries (Private) Limited
BHC - Browns Health Care (Private) Limited
BHRL - Browns Hotels & Resorts Limited
BIL - Browns Investments PLC
BIPL - Browns Industrial Park Limited
BRAC - BRAC Lanka Finance PLC
BTEL - Browns Thermal Engineering Limited
BTL - Browns Tours (Private) Limited
CIB - Commercial Insurance Brokers Limited
CLC - Commercial Leasing & Finance PLC
DIRIYA - Diriya Investments Limited
DRS - Dikwella Resort (Private) Limited
EDEN - Eden Hotel Lanka PLC
EGHL - Excel Global Holding Limited
FLCH - F L C Holdings PLC
FLCJV - F L C Joint Venture (Private) Limited
GPL - Galoya Plantations (Private) Limited
General - LOLC General Insurance Limited
GPR - Green Paradise Resorts (Private) Limited

HPFL - F L C Hydro Power PLC
KPL - Klevernberg (Private) Limited
Life - LOLC Life insurance Company Limited
LOECO - LOLC Eco Solutions Limited
LOFAC - LOLC Factors Limited
LOFIN - Lanka ORIX Finance PLC
LOIC - LOLC Insurance Company Limited
LOIV - LOLC Investments Limited
LOMI - LOLC Micro Investments Limited
LOLCT - LOLC Technologies Limited
LOMC - LOLC Micro Credit Limited
LOMO - LOLC Motors Limited
LOSEC - LOLC Securities Limited
LMML - LOLC Myanmar Micro-Finance Company Limited
MPL - Maturata Plantation Limited
PPL - Pussellawa Plantations Limited
PALM - Palm Garden Hotel PLC
PRASAC - PRASAC Micro Finance Institution Limited
RR - Riverina Resorts (Private) Limited
SBR - Sumudra Beach Resorts (Private) Limited
SCL - Sierra Construction (Private) Limited
SEYLAN - Seylan Bank PLC
SFL - S.F.L. Services (Private) Limited
SHL - Sierra Holding (Private) Limited
TVL - Tropical Villas (Private) Limited
THL - Taprobane Holdings PLC
V - Voting Shares
NV - Non-Voting Shares

The ORIX Connection

The ORIX Connection – a partnership that continues to flourish… adding value, stability and tenacity

ORIX Corporation established in 1964 in Osaka as Orient Leasing Company, is a leading integrated financial services group.

A pioneer in leasing, ORIX has remained at the leading edge of financial innovation since its inception. Its growth strategy, based on strategic and geographical expansion, demonstrates a boldness and scope that sets it apart from other large Japanese financial services firms. In 1989, it changed its name to ORIX Corporation in order to reflect its increasingly international profile and to mark a move beyond leasing into other financial services. ORIX Corporation is listed in the Tokyo and New York Stock Exchanges.

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 is made up of 811 consolidated subsidiaries and 108 affiliates, with a total of 1,114 offices in Japan and another 270 locations in the United States, Asia, Oceania, Europe, the Middle East and Africa.

ORIX foray into the global markets began in the 1980's, with the establishment of offices in Sri Lanka, Taiwan, China, Australia, New Zealand and Pakistan and the foundation for operations in Asia and the Middle East. Thus, 1980 saw the birth of Lanka ORIX Leasing Company (LOLC). LOLC was one of the most successful, epitomizing the success of the ORIX strategies, business excellence and best practices overseas.

LOLC is represented on the Board by two senior executives of ORIX, Japan. LOLC is today one of Sri Lanka's leading conglomerates with a diverse portfolio of businesses in several thrust areas of the economy.

LOLC Group's relationship with ORIX continues to flourish and contribute to sustain growth in shareholder value. Many have seen the accolades LOLC has won over the years, such as for "Outstanding Performance Amongst ORIX Companies" and "Excellent Performance in the Overseas Operations".

The year just ended saw ORIX Corporation celebrate its 50th anniversary. LOLC Group shares this spirit of celebration with its key investment partner, who looks back with pride and to the future with much optimism, to continue exploring new avenues driven by the ORIX corporate strategy of "Finance + Services."

The year also saw the Chairman and CEO of ORIX Corporation, Mr. Yoshihiko Miyauchi announce his resignation from this position with effect from June 2014, to take up the role of Senior Chairman. Mr. Miyauchi has served ORIX for over 39 years, and as its Chief Executive Officer, for more than 3 years. His visionary leadership and the immense contribution he has made will continue to inspire ORIX as well as LOLC, to pursue excellence in all what we do and how we do.

Funding Partners

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

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

Funding Partners

	Institution	Type of Facility	Purpose of Funding	Value Addition
	The World Bank	Long term Refinancing Rupee Loan	Refinancing of rural sector renewable energy development	Environmental Policy; Anti Money Laundering Policy
	Asian Development Bank	Long term Rupee Loan/ Refinancing Scheme	SME sector financing and development/ Tea smallholders income improvement and development. Development of the plantation sector in enhancing profitability. Improve the living and working conditions of the workforce	Environmental Policy; Anti Money Laundering Policy
	Export Development Corporation (EDC) - Canada	Long Term US $ Loan	SME sector financing and development with Canadian imports	
	Deutsche Gesellschaft fur Technische Zusammenarbeit (GTZ) - Germany	Technical Assistance for Microfinance	Development of Microfinance sectors	Promotion of Microfinance sector
	International Finance Corporation	Technical Assistance	Development of Microfinance sector	Institutional capacity development

OPERATIONAL INFORMATION

Diversified Interests. Thriving Growth

Chairperson's Statement

Capitalising on a myriad opportunities

Dear Shareholder,
It gives me great pleasure to welcome you to the 35th Annual General meeting of LOLC and to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2014.

The LOLC Group has performed well this financial year amidst some constraints which impacted recoveries in the financial sector due to drought conditions and floods during the first half of the year. The performance will be discussed at length in the MD's review and the Business Reviews that follow; but let me provide a broad overview of a few salient points that provided and would continue to provide, the backdrop for the performance of your Group.

Sri Lanka's economy rebound to higher growth with GDP increasing by 7.3% in 2013 compared with a growth of 6.3% in 2012, and the growth was broad based with contributions from all sectors. The proactive policies of the CBSL have enabled stable macroeconomic conditions that prevailed in the country with relatively low inflation and interest rates, together with the stable exchange rate, impacting positively on growth.

Looking ahead, the Sri Lankan economy is expected to continue its growth momentum in the medium term underpinned by increased investment, improved macroeconomic stability and improving global economic conditions. The International Monetary Fund (IMF) projects Sri Lanka's annual real GDP to grow by 7% in 2014 and 6.5% in both 2015 and 2016, and the World Bank by 7.3% in 2014 whilst the Central Bank (CBSL) estimates GDP growth to be 8% in 2014.

Recovery of the global economy which began to take hold in October 2013, is not only strengthening further but is also projected to be more broad based in 2014, according to the latest conclusions by the International Monetary Fund (IMF). The world economy is expected to grow at 3.6% in 2014 and at 3.9% in 2015, compared with a growth of 3.3% in 2013 and this growth is expected to be largely on account of recovery in the advanced economies. Although the Group is not directly engaged in trade or international markets, needless to say, the performance of the world economy will have ramifications on the Sri Lankan economy in regard to foreign remittances, exports and other industries of which we are a vital part of the value chain. For many emerging markets and developing economies in particular, stronger external demand from advanced economies is expected to increase growth which augurs well for Sri Lanka's exports, diversification of business and new investments.

The pace of infrastructure development in the country in several thrust areas of the economy such as transportation and tourism has been most encouraging. It is expected that the accelerated development of these projects would stimulate and facilitate investment and also the achievement of the Millennium Development Goals. These activities would also increase the contribution to economic growth from regions outside the Western province and thus reduce geographic disparities in wealth generation between those within and outside the Western province. This is also coinciding with the key area of focus of the LOLC group which plays a dynamic and a growth centric role in the less developed provinces of the country.

One of the key developments during the year under review was the Central Bank's introduction of regulations to promote consolidation in the financial services sector. Given the need for greater strength and stability and enhanced minimum capital requirements in the sector, a consolidation programme is commendable and welcomed by the Group. We are buoyant on the outlook for the industry in a post consolidated environment due to the economies of scale and greater public confidence that it will result in, thus increasing stability and competitiveness in the sector.

Reflecting our Triple Bottom Line approach in business, the SME and Micro finance businesses continue to be key areas of focus for LOLC Group. I would like to note the leadership provided by your Group, who by adopting a model that is unique has contributed much to grow the micro finance sector in the country. This was made possible by its many international funding partners who not only provided the commercial assistance but introduced developmental and technical assistance such as anti-money laundering, Know Your Client Policy, sanction policy and the like even prior to legalisation of these policies in the country.

Reflecting our Triple Bottom Line approach in business, the SME and Micro finance businesses continue to be key areas of focus for LOLC Group. I would like to note the leadership provided by your Group, who by adopting a model that is unique has contributed much to grow the micro finance sector in the country.

The Group continues to be the largest private sector institution in the micro finance sector in Sri Lanka and is 100% foreign funded. Being a leasing company that is engaged in micro financing has meant that LOMC is the only micro finance company in the country to be regulated. We value the contribution we have thus been able to make to the nation's economic objective of "Inclusive Growth", by empowering the marginalised in alleviating poverty, uplifting living standards and empowering women through not just financial support but skills development and knowledge sharing. The Group is also particularly proud to have been an active player in the post war resurgence of the North & East where, by providing credit facilities we have been able to help rebuild lives and livelihoods and rekindle the entrepreneurial spirits of this segment of the population.

In keeping with the Group's sustainable approach in business it will also continue to integrate social and environmental value creation into business strategy. The Group's recent emphasis on sustainable development by formalising appropriate policies and procedures is yet another milestone in its efforts to work closely with the community in the social, environmental and economic spheres. To this effect, the Group Sustainability Committee was reinstated under my direct supervision. The committee comprises of senior executives of different business units to formalise a Group wide sustainability policy. This initiative is approached in two ways; internally - cost effective environment-friendly efforts such as rain water harvesting, waste water recycling, solar power and sustainable lighting, managing electronic waste, recycling paper and envelopes, combined with training and awareness programs to develop a sustainable mind set amongst our employees and customers. I would like to make special mention of the steps taken by us to educate and inculcate these values especially amongst our micro credit customers who are directly involved with the resources and environment in their day to day activities and implementation of their livelihood programs.

Externally, as a Group, we thrive to empower women entrepreneurs. This theme stems from our existing business model not just in micro finance and related value chain, but also in other sectors such as leisure, plantation etc. where we observed the significant contribution from women to the economy and to the society at large. Therefore the committee unanimously agreed on "Empowering Women" as one of its key sustainability thrusts. For instance - in the micro sphere, women not just foster the children and look after house hold, they are also the bread winners of the family in most cases. By empowering these women, not only would we alleviate poverty and upgrade social standards, but most importantly we would also assist in building a generation.

LOLC will continue to follow a very agile business model which has been a key factor in its ability to identify and grasp opportunities for value creation, and to respond to fast changing trends and landscapes. A young and dynamic workforce also continues to be a key to the dynamism with which the Group envisions and performs.

Whilst the Group has evolved today to become a leading conglomerate with a diverse portfolio, the Financial sector of the Group, comprising the entire gamut of financial services of Leasing, Insurance, Micro and SME finance continues to account for as much as 70% of Group income and 55% its profits. The years ahead will see an increased contribution from the non financial businesses and the Group's recent acquisitions which are being re-positioned and primed for growth.

Corporate Governance is about engendering trust, and hence about effective, transparent and accountable governance by the management including the Board- the highest governing body. Your Group believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. Our close association with ORIX Corporation, a global financial institution, has been an important source and a benchmark for the best practices and standards the Group has adopted and which it will continue to review and enhance.

I would like to thank the Board of Directors including the two directors from ORIX, for their continued support and guidance and the entire team that makes up LOLC Group for their dedication and commitment and to our shareholders, customers, funding partners and bankers and all other stakeholders, a sincere appreciation for their support and the confidence placed in us.

Supported by an agile business model, a commitment to professionalism and ethics and an enhanced local and global economic environment, we are buoyant on the year ahead to explore avenues for sustainable growth and partner efforts to create inclusive growth in the country, as we also look to flourish as a truly global enterprise.

Rohini Nanayakkara
Chairperson

Deputy Chairman's Statement

Capturing local and international marketplaces...

Dear Shareholder,
Our entrepreneurial journey has been a pioneering one.

LOLC in 1980 was formed with the aim of financing income generating assets for the SME sector who was considered un-bankable by the formal financing channels. LOLC was built on this strong objective and even today the Group's primary focus is to uplift the livelihood of the SME/Micro sectors.

This is what we are good at and our main focus is on.

Having introduced Leasing to Sri Lanka, LOLC soon evolved to become a premier financial solutions provider and then to become the largest Non-Bank Financial Institution in the country. In over three decades of business, and in the post war years in particular, the Group has grown rapidly and diversified to be one of Sri Lanka's leading conglomerates today. The Group's portfolio today, broadly categorised as Financial Services and Non Financial, encompasses Leisure, Plantations, Agri Inputs, Renewable Energy, Construction, Manufacturing and Trading and Information Technology.

The Group performed well amidst a challenging environment to achieve a 22% growth in profits over the previous year with a Profit Before Tax of Rs. 4.5 billion, and a revenue of Rs. 45 billion.

The year under review saw the Group focus on the re-positioning and restructure of its recent acquisitions and new investments. All Leisure investments across the Group were repositioned under one subsidiary for efficient management and realignment.

A new strategic plan was initiated during the year to place Brown and Company on a growth platform to harness the tremendous potential we have identified in the brand, its products, and the synergies it can offer in the SME and Micro Finance sectors of LOLC Group. The year ahead will see the implementation of these strategies.

In the highly competitive market in the service industry, the dedication, determination and talents of our people have been the key differentiator and the corner stone of the Group's success and growth. We are heartened by the accolade from our employees who have ranked all three Group companies, which took part in the first ever survey conducted by the Great Places to Work Institute, to be amongst the top five "Great Places To Work" in Sri Lanka.

LOLC welcomes the consolidation of the financial sector initiated by the Central Bank. A look at the world's financial markets demonstrates that most of the countries which have undergone consolidation have benefited from positive results such efforts have yielded. In this context, consolidation will reinforce Sri Lanka's financial sector with a few large players competing on a level playing field, auguring well for the stability and sustainability of the industry.

Consolidation would also ensure better protection to the deposit holders and the public at large and the industry will benefit from economies of scale and economies of scope, facilitating greater international competitiveness and growth. All 3 financial institutions within LOLC Group- Lanka ORIX Finance PLC., Commercial Leasing & Finance PLC., and LOLC Micro Credit Company are categorised "A" as per the Central Bank classifications, and they are currently exploring the potential for acquisitions of "B" category entities.

The contribution we make towards the country's developmental goals is one which we hold high and is intrinsic to the Triple Bottom Line approach to enterprise that we have adopted. LOLC Group's core area of business has always been the micro and Small and Medium Scale Enterprises (SME sector) of the country accounting for 90% of its clientele.

The Group is also proud to have pioneered several initiatives in the SME and micro finance sectors of the economy. Whilst we introduced leasing and factoring to the SME sector three and a half decades ago, LOLC Insurance was the first and even today the only company to offer life insurance solutions to the micro finance sectors of the economy. In less than two years of operations, LOLC Insurance Company has become a success story, with a rapid growth in its general and life book and offering innovative products in a competitive market. Plans are also underway to segregate life and general insurance units of LOLC Insurance

In the highly competitive market in the service industry, the dedication, determination and talents of our people have been the key differentiator and the corner stone of the Group's success and growth. We are heartened by the accolade from our employees who have ranked all three Group companies, which took part in the first ever survey conducted by the Great Places to Work Institute, to be amongst the top five "Great Places To Work" in Sri Lanka.

Company to become stand-alone insurance companies as per the direction given by Sri Lanka Insurance Board.

Our micro finance arm - LOLC Micro Credit Limited, has a unique business model that has made it the largest private sector micro finance institution in the country in less than five years since commencement. LOMC, which is regulated by CBSL, has a partnership with FMO, the Dutch Development Bank that acts as a pillar of strength with their expertise and know how in the international micro market. LOMC also has a pool of international funding lines and 100% funded by foreign funding. These institutions not only offer us commercial assistance but also technical assistance on micro finance.

The competitive advantage of the Group has always been its array of international funding partners. Most of these multilateral institutions have a long standing relationship with LOLC. The Group has one if not the largest range of external funding partners in the country, who work closely with the Group in many endeavours. They consider LOLC Group not only as their preferred conduit but also as a catalyst to achieve their development and commercial goals, may it be in SME development, micro enrichment, North and East resurgence or renewable energy. Their valued contribution beyond funding has enabled the Group companies to attain operational excellence, fine-tuned processes, environmental standards, early compliance good governance and state-of-the-art IT systems. I would like to extend my sincere appreciation to all of them for their continued support, guidance and mostly the confidence they have placed on LOLC Group.

Our strategy to expand internationally has been on course. In the year under review, we launched our first fully owned overseas subsidiary – LOLC Myanmar Micro Finance Company. In the first few months of its operation, it has become a success story with a 20 manned operation. It has already opened its 3rd branch and established a portfolio of USD 750,000 and an outreach of 5600 active borrowers. With our exposure in PRASAC – one of the largest micro finance institutions in Cambodia coupled with our local micro finance experience, we are confident that LMM will be one of the sought after micro finance companies in the region in a short time span.

ORIX Corporation of Japan who has been our pioneering shareholder since inception, celebrates its 50th year in business this year. Let me convey my congratulations to its Board of Directors and employees. LOLC is proud to be associated with this leading international group who has had a significant influence on the Group's evolution, and continues to facilitate knowledge sharing, technical support and best practices in the Group.

I would also like to convey my sincere appreciation to the current Chairman and CEO of ORIX Corporation, Mr. Yoshihiko Miyauchi who resigns from this position in June 2014, to take up the role of Senior Chairman. Having served for many years as Chairman and CEO of ORIX, the visionary leadership and tremendous contribution he has made will continue to inspire us as well to strive for excellence.

I would also like to express my sincere gratitude to our Board colleagues for their guidance and constant support and to all our funding partners for their constant support. And my very sincere appreciation to our strong team for their unwavering commitment and passion and tireless efforts that continue to drive the Group forward. I also extend a very sincere thank you to our shareholders, customers, business associates and other stakeholders for their support and confidence placed on us.

The healthy diversity of our portfolio and our presence in all growth sectors of the economy position us well to "flourish" and sustain profitability and growth into the future.

Ishara Nanayakkara
Deputy Chairman

Group Managing Director/CEO's Review

A vision of flourishing prosperity for every Sri Lankan

The year under review saw another year of a solid performance by LOLC, supported by a consistent strategy, a strong management team, supportive clients, customers and shareholders, and, above all, our great people. And this performance was despite some unfavourable conditions in terms of slow credit growth and high Non Performing Loans (NPL's). The results have strengthened our foundation to sustain the Group's aspiration to be Sri Lanka's most innovative and competitive corporate.

Let me provide some highlights of the performance during the year:

Income from financial services grew by 20% from Rs. 22.9 Bn to Rs. 27.5 Bn reflecting the growth in lending business by the two listed finance institutions – Lanka ORIX Finance PLC (LOFC) and Commercial Leasing and Finance PLC (CLC) and our micro finance arm, LOLC Micro Credit Company (LOMC).

The Group has recorded topline of Rs. 45 Bn mark, the highest ever for the Group. This represents largely the interest and other related income earned from the financial services sector and the trading sector.

The Group posted Rs. 4.5 Bn Profit before Tax (PBT) mainly from its core business financial services, despite the challenges in both macro and micro environments.

The Group's asset base continued to grow during the year to Rs. 175 Bn from Rs. 163 Bn in the previous year. The lending portfolio reached Rs. 90 Bn.

LOLC as a Company continued to consolidate its position as a holding company and further reduced borrowings, thereby strengthening the gearing position to 0.42 times. The borrowing portfolio of the Company reduced from Rs. 18.3Bn to Rs. 13.8 Bn.

As for the macro environment, the domestic economy performed stronger compared with 2012 as growth in Gross Domestic Product (GDP) rebound to 7.3%, reflecting a strengthening of domestic demand, exports and increase in tourism.

The Agriculture sector bounced back strongly in the second half of 2013 to record a growth of 4.7 % compared to a growth of 5.2 % in 2012. The Industry sector recorded the highest sectoral expansion achieving a strong growth of 9.9 % during 2013, largely driven by Construction and Manufacturing sub-sectors whilst the Services sector which continued to be the dominant sector of the economy, grew by 6.4 % during 2013 (compared with a 4.6 % growth in 2012) mainly driven by higher growth in wholesale and retail trade, hotels and restaurants, transport, banking, insurance, and real estate.

Interest rates remained low during the year, combined with a stable exchange rate and record low levels of inflation. The Current Account deficit narrowed significantly whilst the relaxed monetary policy stance adopted by the Central Bank in December 2012 continued in 2013 facilitated by mild inflation and inflation expectations.

LOLC positioned itself well to capitalise on the prevailing environment despite a sluggish credit growth and the challenges to recoveries that the Group and the entire financial sector faced. In fact, with the recent financial sector consolidation proposed by the Central Bank of Sri Lanka (CBSL), we are confident that we will be presented with unique opportunities within the industry. Consolidation will reinforce the local financial system with a few but solid and large players competing on a level playing field.

CBSL has classified all NBFIs in to three categories A, B and C based on their financial stability and resilience, with a view to consolidate Cs and Bs to the A category.

As for us, all three financial institutions in the group - LOFC,CLC and LOMC are classified as A category. Thus, we are presently evaluating some of the B category institutions that can complement our existing businesses.

The outlook for the next few years is one of sustained rapid growth which will primarily be driven by an easy access to private sector credit and the continuing expansion of infrastructure. Moreover, an improving external environment, higher investments, and a recovery in domestic consumption would also support stronger GDP growth .

The outlook for the next few years is one of sustained rapid growth which will primarily be driven by an easy access to private sector credit and the continuing expansion of infrastructure. Moreover, an improving external environment, higher investments, and a recovery in domestic consumption would also support stronger GDP growth.

Domestic output is expected to increase in response to changing lifestyles of people and increasing penetration into global markets. In order to increase the production capacity of the country, the CBSL projects investment activities, to expand continuously while greater emphasis on manufacturing output is also expected to stimulate demand for services such as Trade, Transportation, Communication and Banking. The growth potential of the sub sector of Tourism and related services is also expected to contribute.

In the year just begun, the Group will concentrate on the broad strategic themes of expansion, improvement and investment.

As for the International expansion, LOLC Myanmar Micro Finance Company (LMM) – the first fully owned overseas subsidiary of LOLC, is a success story from the beginning. In just less than 12 months, it has a fast growing portfolio of USD 750,000 with an active borrower base of over 5,600 and 3 branches at the end of June 2014. With this kind of rapid growth, LMM is expected to grow beyond leaps and bounds in its first year of operations.

We also vigorously explore other similar opportunities in the region, particularly in Cambodia, Indonesia and Laos to expand our micro finance portfolio. In this connection, we have already found potential strategic partners within our multilateral funding agencies that share similar vision and are very keen to be part of these strategic initiatives.

Browns Group, our subsidiary with a 137 year heritage, is presently going through a comprehensive strategic review with the assistance of external consultants. At the end of the next financial year, we will reap the benefits of this ongoing restructuring and reengineering process.

Investment in the Leisure sector seems promising with a considerable progress made in the hotels under construction. The Turtle Beach, a 172 five star hotel in Kosgoda is on track for its opening early next year. The Beruwala resort - our principal project in the pipeline with 363 keys, will be the biggest resort in the country upon completion. Our latest addition to the hotel chain – The Calm, a 71 key four star hotel in Passikudah will be opened in due course.

Our hotels in operation – Eden Resort and Spa, Dickwella Resort and Spa and Green Paradise have surpassed our expectations and are keen to raise the bar even higher within our leisure portfolio in the coming months.

Whilst we progress towards our objectives, there is still work to do. We are focused on further improving our operating performance in certain key areas such as in NPL management and internal processes that impact customer satisfaction.

As we stride forward with our strategy, we have also looked anew at how we manage our portfolio, and a clear set of strategic themes will drive our decisions about investment, people and innovation.

The Group's flagship companies - LOFC, CLC and LOMC which are now mature businesses, generate much of our cash flow and profit. We will continue to invest in them to ensure their "smooth running" and to equip them to harness their full potential and create additional value. We have also identified priority areas for growth for the year ahead; namely insurance, and leisure which are also key drivers of the economy.

To my mind, good governance is at the heart of performance. Our governance approach and mechanisms are discussed at length in the Corporate Governance Report later in this Annual Report.

I firmly believe that our commitment to excellence in financial performance must be matched by an unrelenting focus on integrity and on being a responsible company- to society and to the environment whilst delivering sustainable value to all our stakeholders.

In summary, 2013 was another year of solid performance for LOLC, thanks to the committed board of directors, dynamic management team, long standing business partners, confident customers coupled with an energetic team and focused strategy.

As we look to the year ahead and beyond, we are buoyant on the many opportunities in a vibrant economic environment which the Group will harness, to continue its track record of growth and sustainable value creation whilst also contributing to realize a vision of seeing every Sri Lankan flourish. The Board remains confident for the year ahead!

Kapila Jayawardena
Group Managing Director/ CEO

Responsible investments and growth initiatives

Our success depends on how well we respond to the needs of society in general and the communities we serve. The foundations of our long-term sustainability are the strength of our relationships, the quality of our resources and how effectively we are able to leverage them to the best advantage of all our stakeholders and in particular our customers and shareholders.

Financial Services
Agriculture and Plantations
Leisure
Renewable Energy
Construction
Manufacturing & Trading
Overseas Expansion
Other Strategic Investments

"As the demand for innovative, reliable and secure financial services continues to grow, your company continues to deliver value to our customers more strategically and more effectively than before."

GROUP PERFORMANCE

As the demand for innovative, reliable and secure financial services continues to grow, your company continues to deliver value to customers more strategically and more effectively than before. Although the year under review was a challenging one for the nation's financial sector, the LOLC Group continued its trajectory of steady growth, with profits before tax (PBT) rising by 22% to Rs. 4.5 billion during the year.

When considering overall profitability, our core business of financial service provision was the biggest contributor, although our other sectors also performed admirably. We also welcomed the continuing reductions to interest rates in 2013 as it is likely to spur an increase in the demand for SME lending which will drive growth in that sector as well.

The Group has pursued a strategy of portfolio diversification since 2009, which has positioned us strongly in potentially high growth sectors such as leisure, manufacturing & trading, construction, agriculture and plantations, renewable energy, overseas expansion and other strategic investments.

In 2013/14 we have focused on consolidation while re-positioning and re-structuring our more recent acquisitions; with strategies designed to ensure the Group and all its sectors are powerfully placed with regard to sustainable growth and profitability.

On the downside however, Sri Lanka's agriculture sector was negatively impacted by severe weather conditions during the first part of the year, which saw a decline in credit demand and delayed recoveries of customer payments as well.

Other achievements

Lanka ORIX Finance PLC, LOLC Micro Credit Ltd and Commercial Leasing & Finance PLC were all ranked within the top five Great Places to Work in Sri Lanka after participating in the Great Places to Work survey conducted in 2013. The LOLC brand also won Best Financial Services Provider - 2013 at the SLIM - Nielsen Peoples' Awards 2013 and the LOLC Micro Credit Ltd. became the first Sri Lankan Micro Finance Institute to be bestowed the Client Protection Certification from SMART Campaign.

Lanka ORIX Information Technology Services (PVT) Ltd. won Gold as the Best Islamic Finance IT Solutions Provider whilst Al-Falaah, the Islamic Business Unit of LOFC won two Silver awards as the Islamic Finance Entity of the Year and for the Islamic Finance Product/Deal of The Year. The Islamic Business Unit of LOFC also won a Merit Award for Social Upliftment Recognition.

Financial Services

Key performance

	2013/14 Rs'000	2012/13 Rs'000
Revenue	30,319,104	26,145,084
PBT	4,133,259	3,398,987
PAT	3,040,342	2,281,160
Total Assets/ Capital employed	146,386,740	137,568,611
Total Equity	32,156,443	18,909,654
Total liabilities	114,230,297	118,658,957

LANKA ORIX FINANCE PLC

Lanka ORIX Finance PLC (LOFC) has now consolidated, becoming one of the biggest Non-Banking Financial Institutions (NBFI) in Sri Lanka. ICRA Lanka Ltd has affirmed our rating of [SL] A- with a negative outlook.

The company achieved significant growth in profits during the year, mostly driven by the growth in interest income. Profit Before Tax (PBT) reached Rs. 1.4 billion (after making a provision of LKR 1.3 billion for bad and doubtful debts), which is a growth of 45% over the previous year.

Customer deposits grew by over Rs.10 billion during the year and these monies were utilised for asset growth and the settlement of bank borrowings.

The operating expenses of LOFC increased by 45% during the year, in keeping with the growth in business. We continued to expand our branch network with 4 new branches opening at Ambalantota, Digana, Kuliyapitiya and Nittambuwa. We also launched 2 student savings centres at Fathima Muslim Ladies College, Colombo 12 and at the D. S. Senanayake model primary school in Anuradhapura.

In addition, 5 cash collection centres were amalgamated with their respective supervisory branches, to ensure greater efficiency.

The company's auto finance business saw credit growth slow to 7% during the year, down from the 22% recorded in 2012-13. Sundry loans and the factoring portfolios recorded growth figures of 18% and 3% respectively, which contributed to credit growth and offset the decline in finance leasing (by 5%) and hire purchase (by 67%), in comparison to the previous year.

In the fixed and savings deposits businesses LOFC continued to maintain strong deposit growth during the year under review, with the deposit base growing by 33% to exceed Rs. 42 billion as at 31st March 2014. It is encouraging that all categories of deposits saw encouraging levels of growth, contributing to an overall increase in deposits.

Islamic deposits grew by 54% while foreign currency deposits grew by 29% and conventional deposits by 31%. Balances in savings accounts constituted 3% of the total deposit base, reaching Rs. 1.2 billion as at 31st March 2014.

The continued reduction in interest rates has resulted in a significant shift in the maturity structure of deposits with fixed deposits placed for 4 and 5 year tenures exceeding 26% of the total base, compared with 8% as at 31st March 2013.

This has also seen a material increase in 'UnFixed' deposits from 0.63% of the base a year ago to 19.32%, echoing customer expectations of a reversal in the interest rate regime.

A key initiative during the year was the launch of the Lanka ORIX Finance Fixed Deposit Bond in March 2014 which is expected to storm the market in the coming year. The most unique features of this deposit product are its tradability and its maturity value confirmed up-front on the deposit certificate.

This is a 'Deep Discount Bond' which ranks pari pasu with fixed deposits.

LOFC continues to lead in foreign currency business in the NBFI sector, giving customers the opportunity to hold SFIDA, RFC and NRFC accounts as well as to use inward worker remittances. Strategic alliances with exchange houses in the Middle East and Italy have seen over US$ 7 million channelled through LOFC, in addition to remittances sent directly through the banking system.

We continue to offer our customers special savings, credit and insurance schemes. We also offer free life insurance to migrant workers who make remittances through LOFC.

Though the company expanded its branch network in the year under review we were able to control our cost to income ratio to 44%. A strong collection mechanism

Financial Services

ensured that the non-performing loan ratio was maintained at 5% and was 5.13% as at 31st March 2014, compared to 5.3% in 2013.

SME AND DEVELOPMENT FINANCE

The SME and Development Finance business unit recorded an excellent performance during the year just ended, with turnover growing by 48% over the previous year to reach Rs. 26 billion.

The asset/lending portfolio of SME financing stood at Rs. 33 billion at the end of the financial year. The year under review also saw this unit launch the product extension for Speed Draft and as a result, the executions of Speed Draft facilities grew substantially, averaging Rs. 500 million in disbursements per month.

The topline performance of term loans (for registered vehicles) during the year also recorded significant growth, contributing 38% to total disbursements.

ISLAMIC FINANCE

AL-FALAAH

The Group's Islamic Financial Service was launched in 2007 as Al-Falaah, which is strategically housed under the regulatory framework of Lanka ORIX Finance PLC.

Al-Falaah offers a wide range of Shari'ah-compliant services as relating to Islamic trade and commerce. These services are offered at all licensed LOFC branches island-wide. LOFC also operates 5 dedicated Al-Falaah outlets in Akurana, Oddamavadi, Kattankudy, Kalmunai and Akkaripattu. A dedicated in-house Shari'ah Supervisory Board (SSB) and an in-house Shari'ah advisor (ISA) undertake periodic product and process supervision and evaluation, staff training and assessment tests and quarterly transactional audits, in order to maintain compliance with the principles of Islamic trade and commerce.

During the year under review, Al-Falaah's contribution to LOFC's consolidated asset base amounted to 12%, compared to the previous year's figure of 10%. The contribution from Al-Falaah to LOFC's liabilities showed a similar ratio of 12% and 10% over the last 2 years.

Al-Falaah is proud of several national and international accolades we have received over the years for business excellence, product innovation and financial disclosure.

Awards received during the year under review included:

- Runner-up, Best Islamic Leasing Provider (Asia/MENA/GCC region)
- Runner-up, Best Islamic Bank (Country award - Sri Lanka)

Both of the above awards were received at the Islamic Finance News (IFN) global polls awards held in Kuala Lampur, Malaysia, in February 2014.

- Islamic Finance Entity of the Year - Silver award
- Islamic Finance Product/Deal of The Year - Silver award (Al-Falaah Ladies Business Unit / EMPRESS Discount Card)
- Social Upliftment Recognition - Merit award

All of the above awards were received at the Sri Lanka Islamic Banking and Finance Industry Awards 2013.

In the year ahead, Al-Falaah will introduce Takaful and micro finance services. We also plan to expand the number of dedicated Al-Falaah centres (currently numbering 5), in key strategic locations in Sri Lanka.

COMMERCIAL LEASING & FINANCE PLC (CLC) AND COMMERCIAL FACTORS PVT LTD

Commercial Leasing & Finance had more than one reason to celebrate in 2013. We celebrated our 25th year in business in April, while also recording an excellent business and financial performance in a challenging industry environment.

Droughts and floods during the first half of the year had an adverse impact on the agriculture sector, bringing pressure on recoveries and increasing NPL's during the year under review. CLC however, demonstrated great resilience and performed well.

Despite a higher provisioning for bad debts, the company was able to achieve a Profit Before Tax of Rs.1.2 billion, contributing 29% to the Group's profitability.

We also achieved a record high in the disbursement of facilities, amounting to Rs. 18.5 billion. CLC ended the year with a portfolio growth of 10%, which increased to Rs. 27.5 billion by the financial year end. The company maintained its position in Sri Lanka's top five NBFI's, reckoned by portfolio value.

Another key achievement during the year was a sharp growth in the value of deposits; from Rs. 2.9 billion to Rs. 7.5 billion, an achievement made all the more significant by the fact that the company is only 2 years old as a deposit taking financial institution.

CLC added 20,000 new customers to our portfolio in the year under review.

A further decline in interest rates during the year in a low interest environment that continued from last year also supported CLC's performance, due to reduced cost of funds and a higher market appetite for borrowing seen towards the latter part of the year.

We focused on our main product lines and on strengthening our existing branches while keeping our overall strategy simple, due to market conditions. Strong partnerships forged with our business associates enabled us to offer several unique options to our clients, which were well received by the market.

Commercial Factors is the factoring arm of CLC. This division achieved a 42% growth of its new business portfolio, as compared to the previous year. However the total gross portfolio of the division decreased by 14% compared to 2012/13, due to the highly competitive environment created by the significant reduction in interest rates. Despite this drop in portfolio strength, the division contributed 9% to CLC's total revenue.

Commercial Factors continued to make good progress in seeking alternate markets to the extremely competitive Western Province. This was driven through CLC's extensive branch network, which made it possible to educate businesses across the country about how to leverage factoring services in carrying out their business activities successfully.

These efforts resulted in Commercial Factors concluding the year with almost 50% contribution from the regions to the new business portfolio. The new strategies adopted by CLC in order to build market awareness and our vigorous expansion to the regions will see Commercial Factors viewing 2015 with optimism, as we reinforce our position as one of the biggest factoring/working capital solution providers in Sri Lanka.

LOLC MICRO CREDIT LTD

In the period under review, LOLC Micro Credit (LOMC) completed its 5th anniversary, recording unprecedented growth over the last 5 years. It is heartening that a company so young has been categorized as an "Anchor" institution as per the guidelines of the Central Bank of Sri Lanka on the consolidation of the financial sector. The "Anchor" classification from the CBSL not only affirms that LOMC meets the criteria to be a stand-alone financial institution with an asset base of Rs. 20 billion but is an endorsement of the company's high standards of governance and compliance.

The year under review was the most challenging one we have faced. Gold prices worldwide dropped by 28%, significantly impacting the gold-backed loans portfolio, while climate change and higher duties on tractors negatively affected our agri-business sector although we remain the largest agri-implement financier in the country.

These factors contributed to a temporal rise in NPLs and a slowdown in business. However, despite these challenges, the total assets of the company grew by 24% and the total loan book increased by 13% during the year.

We also achieved a pre-tax profit of Rs. 1 billion, (after making provisions of Rs. 635 million for bad debts), thus demonstrating the strength of our business model. The microfinance portfolio grew by 17% and our active borrower base grew to193,767.

A highlight of our performance during the year was LOMC's achieving the "SMART campaign certification for Micro Finance", placing the company amongst a handful in the world to be awarded this certification. This is an independent endorsement of our commitment to responsible lending.

Another noteworthy achievement during the year was the selection of LOMC's successful business model as a case study by the INSEAD Business school, one of the top 10 business schools in the world.

During the year the company recruited 100 loan officers, bringing the total number of loan officers to 385 and making the LOMC sales force one of the largest in Sri Lanka's financial sector.

Our entire balance sheet continued to be funded by overseas partners who remain steadfast in their support of the company's growth and of its role as a conduit for nation building through our micro- finance business.

We are buoyant at the prospects for LOMC and we believe we are strongly positioned for steady growth over the next five years. A continuing low interest regime also supports favorable financial projections. Our objectives for the medium term include broadening our range of financial services to target the micro-sector, SME's, salaried employees and business professionals.

WORKING CAPITAL BUSINESS UNIT

The year under review was significant in many ways for the working capital business unit of LOFC. The year was a very positive one especially in May 2013, as our total portfolio crossed a milestone of Rs. 5 billion for the first time. Significantly, this was also the month in which we introduced a home grown factoring solution to the business.

Financial Services

The second half of the year however, saw a drop in portfolio due to sharp decreases in market interest rates.

Milestones achieved during the year include:

- Rs 4.5 billion total portfolio average for the year - the highest recorded ever
- The first 5 months of the year consistently recorded an average turnover exceeding Rs.107 million per month
- A record annual turnover exceeding Rs.1,135 million
- A net profit of Rs. 33 million per marketing employee

This business unit also continued to record the highest gross interest margin within the financial services sector of the Group. This was in addition to consistently maintaining its position as the business unit with the lowest costs

LOLC INSURANCE COMPANY LTD

Now in its second year of operation, LOLC Insurance Company continued to expand our business rapidly, with emphasis on Life Insurance.

The Gross Written Premium (GWP) of the company increased by 25% over 2012, to reach Rs. 1.774 billion during the year. The GWP for General insurance was Rs. 1.5 billion while Life insurance reached Rs. 274 million, growths of 15% and 158% respectively, over the previous years.

Total claims paid to customers increased to Rs. 661 million compared to Rs. 581 million in the previous year.

In the year under review, the company focused on creating the distribution infrastructure for field-sales in the Life Insurance Assurance domain. Despite the increased expenses and the impact of new business on Life Insurance Assurance operations, the company made a modest profit of Rs. 37 million, mostly contributed by General insurance operations.

In 2013, Sri Lanka's insurance industry mainly focused on gearing to implement the new industry regulations that will be effective in February 2015. The Regulation of Insurance Industry (Amendment) Act No. 3 of 2011 requires that composite insurance companies segregate the Long-term (Life) and Non-life insurance businesses into two separate entities by the beginning of 2015.

The Insurance Board of Sri Lanka (IBSL) is working very closely with all composite companies in matters pertaining to the segregation of the life and non-life businesses. Simultaneous to this change, the minimum capital requirement will increase to Rs. 500 million, per line of business.

The regulation also stipulates that a Risk Based Capital (RBC) regime will be the primary tool for capital regulation from 2016 onwards. In 2013, the IBSL commenced RBC reporting on a voluntary basis which became mandatory for all companies with finalized rules in 2014.

LOLC Insurance participated in voluntary reporting last year. From Quarter 1of 2014 onwards, companies were required to provide RBC reporting on a quarterly basis, parallel with the current solvency reporting. During the year, LOLC Insurance made considerable progress towards ensuring a smooth transition and we believe that we will be well prepared for compliance with the regulations by February 2015.

LOLC SECURITIES LTD

LOLC Securities Limited is the Group's stockbroking division. The company continued to record strong growth, establishing itself as a dominant player in the stock broking industry in only its third year of operations.

Since inception in 2011, the company has captured a significant market share, achieving the highest brokerage turnover for the month in December 2013, from amongst 28 brokerage houses.

Despite subdued local market conditions LOLC Securities was also able to maintain profitability, supported by aggressive market penetration and a streamlined cost structure.

Sri Lanka's stockbroking industry performance continued to be lacklustre during the year, with low turnover due to reduced activity amongst local retail investors. However, attractive valuations at the bourse continued to draw foreign investors during the year, enabling the Colombo Stock Exchange to record the second highest ever net foreign inflow (in a calendar year) since 2012.

We continued to expand our business in the domestic retail market and we were able to double our client base during the year through several market expansion strategies. It is also noteworthy that your Group was able to attract new investor segments including Islamic investors who require specific Shari'ah compliant investments.

Our wide geographic reach through our branch network in Galle, Kurunegala and Matara also played a significant role in the expansion of our client base.

LOLC Securities was also active in executing several strategic deals in the equity capital market in a year where there were few such structured deals. We concluded several strategic investments during the year, providing expertise to high-end investor segments.

While strengthening our existing domestic client base, development of the company's foreign business remained a key objective during the year. With this in mind, we participated in roadshows organized by the Colombo Stock Exchange and the Securities and Exchange Commission, in Dubai, Hong Kong and Singapore. The company held several private meetings with fund managers based in these countries and we were able to demonstrate Sri Lanka's investment potential to foreign investors while establishing a network of foreign contacts for the company to leverage in the future.

LOLC Securities' research has earned a strong reputation from high-end to local retail investors, for the independence and accuracy of its findings. This continues to be a key strength. We are very aware that operating in fast-evolving capital markets requires us to be nimble, able to respond to and adopt new capital market products.

2013 was a breakthrough year in the corporate debt capital market, as it recorded the highest value of debenture issues. LOLC Securities therefore created systems and processes to facilitate secondary market transactions in the debt market and trained the sales teams to carry out transactions in the fixed income space. The fixed income market is expected to play a significant role in the company's future strategy.

The outlook for equity investment in Sri Lanka looks positive, in an environment of lower interest rates and stable macroeconomic fundamentals, with significant interest shown by foreign investors.

FLEET MANAGEMENT

The year under review saw LOLC Fleet Management consolidate its position in the short and long-term markets. Products under Fleet Management showed moderate growth whilst reinforcing the company's position in the market.

Growth was mainly in the short-term rent-a-car market, as the company dedicated more vehicles to this segment. Our service levels also rose to a higher level following the introduction of new parameters to ensure the desired standards of service.

The potential of the short-term rent-a-car market has been identified as lucrative, if targeted at the right customer at the right rental. Your company will continue to concentrate on growing this market, thus infusing more assets in order to ensure a higher turnover.

The company also seeks to establish a presence in the equipment hiring market, in order to increase our contribution to the portfolio by 25%. We have made considerable progress towards this end. We will also revamp our fleet of vehicles, to increase our presence in the market, as we believe that introducing more hiring-related products will pave the way to market leadership.

LOLC MOTORS LTD

LOLC Motors Limited (LOMO) is responsible for maintaining the entire fleet of around 1,700 vehicles leased out by LOLC. The Sri Lanka Navy and Air Force are among our key customers whose expectations we continue to exceed through our commitment to product and service quality.

At our inception in 2010 we pioneered and implemented "green house technology". Rain-water harvesting and waste-water treatment and recycling are now in practice at our workshop, enabling us to reduce dependence on the main water supply.

With regard to electricity consumption, we capture maximum natural lighting during working hours, thus reducing our dependence on the national grid by more than 50%.

LOLC Motors operates a state-of-the-art workshop with a floor area of over 5600 sq. meters, offering vehicle servicing and repair services to about 750 vehicles per month, including hybrids. The workshop offers the services of a qualified and experienced team of engineers and technical and supervisory staff.

The total number of technicians is 65, all of who have theoretical and practical training at various technical training institutions.

During the year we were able to reduce the turnaround time for repairs, in collaboration with the relevant insurers.

Agriculture and Plantations

Key performance

	2013/14 Rs'000	2012/13 Rs'000
Revenue	3,388,595	3,508,743
EBIT	139,987	575,900
PBT	13,076	466,306
PAT	(8,591)	414,739
Total Assets/Capital employed	9,375,827	9,177,230
Total Equity	6,250,481	6,359,868
Total liabilities	3,125,346	2,817,362

AGRI BUSINESS

Machinery

Brown and Company PLC has served the nation's agricultural sector for over a century and in fact was responsible for the introduction of mechanization to the industry. Today Browns is the sole distributor for Massey Ferguson and TAFE four-wheel tractors. The company also markets Howard Rotovators, BG Trailers, BG Sprayers and other BG branded implements. A subsidiary company, Sifang Lanka (Pvt) Ltd markets light agricultural machinery, including Yamasha branded two-wheel tractors and Sifang mini-combine harvesters

The year under review saw another 'first' achieved by Browns when we launched 'Tractech Mobile' - a fully functional and fully equipped mobile workshop service visiting farming households on demand, to service or carry out any repairs.

Sri Lanka's domestic as well as export agriculture was considerably impacted by adverse weather conditions at the beginning of 2013. Paddy cultivation declined considerably due to severe drought conditions, resulting in a drop in the incomes of farming communities, despite harvesting of substitute crops during the off season.

These factors contributed to an increase in liabilities as well as a decrease in the demand for capital goods from farmers. The impact of these issues on farmers and agri-inputs businesses was further exacerbated during the year by the Government's introduction of a 12% Value Added Tax on four-wheel and two-wheel tractors. It is therefore commendable that Browns' four-wheel and two-wheel tractor segments were able to steadfastly hold their number one position.

The highly competitive four-wheel tractor market is currently dominated by four major players, leaving very little market share to capture. Nevertheless this market saw several new entrants during the year. In response, Brown & Company departed from the usual approach of offering price discounts, instead offering smart leasing options for our tractors. This strategy was well received by the market.

In the two-wheel tractor segment, we strengthened the franchised service agents who are supported by a highly skilled technical team providing a fast, professional service responding to requests from any location within 24 hours. The dealer network for four-wheel tractors which was expanded during the year, will be further strengthened by increasing the number of exclusive dealers. We have identified exclusive dealers as key factors in sustaining the Brown's market share in a volatile market, where competition is expected to intensify further.

Additions to our product portfolio in the year ahead will include combine harvesters, power barrows and seed drills.

As one of many initiatives during the year designed to strengthen and develop our island-wide dealer network, the Company arranged a knowledge-enrichment programme for which TAFE technicians were sent overseas.

Browns also launched a sustainable initiative - the "Browns FMTC Govi Nena Pahana" designed to empower the farming community with technical knowledge and training. The initiative, followed the signing of an MOU with the Farm Mechanization Training Centre (FMTC) and the first three day residential "Govi Nena Pahana" workshop was successfully held in Puliyankulama in Anuradhapura.

"Browns - SAPSA, Sisu Nena Pahana" was a similar initiative designed for the students of the Sri Lanka School of Agriculture, offering training about agricultural machinery and their usage in the field. Browns sponsored and designed course material for the one-day "Sisu Nena Pahana" workshops, which are conducted in collaboration with the National Agricultural Council.

Agstar Fertilizer PLC

In a country with strong traditions of agriculture, Browns Investments have been delivering superior quality organic and inorganic fertilizers that guarantee optimum plant growth, offering farmers and planters the best fertilizers under the

Agriculture and Plantations

umbrella brand name "AgStar". AgStar offers straight fertiliser as well as its own blended fertilizer mix.

Sri Lanka's fertilizer businesses faced severe constraints during the year due to the restrictions of quotas on imports by the private sector on the one hand and overdue delays in the release of subsidies to the private sector, on the other. These factors, common to all in this industry, had considerable impact on AgStar's performance as well.

The restriction on imports resulted in the company's fertiliser imports declining by 15 % during the year, while the delay in the release of subsidies resulted in a 31% increase in the short term finance costs of the company, due to the need to rely on bank funding. AgStar's fertiliser sales during the year dropped by 9% to 57,636 metric tonnes.

Notwithstanding these challenges, AgStar continued to be a key player in Sri Lanka's fertiliser market and in the tea plantations sector in particular. The expertise and experience of our sales team and the strength of the AgStar brand add significant value to our customers. These factors have been cornerstones of the Company's success and will be key elements of its sustainable growth in the future.

Restructuring efforts were initiated at Browns during the year, aiming to bring all tractors and other machinery under one division, thus delivering operational efficiencies to the entire Agricultural segment.

"Browns also offers total engineering solutions, both electrical and mechanical and advisory services on energy management solutions. We also serve as a 'one-stop shop' for Group products such as tractors, batteries, generators and hardware items."

The outlook for the year ahead for paddy farmers as per the projections of the Department of Agriculture, is likely to be as challenging as the year which just ended. Browns will therefore pursue a strategy to streamline internal operations in order to facilitate greater cost efficiencies, in anticipation of a drop in sales volumes across the industry,

Plantations

As described in the agriculture review, the drought that prevailed during the first part of the year also adversely impacted production levels in plantation companies. The Value Added Tax on imports of machinery that was introduced during the year also impacted sales of machinery in the Plantations sector.

Browns supplies tea and rubber machinery to the plantation sector including regional plantation companies, private tea factory owners and state-owned plantations. The company represents some of the best known brands in tea and rubber manufacturing machinery, including Parucco from India for heating and drying solutions, Marshall-Fowler, (a Kenyan company based in India) for a wide range of tea machinery, the Aarkay Group, India for tea driers, Benson Corporation from Taiwan for green tea machinery and Kelachandra Iron and Steel Works from Kerala, India for rubber machinery.

Browns also offers total engineering solutions, both electrical and mechanical and advisory services on energy management solutions. We also serve as a 'one-stop shop' for Group products such as tractors, batteries, generators and hardware items.

Diversification of the portfolio of products and services we offer to the Plantations sector progressed well during the year, seeing the successful introduction of 'Easy Weigh' - an electronic green leaf weighing machine. This innovative product is the first of its kind in the country, enabling the instant recording of the field weight of plucked green leaves. Working in real time, 'Easy Weigh' accurately records an estate's daily crop in relation to a particular field and worker - leaving no room for error or deception. The success of the pilot project launched in the previous year saw these machines go into operation at Talawakelle Plantations, Kelani Valley Plantations, Bogawantalawa Plantations, Maturata Plantations and some private estates as well, during the year under review.

Browns also imported and installed energy-saving withering trough fans at tea factories, enabling a considerable reduction in electricity consumption. Trough fans that previously ran at 10H.P. or more now run at a greater efficiency level, requiring only 50% of the previous power requirement and thus lowering the cost of production of a kilo of made tea.

A pilot project on drip irrigation introduced in the previous year was a success. During the year, Bogawantalawa Plantations expanded the project to include two additional hectares. Drip irrigation is also implemented at an orange cultivation in Wellawaya, expanding the application of this irrigation method beyond tea plantations.

During the year under review, Browns partnered with two plantation companies to provide total engineering services on a 24/7 basis. In addition, Browns will partner Finlays in the development and modernization of their flagship tea factory in the Ratnapura district. This being the second such modernization project that is being undertaken for Finlays, it is a testament to the high standard of the work involved and of Finlays' confidence in Browns.

Browns also plays an active role in preventive machinery maintenance by advising customers about proper maintenance, ensuring proper health and safety standards and conducting an evaluation of repairs. The division also provided all technical input and specialized machinery to the Hingurana Sugar Factory, which LOLC and Browns operate as a public-private partnership, together with the Government of Sri Lanka.

In the Plantations segment, the abundance of aging machinery prompts us to look at expanding our repair and reconditioning services. Given the declining cash flows in the Plantations sector due to environmental and other factors, the use of aging machinery seems likely to continue into the foreseeable future. Ongoing investments in training technicians to service and maintain old and new machinery will thus continue and Browns remains well equipped to provide the required services for such machinery.

The Company will also embark on the construction of a state-of-the-art green tea factory for Bogawantalawa Plantations and we foresees greater involvement with green tea factories in the years ahead.

Maturata Plantations (MPL)

PRODUCT EXTENT IN BEARING OWNED BY MPL

In hectares

Tea	4,847.91
Rubber	392.09
Coconut	127.35
Cardamom	202.77
Cinnamon	10.98
Forestry /Timber - Fuelwood	286.4
- Timber	503.71

Maturata Plantations Ltd (MPL) consists of 19 individual estates stretching across 11,551 hectares. Tea is the main revenue driver, accounting for almost 90% of MPL's overall revenue, with rubber contributing about 7% and coconut and other minor crops making up the balance.

Tea

The extent of tea cultivated by MPL as at financial year end stands at 3,503.24 hectare in the up country and 1,344.66 hectares in the low country. The company utilized good agricultural practices to sustain the tea plantations during the year.

MPL has several strategic initiatives planned to improve productivity as well as the quality of its tea and these include:

- A sustainable replanting program over the next five years. providing an important foundation for the next generation of tea to be harvested.
- Plans to mechanize some of the agricultural practices in order to increase productivity and output.
- The introduction of CTC and Green Teas.

Rubber

During the first nine months of 2013, torrential rainfall reduced the number of tapping days, resulting in a 14.2 % decline in overall rubber production in Sri Lanka, as compared to last year. However, production increased during the last quarter of 2013, supported by favourable weather conditions in major growing areas.

The extent of rubber cultivation in bearing as at the financial year end stands at 392.09 hectares. The company recorded a yield per hectare of 1,266 during the year under review. We plan to increase the extent of rubber cultivation under our purview by planting in non-traditional areas such as Deniyaya. The company has planted a new 194 hectares of rubber, which will come into bearing within the next five years.

The company also plans to invest in reorganizing the factory premises and processes and in acquiring new machinery in order to improve productivity and capacity utilization at its rubber factories.

Cinnamon

Sri Lanka's cinnamon is ranked number one for its incomparable quality, in the international market. Having investigated new revenue-generating crop options, we have chosen to venture into cinnamon production, including cinnamon bark and leaf oil. The company's cinnamon plantations amount to 181.57 hectares in extent in the low grown regions, including those under inter-cropping.

With these extents coming into bearing, the company expects to increase its cinnamon harvest from 5,000 kg in 2014

Agriculture & Plantations

"In the tea segment, the company ranked 2nd in terms of volume in medium grown teas, 7th in terms of overall volume and 9th in terms of net sales averages, from amongst 21 Regional Plantation Companies in Sri Lanka."

to over 145,000 kg by 2018. The company also plans to invest in the construction of a factory to process cinnamon during 2014 - 16, in order to increase revenue.

Pussellawa Plantations (PPL)

PRODUCT EXTENT OWNED BY THE GROUP

In hectares

Tea	2,706.65
Rubber	4,991.11
Coconut	129.61
Cinnamon	21.45
Mixed Crop	19.05
Forestry /Timber	1,398.8

Pussellawa Plantations (PPL) accounts for 2% and 2.4% share of tea and rubber production in the country, respectively.

In the tea segment, the company ranked 2nd in terms of volume in medium grown teas, 7th in terms of overall volume and 9th in terms of net sales averages, from amongst 21 Regional Plantation Companies in Sri Lanka. Five of the company's seven estates are HACCP certified, while 6 are ETP certified. One of our estates is Fair-trade and Euro Gap certified.

The company achieved a 13% increase in our net sales average (at Rs. 322 million) and revenue during the year, despite the many challenges faced by the branded teas market. We reported a loss after tax of Rs. 9.6 million, which was mainly due to a Rs. 255.3 million loss on fair value of biological assets.

The loss was further compounded by an increase in plantation wages which is applicable every two years, as well as a rise in electricity costs.

In our rubber segment, we continued to strive for economies of scale, revenue growth, an increase in market share and more employment opportunities through the increase in revenue extent. The company's crop production increased by 11.3% compared to last year, despite a decline in the country's overall production. This increase in production helped improve economies of scale, with average unit costs increasing by just 1% over the previous year.

Increases in plantation wages and electricity costs were the main components of cost increases during the reporting period.

The average sale price of rubber declined by 11% (Rs. 42.62 per kg) from last year, but we were able to contain the corresponding drop in revenue to just 1% during the year. The Rubber Sale average of RSS1 at Colombo auction declined by 9.5% (Rs. 39.71 per kg) over the previous year.

The company invested Rs. 448.9 Mn in tea and rubber replanting during the year. The immature extent under tea and rubber stands at 2164 hectares at present, valued at Rs. 2,116.8 Mn.

We were honoured by many accolades during the year under review:

Tea sector

At the Forbes & Walker awards :

- All time record prices - Mooloya Estate FBOP/FBOP1 Grades
- All time record prices - Mooloya Estate PEKEO/PEKEO1 Grades
- Improvement in ranking - Mooloya Estate
- Highest improvement in sale average - Mooloya Estate
- Highest improvement in turn over - Pussellawa Plantations Ltd.
- Highest improvement in turn over - Rothschild Estate

At the John Keells awards:

- The Company's Delta Estate mark sold 1.5 million kilograms, at an average of Rs.425.56
- Delta Estate secured No.1 position in the Overall Ranking for Western Medium Grown CTC teas for 2013.
- Delta Estate achieved an All Time Record Price of Rs. 520/- for a PF1 grade in the Western Medium Grown CTC Teas category.
- Delta Estate achieved the 3rd highest average in the John Keells catalogue in the Western / Medium Grown Teas category for 2013.
- Rothschild Estate achieved the Highest Quantity Sold by a Single Tea Factory by a RPC estate from all Elevations 2013.

Rubber

At the John Keells awards:

- The highest quantity (878 MT) sold through John Keells PLC by a regional plantation company in 2013.

"Commercial timber planting programs continued during the year - a triple bottom line initiative which benefited the company as well as the environment, by mitigating soil erosion."

- The highest quantity (247 MT) of Sole Crepe sold through John Keells PLC by a regional plantation company in 2013.

PPL is geared to enhance the mechanization of field and factory operations for improved productivity and efficiency. Reflecting our long-term perspective, we also continued to invest in best practices to drive sustainability in our plantations. Some of these initiatives during the year included the use of under-utilized or un-utilised land to harvest timber and to plant cinnamon. Two hectares of cinnamon were planted under existing coconut trees during the year, at PPL's Salawa estate.

Commercial timber planting programs continued during the year - a triple bottom line initiative which benefited the company as well as the environment, by mitigating soil erosion.

In addition, PPL collaborated with the Mahaweli Authority of Sri Lanka (MASL) to launch a Stream Bank conservation project to prevent stream bank erosion. As part of this project MASL provided saplings of tissue cultured Bamboo - *Dendrocalamus hookeri* (Giant Bamboo) which were planted by the Company on selected stream banks.

Gal Oya Plantations

Gal Oya Plantations comprises of 7,659 hectares of land with approximately 5,200 hectares of cultivatable extent under sugarcane cultivation, which is apportioned to 4,400 farming families. The Plantation's land extent under sugarcane as at 31st March 2014 amounted to 3,441.10 hectares under the Plantation Department and 159.25 hectares of land under the Agronomy Department, whilst the total number of farmers involved in cultivation through the Plantation Department was 3,314.

The LOLC Group has made significant investments in Gal Oya Plantations to date, amounting to over Rs. 3 billion as at financial year end.

Performance during the year

Investments during the year Rs. Mn.	537
New Planting (ha)	1,562
Total Cane area (ha)	3,441.10
No of farmers involved (cumulative)	3,314
Total Harvesting (MT)	154,388,41
Seed Cane (MT)	20,404.34
Commercial Cane (MT)	133,984.07

The Sugar Cane Nursery, which falls under the Agronomy Division of GOPL, was launched in 2010 and continues to play an important role in supporting the sustainability and long-term prospects of the plantations. The Nursery continued with the production of seed and with research on sugar cane agriculture, maintaining over 134 SRI sugarcane clones as a source of future planting materials and Trail programs.

Sugar cane production information for the year commencing 19th May 2013:

Total Cane Crushed	133,768.66 MT
Sugar Bagged from Cane	10,513.28 MT
Impure Sugar Processed	188.75 MT
Sugar bagged from impure Sugar	151.47 MT
Unmarketable Sugar Processed	8.05 MT
Sugar bagged from Unmarketable Sugar	7.25 MT
Rendement	7.86 %
Sugar Sold	10,481.95MT
Income from sales	Rs. 934,944,969.00
Average selling price	Rs. 89,195/MT

Leisure

Key performance

	2013/14 Rs'000	2012/13 Rs'000
Revenue	1,333,855	1,349,411
Total Assets/ Capital employed	20,562,490	16,565,576
Total Equity	14,265,735	13,434,638
Total liabilities	6,296,755	3,130,938

Globally, tourism has continued to grow to become one of the world's fastest growing economic sectors and one of the most important sources of revenue for developing economies; for Sri Lanka, it is the sixth largest foreign exchange earner.

Sri Lanka sustained its post war boom in the growth of the tourism sector with arrivals in 2013 rising sharply by 26.7% over the previous year. It is today one of the most attractive destinations, and many have been the international accolades since the end to the thirty year war. Amongst the latest - The National Geographic Traveler Magazine has named Sri Lanka amongst its top six destinations for world travellers in 2012 describing the country's "many heritage sites, wildlife, lush landscape and pristine beaches"; Conde Nast Traveler ranks Sri Lanka as the sixth best destination for 2012; and Kuoni, in its annual poll, finds Sri Lanka amongst the "top five destinations for UK travellers and the number one destination for weddings" whilst Travel Asia Online in its March 2012 report ranks Sri Lanka the "best place to visit in South Asia".

The growth in Sri Lanka's tourism sector reflects Sri Lanka's attraction as one of the most favoured tourist destinations in the world, as well as the increasing inflows of

"The National Geographic Traveler Magazine has named Sri Lanka amongst its top six destinations for world travelers in 2012 describing the country's "many heritage sites, wildlife, lush landscape and pristine beaches"; Conde Nast Traveler ranks Sri Lanka as the sixth best destination for 2012; and Kuoni, in its annual poll, finds Sri Lanka amongst the "top five destinations for UK travellers and the number one destination for weddings" whilst Travel Asia Online in its March 2012 report ranks Sri Lanka the "best place to visit in South Asia".

strategic investments into the sector. The year under review saw the approval of 36 new hotel projects in Sri Lanka, at a total investment of U.S. Dollars 372 million during the year which would add 2,547 rooms.

This backdrop proved ideal for the LOLC Group to embark on 03 new hotel projects during the year. Namely, the construction of a new hotel in Kosgoda with a room capacity of 172; a resort complex in Beruwela with approximately 363 rooms; and the acquisition of a majority share of the Sun and Fun Hotel in Passikudah - a 71 roomed hotel which was in a half built stage at the time of acquisition. Additionally, the Group has also strategically invested in several prime locations to own properties in Trincomalee, Dickwella, Colombo, Nasivanthivu, Nilwella and Yala which are to be developed for tourism related projects in the future.

As part of the Group's business re organisation during the year, LOLC divested 70% of its stake in LOLC Leisure to its subsidiary Browns Investments PLC (BI) at a price of Rs. 2.8 billion. LOLC Leisure is hence a fully owned subsidiary of BI, which is now one of the largest players in the hospitality industry, and is expected to have 1,000 rooms under its management in the near future. Accordingly, the Leisure sector is now grouped under "Browns Hotels & Resorts" and the name of the Company "LOLC Leisure" changed accordingly to reflect the change in shareholding. This Annual Report however, reports on the leisure and travel segments of both "LOLC Leisure" and "Browns Investments" separately to reflect the status quo of 2013.

Following the amalgamation and restructure, BI has now become the controlling shareholder of the Group's key leisure and travel entities such as Eden Resort & Spa in Beruwala, Dickwella Resort & Spa in the deep South, former resorts of Palm Garden Hotel Tropical Villas and Riverina Hotels which were consolidated into a single property, Green Paradise Resort in Dambulla, Samudra Beach Resort in Kosgoda and the Sun and Fun Resort in Passikudah.

In addition, the prime entertainment location at Excel World, continued its operations with new and improved conference facilities, with plans for expansion in the future.

Leisure

Hotels

A significant refurbishment of Eden Resort & Spa was undertaken during the year, requiring the closure of the hotel for 75 days. The refurbishment efforts, which included the upgrading of the 109 rooms to superior category, the swimming pool, main reception, the gym and all other areas of the hotel as well as the addition of a roof top bar, was considered timely in order to enhance the hotel's value proposition vis a vis the increasing number of new entrants to the hotel industry in post war Sri Lanka. The hotel's closure for over two and half months impacted its top line during the year, with Gross revenue decreasing to Rs. 707 million compared with Rs. 871 million the previous year. Occupancy rates also declined to 62% during the year compared with 64% the previous year. However, the fourth quarter of 2013/2014, saw an improvement in revenue due to higher occupancy levels which were at 81%, 95% and 85% for the months of January, February and March 2014 respectively. Finance costs also increased significantly compared to the previous year, due to interest cost on a loan from Seylan Bank and short term working capital loans obtained during the year.

Eden's prime location, combined with the service standards it has been known for, continues to make it one of the most sought after by holiday makers. Eden also attracts tourists from diverse cultures and ethnicities from across the globe, which further strengthens its potential for high occupancy. Amongst the accolades it won during the year was "The Travellers Choice for 2014" awarded by the most-renowned travel review website – the Trip Advisor.

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The Company has set in place medium and long term strategies to achieve significant growth and a performance which better reflects its potential. And in an environment in which tourism is expected to continue flourishing, the Group looks to the year ahead with renewed vigour to market the newly refurbished resort.

Occupancy levels at Dickwella Resort continued to improve during the year, increasing by 19% over the previous year. Eastern Europe continued to be the highest contributor to occupancy levels, whilst the local market patronage also continued to increase following the extension of the Southern Highway up to Matara. Enhanced accessibility also contributed to higher food and beverage sales. The hotel's location, being a strategic point for excursions and visits to attractions such as Yala, Kataragama, Galle Fort and Mulkirigala also position it well to increase occupancy levels and perform well in the year ahead.

The upgrading of Dickwella is currently underway, and once completed during the year ahead, is expected to offer guests a truly unforgettable experience. A further upgrade is also on the cards for mid next year. The Company is also encouraged by the growing number of positive reviews it has received on Trip Advisor.

Through the acquisition of Green Paradise, a 67 room luxury hotel in Dambulla, during the year, Browns now marks its presence in the cultural triangle of the country. The hotel is located in close proximity to the Kandalama Tank, the Cultural Triangle, the Dambulla rock temple and other cave temples in the vicinity, Sigiriya rock fortress and the ancient cities of Anuradhapura and Polonnaruwa. The location is also a gateway to the eastern coast beaches. The Group's total investment for Green Paradise Agro Eco Hotel was Rs. 500 million. The year under review saw the hotel reduce its net loss by almost 50% from the previous year.

One of the three new hotel projects launched during the year is on an idyllically located property in Kosgoda. The hotel's construction is currently underway and due for completion by mid next year. The 172 room hotel is to be managed by a leading international hotel brand.

The hotel project in Beruwela is a large scale fully integrated resort venture on the amalgamated land parcel where Riverina Hotel, Club Palm Garden and Tropical Villas previously stood. Phase I of the development will consist of a fully integrated Upper Upscale Beach Resort & Spa which will be managed by an

"The hotel project in Beruwela is a large scale fully integrated resort venture on the amalgamated land parcel where Riverina Hotel, Club Palm Garden and Tropical Villas previously stood. Phase I of the development will consist of a fully integrated Upper Upscale Beach Resort & Spa which will be managed by an internationally renowned Hotel Brand whilst Phase II will consist of 2 towers, one with 120 Serviced Apartments and the other with 80 Condominiums, complemented by an independent Shopping cum Entertainment Complex."

internationally renowned Hotel Brand whilst Phase II will consist of 2 towers, one with 120 Serviced Apartments and the other with 80 Condominiums, complemented by an independent Shopping cum Entertainment Complex. The resort and spa which is due for completion in late 2016 would have of one of the largest conferencing and meeting facilities in the region. The development once completed, will be the first of its kind and will significantly augment the unique selling proposition of tourism in Sri Lanka; an iconic development on the internationally revered "Golden Mile" Beach, with easy access on the Southern Expressway as well as by air and sea. It would certainly be a major attraction among its target market, the elite leisure travellers and the affluent seeking top drawer facilities for Meetings, Incentives, Conferences and Exhibitions, in a stunning setting.

The Sun and Fun Hotel located by the famed Passikudah Bay, enjoys a pristine view of the bay. The hotel comprising 71 rooms was in a half built stage at the time of acquisition and its construction work is expected is to be completed by September 2014 to meet 4 Star International Standards.

Travel

Brown's Travel segment by facilitating backward integration of the Group's resorts within its Leisure sector has brought in many synergies. The travel segment consists of BG Air Services (Pvt) Ltd, which has the General Sales Agencies (GSA's) for Austrian Airlines and Scandinavian Airlines as well as the outbound and inbound travel company Browns Tours (Pvt) Ltd. The Inbound travel arm has been successful in capturing the aviation market by providing assistance to airlines to obtain permission from the Civil Aviation Authority in Sri Lanka, to operate flights in and out of Colombo, SLOT clearance from Sri Lankan Airlines, landing and parking clearance to park aircraft overnight, aircraft catering services, customs and immigration formalities for crews.

All of our leisure properties, which would have a total capacity of 1,000 rooms, will fall within the 4 or 5 star categories, and the current efforts in the sector will see these resorts deliver to their guests an experience and a service in keeping with their brand proposition and the potential of the location.

Additionally, the management is also engaged in a major rebranding exercise to bring to life a specific identity for each of the hotels and thus enhance their presence and value. Communication of the new brand identities to the public will follow suite.

In recognition of the tremendous potential of the destination, we will intensify our focus on Leisure. And with a range of properties in several attractive locations in the country, its room strength and service proposition, LOLC is well poised to capitalise on the expected surge in tourism in 2016 and beyond. Moreover, its backward integration into inbound tour operations via the subsidiary Browns Tours, helps to reinforces the Group's strength in the sector and to realise its objective of being amongst the top 3 players in Sri Lanka's leisure sector.

Renewable Energy

Key performance

	2013/14 Rs'000	2012/13 Rs'000
Revenue	77,284	45,737
Total Assets/ Capital employed	905,934	888,292
Total Equity	239,903	480,379
Total liabilities	666,031	407,913

"Plans to further expand our energy generation capacity through two new mini-hydro plants prompted F L C Hydro Power to source funds via an Initial Public Offering in 2010. The year under review saw the company commission one of these two mini-hydros - Stellenberg Plant, in January 2014, adding a further 0.9 Mw and increasing total generation capacity to 4.1 Mw."

Hydro Power

LOLC ventured into the renewable energy sector by partnering with F L C Hydro Power PLC (formerly known as Hydro Power Free Lanka (Pvt.) Limited) in 2000 to explore and develop the potential for generating hydro power on the Group's plantation sites. The Company commissioned its first plant in 2003 with an installed capacity of 1.6 Mw and its second plant in 2006 at Delta, also with an installed capacity of 1.6 Mw, bringing the total installed capacity to 3.2 Mw.

Plans to further expand our energy generation capacity through two new mini-hydro plants prompted F L C Hydro Power to source funds via an Initial Public Offering in 2010. The year under review saw the company commission one of these two mini-hydros - Stellenberg Plant, in January 2014, adding a further 0.9 Mw and increasing total generation capacity to 4.1 Mw.

The second of these plants is being constructed in Thebuwana and will be commissioned at the end of this financial year. In addition, the company also acquired an Energy Permit to develop Halgran Oya II - a project which will generate a further 0.65 Mw. The Group is also actively pursuing projects in Ragala and Deniyaya.

The F L C Hydro Power performance improved significantly over the previous year despite several challenges. Production increased by 34% over the previous year, while revenue increased by 69%, mainly due to an increase in tariffs and production.

It is also heartening to observe that this significant improvement in performance was achieved despite the closure of the Sanquhar Plant for almost 3 ½ months for maintenance, a fact that reflected the tremendous potential of the renewable energy sector in Sri Lanka.

The Group plans to develop more hydro-power projects by harnessing all the water resources on our plantations. We also plan to explore opportunities to develop other sources of renewable energy over the next few years and thus achieve strong triple bottom line results while also helping to drive the nation's economic progress.

Construction

Sierra Construction Limited is one of the biggest and most high profile companies in the local construction sector, with one of the most diversified portfolios of operations. With a core business activity of construction, Sierra has a highly diversified portfolio of operations in water supply and sewerage, irrigation, power, telecommunications, roads and bridges, civil engineering and piling. The company has also made investments into related areas including the supply of ready-mixed concrete, asphalt mix and the manufacture of power cables and PVC pipes. The company has forward integrated as well, through our investments in property development, design and architectural services; altogether we provide a combination of construction related operations and services that greatly strengthen our potential to create added value for the Group as well as for our stakeholders.

During the year under review, the Company also established a subsidiary in the Maldives as a vehicle to venture into infrastructure projects on the islands.

Post-war Sri Lanka has seen a boom in the construction industry and large-scale infrastructure projects such as road and highway construction, irrigation and urban development projects continue to be priority areas of Government policy and initiatives. Private sector investment in infrastructure also continues to rise, particularly in tourism and education related infrastructure development which are key drivers of economic growth. Correspondingly, and in keeping with the nation's economic agenda, international funding institutions such as the ADB, JBIC and the World Bank are also strongly committed to funding infrastructure development in Sri Lanka.

"During the year under review, the Company also established a subsidiary in the Maldives as a vehicle to venture into infrastructure projects on the islands."

Within the construction industry it is encouraging to note that so far, preference has been given to local contractors. In this encouraging environment Sierra is strongly positioned to flourish by seizing the numerous opportunities we see. The Sierra brand reputation and the Company's experience and engineering expertise will continue to be key factors in our pursuit of sustainable growth and enhanced profitability.

The company's strategic priorities for the year ahead include joint operations with Nagarjuna - one of India's biggest construction companies. This will strengthen our competitiveness when bidding against foreign contractors in Sri Lanka. It will also drive our plans to penetrate the Indian telecommunications market via a subsidiary - Sierra India.

Further vertical integration of the company should be achieved through our purchase of new asphalt, crusher and concrete plants and through the launch of a subsidiary company in Qatar that will explore opportunities in the telecommunication infrastructure market there.

Awards and recognition

- The Collaboration and Development award 2013 from Huawei Technologies, China
- The National Award for Construction Performance for the Year 2013 (Water Supply sector - Projects valued at over Rs. 1000 Million), awarded by the Institute for Construction Training and Development

Construction Projects in 2013 - 2014:

Total contract value - sector wise

Water	-	Rs. 2,892 Mn
Telecom	-	Rs. 849 Mn
Roads	-	Rs. 8,107 Mn
Civil	-	Rs. 10,033 Mn
Electrical	-	Rs. 60 Mn
Piling	-	Rs. 121 Mn

Civil Projects (above Rs. 1000 million projects category)

- The Epilepsy Unit Building of the National Hospital, Colombo
- A five-star beach resort development for Riverina Resort, Beruwala
- The Urban Regeneration Project - City of Colombo (Phase II)
- Construction and repair of the Phase IV Building for the Faculty of Medical Sciences, University of Sri Jayawardenapura.

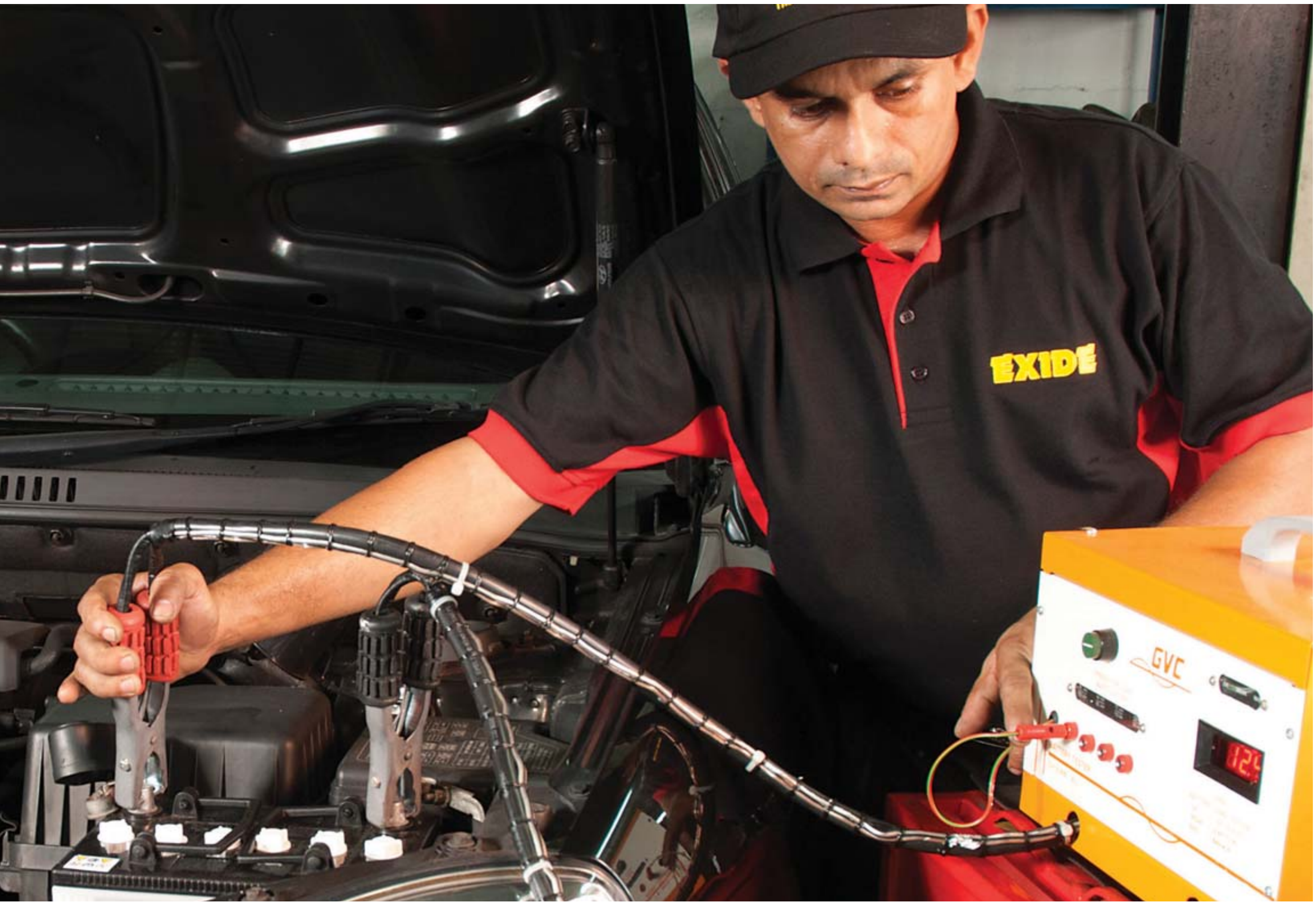
Road Construction Projects (above 1000 million projects category)

- Improvement to the 7 Island Road Project in Maldives

Water Supply Projects (above 1000 million projects category)

- Construction of a water treatment plant and storage structures in Vauniya

Manufacturing and Trading



Key performance

	2013/14 Rs'000	2012/13 Rs'000
Revenue	11,826,671	13,745,710
EBIT	1,643,377	1,384,317
PBT	541,720	147,845
PAT	431,858	227,424
Total Assets/Capital employed	20,690,139	28,762,849
Total Equity	11,690,692	14,507,057
Total liabilities	8,999,447	14,255,792

"Brown & Company PLC represents several world renowned brands and is a market leader in solutions for power generation, machinery, hardware and electrical products. The power generation sector consists of automotive batteries, power systems and general trading."

Power Generation

Brown & Company PLC represents several world renowned brands and is a market leader in solutions for power generation, machinery, hardware and electrical products. The power generation sector consists of automotive batteries, power systems and general trading.

Browns is the sole distributor for Exide, Dagenite and Lucas automotive batteries. The Exide brand holds a strong reputation for being the No. 01 selling battery in the market, and for its reliability and longevity and wide range of battery options on offer.

Lucas Batteries, sold through Browns' subsidiary Klevenberg, offers a premium range of batteries. Both brands offer batteries for all types of vehicles, while Exide also offers batteries for the marine industry. During the year, Exide also introduced a fully maintenance free 'EXIDE Extreme' battery for motorcycles, with an extended warranty.

The battery segment also offers BG jumper cables, charging equipment and Dagenite batteries.

The economic and industrial environments in the country in the year under review were not ideal for the battery market. Adverse weather conditions impacted negatively on the agriculture sector, which in turn effected the life cycle of the agricultural distribution channel, thus lowering the demand for new batteries. The ongoing maritime border disputes with India also hindered sales to the marine sector.

Ninety-five percent of Exide batteries are manufactured in Sri Lanka and three regulatory measures introduced during the year impacted the Exide business. Firstly, the introduction of VAT on local entities generating more than Rs. 500 million in quarterly revenue negatively impacted the Exide battery segment.

Secondly, the tariff imposed on competing imported automotive batteries was reduced during the year, further dampening the demand for Exide while thirdly, the increase in tariffs on vehicle imports caused a decline in the number of new vehicles into the market and hence, a decrease in demand for batteries.

Restrictions on obtaining credit from financial institutions also had a negative impact, as dealers have traditionally tended to rely on bank facilities. In contrast, Browns' competitors were able to benefit from increased credit discounts and warranty periods which were passed on to the consumer. During the year under review, three competitors re-branded and re-established themselves in the market, adopting a franchise dealer concept to sell regionally and internationally recognised brands.

Despite these challenges, Exide continued to remain the undisputed market leader in the battery segment, with Lucas holding the second position in the market.

The streamlining and consolidation efforts between Lucas and Exide will continue in the next financial year. Lucas plans to open

Manufacturing and Trading

"During the year under review, the Company adopted a new strategy to compete in project-based business and rental operations. This proved to be fruitful with FG Wilson generators sustaining a 22% market share during the year that just ended. Project-based sales increased significantly during the year, supported by the many infrastructure and other development projects taking place in the country."

one-stop service outlets in Colombo for its customers while Exide will launch an exclusive dealer outlet concept by investing in selected dealers in strategic locations.

The Company also hopes to market a range of completely maintenance free batteries in the coming year.

Power Systems

Browns is the importer and marketer of FG Wilson generators, a high-tech, high quality product from the UK.

The Company also offers electrical energy solutions to its B2B customers.

During the year under review, the Company adopted a new strategy to compete in project-based business and rental operations. This proved to be fruitful with FG Wilson generators sustaining a 22% market share during the year that just ended. Project-based sales increased significantly during the year, supported by the many infrastructure and other development projects taking place in the country. Rentals, offered at a nominal fee as a temporary solution during a breakdown, or as a permanent solution, also contributed to the growth in sales during the year.

Another factor that supported an increase in sales was Browns' capability to offer attractive financing options to small scale clients through LOLC. This partnership was established last year and it has supported the increase in sales to small-scale clients who would have otherwise not been able to make 'cash and carry' purchases.

As a provider of complete electrical energy solutions to B2Bs, Browns has been able to provide an efficient and effective customer service to clients as well as users of competing brands, thereby increasing sales in this segment during the year. The 24-hour service provided through Browns' regional centres located across the country, offers equipment servicing, repairs and installations on customers' request, with a response time of 3-6 hours.

The company also invested in training our sales and technical staff during the year, in order to maintain and improve the service excellence that Browns' customers have come to expect.

The Power Systems segment will diversify its product portfolio by including industrial water pumps whilst the FG Wilson generators portfolio will also see an addition of new products and hence additional revenue.

General Trading

The array of products imported by the General Trading arm of Browns includes Firman generators, machinery and hardware including power tools, cutting and grinding wheels, engineering tools, hacksaw blades and hand tools from world renowned suppliers such as Makita, Maktec, Tailin, Eclipse and Tekiro.

The year under review saw the General Trading arm expand its dealer distribution channel from 450 (long-standing dealers) to 650, and this helped the company to achieve a higher market share in the respective categories. The Company also hopes to expand our dealer network by another 30% during the coming year.

This segment was also strategically restructured during the year with a focus on marketing a profitable product portfolio, whilst cost control initiatives were successfully implemented to achieve a better management of assets with minimal finance costs.

The General Trading segment is also exploring the addition of domestic water pumps to its product portfolio, which would strengthen the options available for our extensive dealer network.

Marine

Browns Group Industries (Pvt) Ltd. (BGIL), has marketed a complete range of solutions to the marine industry, (including marine engines and accessories), for over 50 years. BGIL represents several global brands including inboard engine brands Yanmar, Hyundai, Daedong, Ashok Leyland and Greaves Cotton, and marine accessories brands such as Tokyo Compass, Dong I, Sea First and DJ Pump.

The boiler division represents Cochran (UK), Daelim Royal Boilers from Korea, Steam Gen from India and VBC from Vietnam.

Additions to the brand portfolio during the year included Tohatsu outboard motors from Japan, Chaparral Jet boats from USA and Connelly water sports equipment.

BGIL continued to sustain its performance in the Marine segment during the year. A temporary closure of our workshop at Kudawella in order to regularize systems and provide comprehensive training to enhance the quality of service, did not have a significant impact on performance.

BGIL intends to increase its market share in the coming year by introducing brand-new marine engines manufactured by Greaves Cotton, India to target the market identified for the lower end of the range. Greaves Cotton has been in business for over a century and has over a decade of specialized experience in the marine industry. It is India's largest original equipment manufacturer (OEM) and the product is expected to perform well in the Sri Lankan market.

BGIL also acquired orders from Associated Battery Manufacturers (Pvt) Ltd. for the manufacture of plastic containers and other plastic components for the battery industry. In addition, BGIL was also able to turn around its boiler division during the year through better cost management and increased staff training.

The year under review also saw BGIL venture into the Marine Leisure and Sports industry by obtaining a distributorship for marine power sports equipment such as outboard motors (OBM) and jet boats, amongst others.

This newest addition to the Browns portfolio will launch operations during the first quarter of 2014/15 and through it we hope to exploit the tremendous growth potential of the leisure industry.

BGIL's success during the year can also be attributed to the introduction of new sales and marketing strategies across our many products and brands. The inboard marine engine segment sustained its market share with regular promotions; for example via the extension of warranty periods from 12 months to 18 months.

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BGIL will also launch two new workshops in Negombo and Trincomalee to offer its services to these two major marine communities in the island while the Kudawella marine workshop will resume services in the coming year.

Manufacturing

Browns Thermal Engineering (Pvt) Ltd. (BTEL) has been manufacturing heat exchangers for both the automotive and non-automotive industries for over 40 years. BTEL manufactures locomotive radiators, oil and air coolers and driers, in addition to its core business of manufacturing and marketing automotive and non-automotive radiators. The company continues to be the market leader for the RADCO brand of radiators, which account for 35% of its market share.

BTEL withstood tough competition from importers of lower priced, used and unused radiators by continuing the manufacture of high quality radiators. The company achieved a first in the history of Browns by securing an export order during the year and this success enabled BTEL to secure a second order as well. Buoyed by this success, BTEL will further explore the export market in the year ahead.

Manufacturing and Trading

The import of two-wheel tractor radiators and fast-moving aluminium and plastic automotive radiators continued to boost the performance of BTEL during the year. The company also opened its second workshop in Dambulla which also contributed towards its positive performance.

The non-automotive segment which performed well during the year, will place greater emphasis on the production of radiators for the power generation industry. The company plans to invest in advertising and promotions in order to increase brand visibility and product awareness and to enhance RADCO's image amongst both automotive and non-automotive radiator users.

Encouraged by the success of the two workshops opened in Galle and Dambulla, BTEL also plans to open three new workshops in Colombo, Gampaha and Ratnapura.

Home and Office Solutions

The Home and Office sector consists of the Integrated Business Solutions and the Retail and Consumer Electronics divisions, which market a range of consumer electronic and office automation products in Sri Lanka.

The sector also acts as a conduit for customer touch points for all Browns products.

Office automation services include digital multifunctional systems, rental solutions, the Sharp and BG range of air-conditioners and the Bianca Renee range of products specializing in furnishing equipment for hotels, bars, restaurants, banquet halls, convention centres, offices and conference facilities. The Bianca Renee range of products was marketed aggressively during the year and is expected to bring in better results in the coming year.

Despite a challenging industry environment owing to the low purchasing power of a large section of the population, Browns grew to become the number one player in the market for rental solutions, remaining one of the top three players in the overall market for office solutions and maintaining a 22% share of the market for digital multifunctional systems.

Despite a challenging industry environment owing to the low purchasing power of a large section of the population, Browns grew to become the number one player in the market for rental solutions, remaining one of the top three players in the overall market for office solutions and maintaining a 22% share of the market for digital multifunctional systems. The Integrated Business Solutions division was thus able to sustain a revenue growth on par with previous years.

The Fortune 500 brand of machines - Giesecke & Devrient - used for sorting and counting currency by most Central Banks and many commercial banks in the world, is the latest addition to the Browns' portfolio of world renowned brands.

Staying true to our reputation of being a high quality service provider, we constantly enhance service quality and response times and ensure that customer satisfaction rates are always at their highest.

The year under review also saw service excellence receive high priority. A new ERP system with new service management software was introduced to facilitate a better service to customers. Plans are in place to operate a sales and services hub in Anuradhapura to facilitate easier access to our customers in the North and the East of the country.

The Retail and Consumer Division as well as Browns also initiated a significant restructuring programme during the year to address the challenges faced during the past few years, as well as to further enhance customer service. The restructuring activity will be completed in the year ahead, ensuring that the Company is well poised to create and execute on the many new opportunities we foresee.

This sector is expected to sustain the recent level of growth in the digital multifunctional systems segment, supported by the recent tax concessions granted by the Government of Sri Lanka. The lower prices and the high demand for quality business solutions in the country bode well for the future of this sector. Given our customers' growing needs, it is also likely that the new products and brands introduced during the latter part of last year will achieve a performance more reflective of their market potential in the coming years.

Animal Health

For over two decades, Browns has marketed several major global brands of Animal Health products and Veterinary Pharmaceuticals for the poultry (broiler, layer, and breeder), dairy and household pet segment of the market. The products

The veterinary pharmaceuticals industry saw a 10% growth during the year under review. This was primarily due to the sustained high demand for poultry products. Chicken and eggs are a popular low-cost nutrition supplement choice for most Sri Lankans.

we offer include nutrition, drugs, vaccines, vitamins, minerals and antibiotics.

Brands we represent include Proctor & Gamble, MSD Animal Health, Zagro, Eukanuba dog food and Stallon.

The veterinary pharmaceuticals industry saw a 10% growth during the year under review. This was primarily due to the sustained high demand for poultry products. Chicken and eggs are a popular low-cost nutrition supplement choice for most Sri Lankans. However, continuous investments in infrastructure and new technology by large scale farmers have increased costs of production in the poultry industry, thereby eroding the margins earned by them.

New investments have also increased production levels without an accompanying increase in demand, further impacting the bottom lines of farmers. These financial constraints have contributed to a decrease in affordability amongst farmers and hence, a decrease in demand for animal health products such as quality nutrition supplements and vitamins.

Together with our traditional competitors, Browns has been challenged by new entrants to the market, who have introduced low-cost alternatives to veterinary pharmaceuticals. The hitherto brand loyal farmers who have partnered with Browns for many years are now testing lower cost but generic alternatives, due to financial constraints.

Browns was also negatively impacted by new government regulations introduced during the year. The requirement to obtain a user permit on a need basis was introduced during the year for the import of certain biological products. Although this regulatory step taken to restrict the entry of inferior products into the market is commendable, the need basis for permits could cause delays in importing products. This could be especially dangerous with regard to products that are time critical for containing certain diseases.

During the year, Browns also commercialized a supplementary range of raw material for poultry, following successful tests in a pilot project over the last two years We also introduced IAMS, a well-known brand of dog food manufactured by Proctor and Gamble, as a pilot project.

Providing training to farmers continues to be a priority and the year under review also saw the completion of several training programmes on best practices and farming management techniques, held in collaboration with our suppliers. The company also conducted monthly training sessions for veterinary surgeons and recognized farmers for their brand loyalty.

The Veterinary Pharmaceuticals sector is currently carrying out pilot projects on new products and brands that we hope to introduce to the market in the future. As a market leader with access to high quality products, the company hopes to increase market share in the coming year by offering farmers products that are key to the sustainability of their business.

Browns has been in the agriculture industry for over a century, and we have acquired a keen understanding of local farming communities and the importance of upto-date product knowledge and good farming practices for the success of agri enterprises. Hence, farmers' training programmes will remain a priority on the Browns' sustainability agenda.

Overseas Expansion

PRASAC MICRO FINANCE INSTITUTION LTD

PRASAC is a leading micro finance institution in Cambodia, providing access to financial services for rural communities and micro enterprises in Cambodia. This was the LOLC Group's maiden foray into overseas investment. The LOLC group has a 22.25% stake in PRASAC.

The year under review saw PRASAC achieve its best results to date. Sustained economic growth and financial sector stability in 2013 enabled PRASAC to achieve these excellent results, including:

- A 46% growth in Profit After Tax to US$ 16.8 million,
- An 80% increase in total assets, reaching US$ 452 million at year end,
- A 76% growth in total loan portfolio, to US$ 379 million,
- A 47% growth in total active borrowers totalling 196,906,
- Sustaining the leading position in loan portfolio and loan quality with Non-Performing Loans
- Total savings and deposits balance of US$ 138 million with 302,917 depositors
- Return on Equity (RoE) of 38.93% and Return on Assets (RoA) of 4.8%
- PRASAC's total assets increased to US$ 452 million while the total loan portfolio reached US$ 379 million

PRASAC is a customer-focused company driving excellence in all its customer interactions. In order to enhance the company's accessibility, PRASAC opened 36 ATM's during the year, bringing the total number of ATM's to 60 while 6 new branches increased the total number of branches to 173.

PRASAC continues to be the leading micro finance institution in Cambodia with the largest branch network, strongest profitability and the highest value in its loan portfolio quality and size. Strong management and a committed staff, superior customer service, state-of-the-art IT infrastructure, robust internal controls and strong support from international shareholders have been the cornerstones of its success.

PRASAC's objectives go beyond simply generating profit. Its ultimate goal is to enhance its clients' living standards and contribute to the country's economic development, especially by spreading prosperity to rural areas.

As PRASAC moves into another year buoyant on the prospects for growth and sustainable profitability, its strategic priorities will include the diversification of products and services, continuous enhancement of customer service, standardization of branding and branch image, strengthening of branch and regional management and greater evaluation of social and environmental impacts.

LOLC MYANMAR MICRO-FINANCE COMPANY LTD (LMML)

Buoyed by the success of its first overseas investment in Cambodia, the LOLC Group continues to explore opportunities to expand its presence overseas.

The year under review was a landmark one, as the Group received a license to establish and operate a deposit-taking institution in Myanmar. This achievement was significant not only for the Group but for Sri Lanka as well, as it is only the fourth license to be issued to a foreign entity by the Myanmar Microfinance Supervisory Enterprise since the establishment of the microfinance act in Myanmar in Nov 2011.

Foreign banks are only permitted to operate Trade Representative Offices in Myanmar, with access to foreign institutions in the financial services sector being restricted to micro finance. Receiving this license is thus a remarkable achievement as well as an endorsement of LOLC's success in the micro finance sector.

LOLC has now established a fully owned subsidiary, LOLC Myanmar Micro-Finance Company Ltd. (LMML), registered in The Republic of the Union of Myanmar, making it one of the first Sri Lankan financial institutions to enter Myanmar

LMML commenced lending operations by opening our head office in the township of Yangon, with a management team comprising of expatriates as well as locals with micro-finance experience.

As this is uncharted territory, LMML's progress in less than an year of operations is admirable; our client base now includes 4,870 active borrowers while we have disbursed US $ 868,787 and mobilized a savings portfolio of US$ 35,105, all as a result of the untiring efforts of our 20 credit officers.

Myanmar has a limited number of financial institutions and a population of 58 million, a majority of who have no access to formal financial services, whilst its micro finance sector remains largely untapped, making it a destination with immense potential for business.

Furthermore, its micro-finance market has many parallels with Sri Lanka and the two countries share many cultural ties which help strengthen and create partnerships. Moreover, there is also a positive reception to South-South partnerships which emerge from within the region, supporting strong and sustainable partnerships between countries in the South and South East Asian regions.

This is why, supported by our expertise and experience in the micro finance sector in Sri Lanka as well as Cambodia, the LOLC Group looks ahead with great confidence in our ability to capitalise on the many opportunities we have identified in Myanmar and the region.

Other Strategic Investments

"Lanka ORIX Information Technology Services continued a strategy of consolidating the ICT infrastructure and services of all the Group Companies, delivering considerable cost reductions and enhanced efficiency."

LOLC TECHNOLOGIES LTD

Lanka ORIX Information Technology Services continued a strategy of consolidating the ICT infrastructure and services of all the Group Companies, delivering considerable cost reductions and enhanced efficiency. The total savings in terms of capital expenditure and operational expenditure amounted to Rs. 100 million over the 2 year period of the investment.

The consolidation of infrastructure also paved the way for us to introduce the first software-defined private data centre in Sri Lanka which then received the Virtualisation and Cloud Computing Award from Next100 Awards 2013.

We have continued our journey to hybrid clouds and are in the process of offloading all non-critical information infrastructure workloads to the public cloud while several Group subsidiaries were moved to the Microsoft public cloud offering - Microsoft O365, during the year.

Awards and Milestones:

- LOLC Technologies' flagship product Fusion Financial Solution Suite (FusionFSS) won the Silver Award for its specialized Islamic Banking Module at the Sri Lanka Islamic Banking and Financing Industry (SLIBFI) Awards in 2013.
- We established the first software-defined private data centre in Sri Lanka which was awarded the Virtualisation and Cloud Computing Award by the Next100 Awards 2013.
- The Service Desk received ISO/IEC 20000:2011 standard, covering all services rendered through the Service Desk. This gave us the rare distinction of being the first and only institution primarily serving the banking and financial services sectors to be ISO 20000:2011 certified for service delivery.
- Launched the company's Governance, Risk and Compliance (GRC) Services to external clients.
- Completed the implementation of a new state-of-the-art Working Capital Management and Factoring System for the Factoring business, enabling this business unit to offer an online service to customers.

Having previously received ISO/IEC 27001:2005 for Information Security related processes, and ISO 9001:2008 for its Quality Management process, achieving its third certification - ISO/ICE 200,000:2011 - during the year, places LOLC Technologies amongst one of the very few or if not the only institution in the country to have all three certificates in good standing.

The Fusion Financial Solution Suite (FusionFSS) was further enhanced during the year to enable the Group's banking and lending lines of business to introduce innovative products to the market.

The ceremonial launch of the Governance, Risk and Compliance (GRC) Services to external clients was held at the Cinnamon Grand, Colombo in January 2014. LOLC Tech also hosted a CEO forum titled "Information Security, Threats and Opportunities for Sri Lanka" for C-level corporate officers from Banks and Licensed Finance Companies in Sri Lanka at this event.

In 2013, LOLC Technologies moved to a purpose designed, IT friendly, state of the art, green-friendly building in Ethul Kotte from where we can serve both internal and external customers more effectively and efficiently. The environmentally friendly features incorporated into the design and construction of this building in order to minimise our carbon footprint include the use of natural lighting for the entire building during the day, LED lighting in the night and wireless technology for desktops which will reduce the need for uninterrupted power supply (UPS) systems. The building's interior is designed following the open-office, "work from any desk" concept, with single-sized work-stations for all levels of staff. We believe that these progressive efforts will reflect the company's culture of openness while reducing overall cost and keeping us true to our values of long-term sustainability.

BROWNS INVESTMENTS PLC

Browns Investments PLC (BI) is the strategic investment arm of the Browns Group of Companies. BI has a diversified portfolio of investments in several thrust areas of the economy that are considered engines of national growth; agriculture and plantations, leisure and entertainment and construction.

Other Strategic Investments

"BI will continue to evaluate potential investment prospects in emerging industries, individually or jointly with investment partners, for the medium to long term. Brown and Company PLC plays an active role in the management of some BI's investments while maintaining a passive interest in others."

BI will continue to evaluate potential investment prospects in emerging industries, individually or jointly with investment partners, for the medium to long term. Brown and Company PLC plays an active role in the management of some BI's investments while maintaining a passive interest in others.

During the year under review, BI acquired the leisure businesses of the LOLC Group which was thus able to further consolidate a strong presence in the Leisure sector, by amalgamating all our leisure businesses under BI.

HEALTHCARE

Brown and Company PLC's recent entry into the healthcare industry will ensure that quality and innovative products and services are delivered through comprehensive integrated clinical practices, state-of-the-art facilities and personalized care to patients outside the City of Colombo.

Browns Hospital in Ragama continued limited operations by providing specialist channelled consultations and OPD to outdoor patients, while the refurbishment of the hospital to expand into a 60-bed, fully-fledged, multi-specialty, secondarycare general hospital was being carried out.

The hospital also continued to provide extended laboratory services introduced during the first quarter of the current financial year. The fully fledged medical laboratory providing investigation services such as Haematology, Microbiology, General Pathology, Histopathology and Biochemistry.

The first batch of nurses absorbed during the early part of the current financial year are nearing the completion of their training. Provided via the International Institute of Health Sciences (IIHS) renowned for its high standards of education with many a foreign accreditation and affiliation – this initiative will enable Browns Hospitals to provide the highest and best quality of nursing care to its patients.

In order to be fully prepared for the commissioning of the new facility, during the year under review, Browns embarked on setting up the infrastructure with the view of getting things right the first time. A set of comprehensive medical and hospital manuals along with Standard Operating Procedures (SOP) and guidelines as well as steps to enhance IT and IT security were initiated during the year. Browns will also sign a Memorandum of Understanding (MOU) with the Australian Council on Healthcare Standards (ACHCS) to conduct a GAP analysis and assist in recommending improvements to medical and operational practices in the new facility during the coming financial year.

The refurbishment of the Ragama Hospital is expected to be completed, commissioned and inaugurated during the second quarter of the next financial year 2014/15. With this hospital already showing signs of success with the consulting services

"Seylan Bank PLC achieved another year of remarkable performance, recording its highest ever profits to date, reaching a PAT of Rs. 2,316 million during the year under review and surpassing last year's figures by Rs. 251 million."

provided and the demand for a secondary care general hospital in the area, Browns will be looking to establish hospitals in the surburbs of Colombo, especially where the demographics will be similar to that of the Gampaha District.

Future Browns Hospitals will also have an emphasis on maternity and general surgery along with high-end radiology services such as CT/MRI scanning services. Emergency services and 24-hour accident and emergency services will also be important offerings that will be made available by Browns Hospitals, while diagnostic centres and mini laboratories will also be added. Browns will also look to capitalize on the strengths of the LOLC Group. With a heavy presence in the leisure sector, Browns Hospitals is an ideal candidate to embrace the concept of medical tourism. It will also explore opportunities to provide medical insurance schemes and/or easy payment schemes to patients by partnering with its parent company.

SEYLAN BANK

Seylan Bank PLC achieved another year of remarkable performance, recording its highest ever profits to date, reaching a PAT of Rs. 2,316 million during the year under review and surpassing last year's figures by Rs. 251 million.

Despite slow credit growth in the country and the industry-wide pressure on interest margins, the Bank's net interest income increased from Rs. 9,014 million to Rs. 9,830 million during the year. Fee and Commission based income increased by 25.5% to Rs. 2,127 million.

The decline in gold prices and subsequent negative impact on the pawning portfolio were also overcome as the Bank improved its asset quality through effective recovery and rehabilitating efforts. As a result, the NPA ratio improved to 10.58% as at December 2013, from 12.99% in December 2012.

The Bank's overall Capital Adequacy Ratio also improved to 16.75% as at end December 2013, which is one of the highest in the local banking industry and well above the statutory requirement of 10%.

2013 was the Bank's 25th year of operations and their silver anniversary was celebrated in April 2013. Seylan Bank's momentum of growth over 25 years is a reflection of its strategic focus, its success at differentiating itself from its competitors and its strong commitment to deliver superior value to its customers in all their interactions.

During the year under review, the Bank also carried out several branch expansion initiatives, opening 4 new branches during the year and refurbishing and relocating several others.

Seylan Bank also received several external endorsements during the year, which in turn led to enhanced brand equity. It was ranked amongst the Top 20 Brands in Sri Lanka by the LMD magazine's Special Brands edition launched in 2013, reinforcing Seylan Bank's status as one of the strongest brands and banking institutions in the country.

"BRAC Lanka Finance is a joint venture between BRAC International Holdings BV and LOLC in Sri Lanka. This joint venture company was incorporated in Sri Lanka in 2012 in order to introduce the immensely successful BRAC micro-finance model to Sri Lanka."

As the Bank journeys forward, it fully intends to continue the current growth momentum through product innovation and improvement, expansion and enhancement of the branch network and technology. Risk management, governance, compliance and HR development will also be priority areas. The Bank's service understanding, its products, highly competitive staff and innovative approaches find it well geared to continue delivering excellent results as well as to capitalize on emerging market opportunities.

BRAC LANKA FINANCE PLC

BRAC International Holdings BV, Netherlands is a globally reputed non-governmental organization that is also an internationally recognized giant in the micro-finance sector. BRAC Lanka Finance is a joint venture between BRAC International Holdings BV and LOLC in Sri Lanka. This joint venture company was incorporated in Sri Lanka in 2012 in order to introduce the immensely successful BRAC micro-finance model to Sri Lanka.

The company's first year of operations as BRAC Lanka was a challenging one as we had to consolidate our market position while simultaneously shifting from a business model designed for auto-finance to one that would work for micro finance services. This process was initiated during the year by creating the required infrastructure, including the recruitment of experienced personnel from Sri Lanka's micro finance sector and by expanding the branch/service network from one to 10. It is commendable that despite extremely limited infrastructure support during the year, BRAC Lanka was able to disburse over Rs. 700 million in micro-loans.

The BRAC vision is to strive towards a world free of all forms of exploitation and discrimination, where everyone has the opportunity to realise their potential. This vision originated from its founder's philosophy that poverty is not an act of God, but the result of societal attitudes and social systems that disempower some communities. BRAC believes that human values, a triple bottom line approach and the protection of the best interests of all stakeholders are intrinsic to its business success, creating a platform for sustainable value creation. We are confident that such sustainable growth over the next few years will position BRAC Lanka as a leading micro-finance institution in Sri Lanka.

The LOLC Group

LOLC Group continues to show positive results in another successful year despite many challenges in the economic environment. The Group posted Rs. 4.5 Bn Profit Before Tax (PBT) mainly from its core business, financial services. The year under review saw many changes in economic variables coupled with development activities envisaged in the country's economy. The environment changes posed many effects on the businesses, particularly with rapidly decreasing interest rates, increase in commodity prices and investment opportunities. The Group evaluated these shifting needs in the business environment and aligned its strategies to derive long term benefits.

The Group's asset base continued to grow during the year to Rs 175 Bn from Rs 163 Bn in the previous year, despite the increase in Non-Performing Loans (NPLs) across the industry increasing the need for higher provisions and write offs. The Group's performance is remarkable despite these pressures in maintaining a healthy level of NPLs compared with the industry. The key contributor to the asset base is the Group's lending portfolio which accounts for 52% of the total asset base. The lending portfolio reached Rs. 90 Bn and achieving Rs 4.5 Bn growth in advances and other loans products while finance leases, hire purchase and the operating lease portfolio of the business reduced by Rs 1.8 Bn.

Sourcing funding at a low rates has been one of the core competitive advantages of the Group. Market interest rates continuously showed a downward trend as a result of excess liquidity in the market. The borrowing base of the Group represents the interest bearing borrowings sourced from our funding partners and public deposits collected through the finance companies namely Lanka ORIX Finance PLC (LOFC) and Commercial Leasing and Finance PLC(CLC). The deposit base of the Group increased by Rs 14 Bn to Rs. 50 Bn.

The Group's gross income rose to Rs 45 Bn from Rs 42Bn during the year. This represents largely the interest and other related income earned from financial services sector and trading sector. Financial services sector reported a gross income increase to Rs 30 Bn from Rs 26 Bn. This increase is mainly due to the increase in loans and advances and other operational income. The increase in income was strengthened by the insurance premium earned, with this sector recording an income of Rs 2.2 Bn for the year. In line with the increase in income the direct costs too increased. The Groups' profit before operating expenses increased to Rs.20.3 Bn from Rs. 17.1 Bn. The major contribution for the increase in profit before operating expenses is from the financial service sector which amounts to Rs. 14.8 Bn.

In tandem with the increase in the Group revenue, operating expenses increased by Rs.2.7 Bn mainly due to the increase in net impairment losses on financial assets due to lower collections. The Group provided Rs. 3.5 Bn as bad and doubtful debts as opposed to Rs. 2.1 Bn provided in the previous year. However conservative provisioning made on account of Financial Assets provided a better provision coverage for the Group's lending portfolio. Depreciation and amortization declined by of Rs. 1 Bn mainly due to the completion of accelerated depreciation program on the hotels during the previous year. Increases in other operational expenses are mainly due to the overall increase in general prices.

LOLC Group's growth in profitability was further augmented by the other activities of the Group. Profit from Associate companies of the Group contributed Rs.1.5 Bn during the year, inclusive of the profit from Seylan Bank PLC, PRASAC Micro Finance Company in Cambodia. The Group also recognized negative goodwill amounting to Rs. 493 Mn arising from the acquisitions during the year.

The Group reported a PBT of Rs.4.5 Bn during the year, an increase of 22% over last year a Profit After Tax (PAT) of Rs. 3.1 Bn with an effective tax rate of 31.2%.

The Holding Company – Lanka ORIX Leasing Company PLC (LOLC)

After positioning itself as the Holding Company, LOLC continues to strengthen its strategic position as a conglomerate by strengthening Group business performance. Due to the move towards creating a holding company the residual loan book of the Company continues to decrease. The Company continued to restructure Group activities and made further investments of Rs.2.7 Bn in subsidiaries during the year. LOLC also transferred its Leisure business to Browns Investments aligning the Group's business portfolio into main sectors clustered under selected companies of the Group.

LOLC's lending book continues to shrink as no new facilities are being booked and the remaining refinance portfolio goes through a phase of maturity and expiry. The existing fleet management business remains with the holding company until such time the existing book matures and new business is booked under its lending subsidiaries. With the move away from lending, the other income became materially significant over traditional interest income. The income from lending operations shrunk to Rs. 2.1 Bn from Rs. 3.5 Bn. The other income category which is more representative of the Group holding activities showed an increase of Rs. 3.3Bn over Rs 1.1 Bn in the previous year mainly as a result of income recognized from providing shared services to other entities within the Group, disposal of investments and the annual valuation of investment properties. Operational expenses of the Company amounted to Rs.2.0 Bn after making a provision of Rs.1.3 Bn for impairment of Group investments and Available for Sale (AFS) securities. The Company's operational expenses shows a major decline as a result of its new role as a holding company that provides shared services.

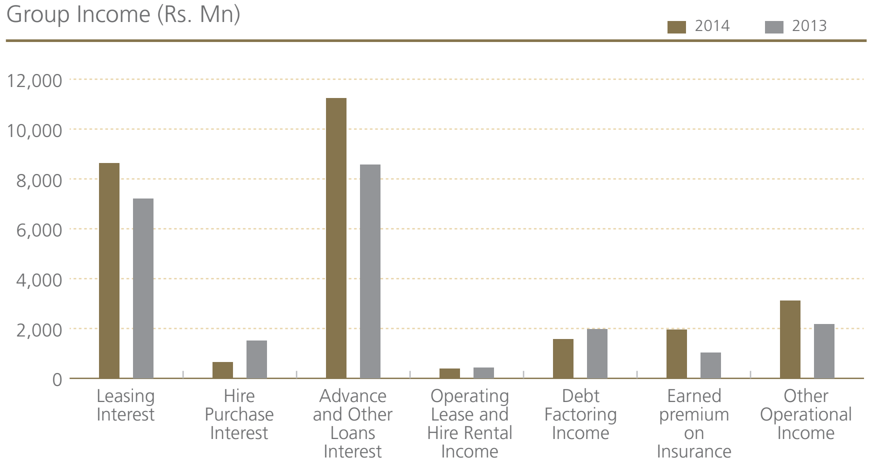
The Company shows a healthy asset base further strengthened with its main subsidiary investments shown at deemed cost in line with the transition provisions of SLFRS. These investments continue to be measured at their fair valuation and necessary adjustments are made in the financial statements if any impairment is triggered. The Company's Debt to Equity improved to 42% from 60% over last year, strengthening the financial position at holding company level.

Financial Services Sector

The financial services sector contributes to remain the key contributor to the Group's Income and profitability recording 67% of the total income and 92% to the Group PBT. Despite the competitive market forces and challenging economic environment, the financial service sector recorded a gross income of Rs 30.3 Bn an increase of 16% over last year as the lending portfolio reached Rs 90 Bn.

Financial service sector will witness many reforms in the period ahead as the Central Bank of Sri Lanka (CBSL) drives a consolidation process limiting the number of operating finance companies in its pursuit to strengthen the industry and reducing the systemic risks from failing finance companies.

Group Income (Rs. Mn)



Lanka ORIX Finance PLC (LOFC)

The flagship financial services provider of the Group remained as the main contributor to the Group's operational profitability. The Company witnessed major challenges as a result of declining credit growth, interest rate volatility and provisioning requirements on the lending portfolio. Despite these challenges, the Company recorded a PAT of Rs. 1.0Bn over and above the previous year's performance of Rs 686 Mn.

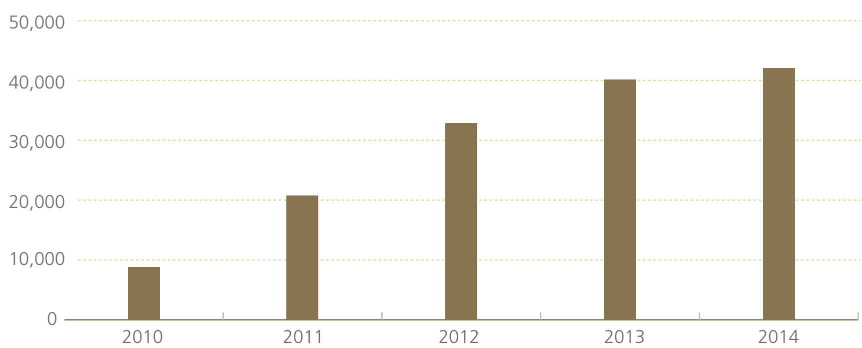
LOFC's lending portfolio consists of leases, hire purchase, loans and debt factoring. The Company offers a wide range of products to its customers spread across the country. During the period the growth in the lending portfolio was affected by the low appetite for credit the market resulting in the portfolio to recording moderate growth of 5% amounting to Rs. 42 Bn from Rs.40 Bn reported in the previous year. The increase in the portfolio was mainly contributed by the loan products showing a 15% increase. The lending product portfolio includes Islamic Business Unit (IBU) products which stood at Rs.5.2Bn, a significant component of the overall lending business.

The Company's' main source of funding remains the public deposits which reported a strong growth during the year. The deposit base grew from Rs. 32 Bn to Rs.42 Bn. The public deposit base consist of conventional deposits, saving deposits and IBU deposits. The major contributor to the deposit base represents the fixed deposit base which amounts to Rs. 39.8 Bn. The continuous growth in the public deposit base reflects the trust the deposit holders has in the Company.

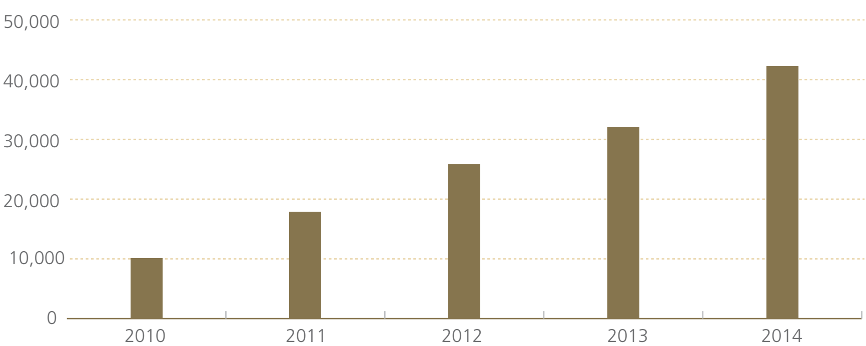
Interest income for the period increased to Rs 10.5 Bn from Rs 8.5 Bn as result of increasing portfolio and increase in other financial services related income. This is the first full year of operation of the factoring portfolio that was transferred from LOLC Factors; with the interest income from factoring product reporting an increase.

The finance cost that is mainly incurred on public deposits shows an increase of 24% when compared to the previous year, mainly attributed to the increase in the deposit base. The finance cost is expected to fall with the current market rates and net margins are expected to reflect a positive effect on the overall profitability.

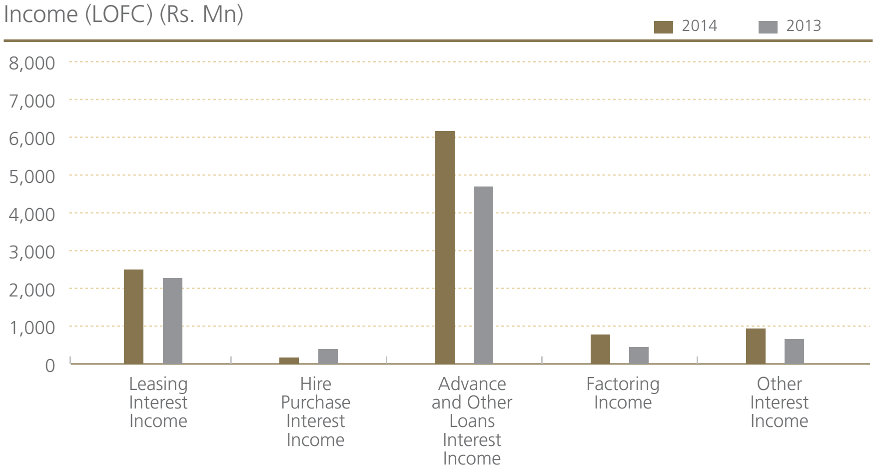
Growth in Lending Portfolio (Rs. Mn)



Deposits (Rs. Mn)



Income (LOFC) (Rs. Mn)



In terms of expenses, total expenses increased by 30% compared to the previous year. The larger portion of the current year increase in expenses is attributed to the impairment provision made against loans and receivables due to lower collections experienced during the period. However a general increase in commodity prices has also impacted the increase in expenses.

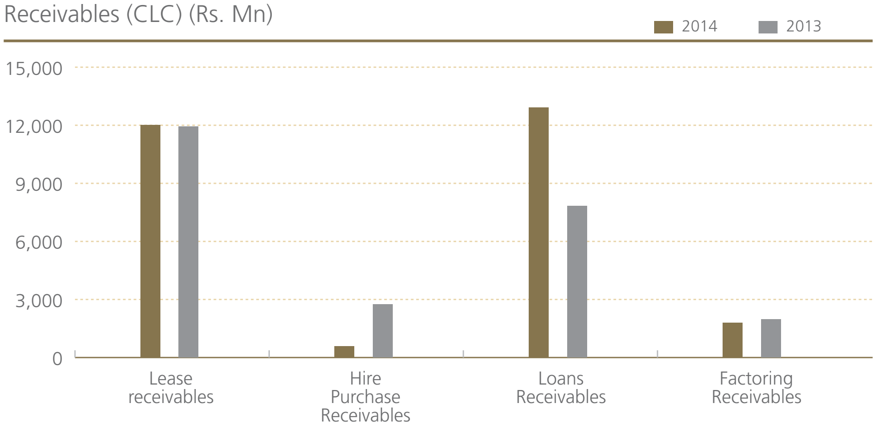
Despite all of these variables the Company reported a PBT of Rs. 1.4Bn, an increase of 45% over the previous year. The increase is mainly due to the increase in related income of the portfolio. With a reported PAT of Rs.1 Bn the Company added approximately Rs. 1.1 Bn to equity to provide a stronger capital base. The reported capital adequacy ratio improved from 12% to 13% and debt to equity ratio improved to 6.9 times from 7.4 times. The gross NPL ratio of the Company stood at 5.1% and Net NPL Ratio was 1.37%. The provision coverage ratio stood at 74%.

Commercial Leasing & Finance PLC (CLC)

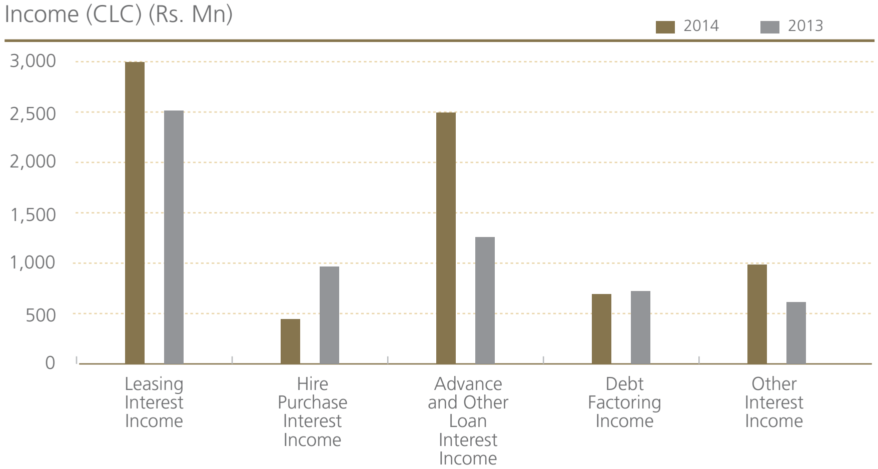
After 25 years of its establishment, CLC concluded yet another successful year facing numerous challenges in the business environment. Credit growth was substantially curtailed as a as a result of the market challenges and poor credit quality was also experienced. During the year the Company's profitability was impacted negatively by these factors, however, it recorded a PAT of Rs.929 Mn marginally below the Rs.1,163 Mn recorded in the previous year. The profit for the year shrunk mainly due to the increase in provisions made against the lending portfolio in line with the SLFRS requirement which amounted to Rs. 1.1Bn an increase of Rs.859 Mn compared to the previous year.

While the market remains stagnated with limited growth in the credit demand, the lending portfolio of the Company grew 12% to Rs 27 Bn during the year. CLC

Receivables (CLC) (Rs. Mn)



Income (CLC) (Rs. Mn)



mainly focuses on Leases, Hire purchase, agreement loans and receivables and factoring business. The advances and other loans portfolio grew by 50% to Rs. 14.7 Bn while the lease and Hire Purchase portfolio shrunk by 14% to Rs. 12.6 Bn from Rs 14.7 Bn in year earlier.

Subsequent to obtaining a finance company license in the year 2011, the deposit portfolio showed strong growth as it grew from Rs.3.0 Bn to Rs 7.4 Bn during the year.

Interest income grew by 25% to Rs. 7.6 Bn from Rs. 6.1 Bn in the previous year. The income from loans and advances showed higher contribution towards the increase in revenue. The borrowing cost increased in tandem with the increase in the lending portfolio.

In terms of profitability, the Company recorded a PBT of Rs. 1.3 Bn compared with Rs.1.6 Bn in the previous year.

CLC's strong equity base provides opportunity for further expansion in the future as the capital adequacy ratio strengthens to 28%,which is way above the regulatory requirement. The gross and net NPL ratios of the Company were 2.44% and 0.24% respectively. The provision coverage ratio represents 90%, an extremely conservative level on credit risk.

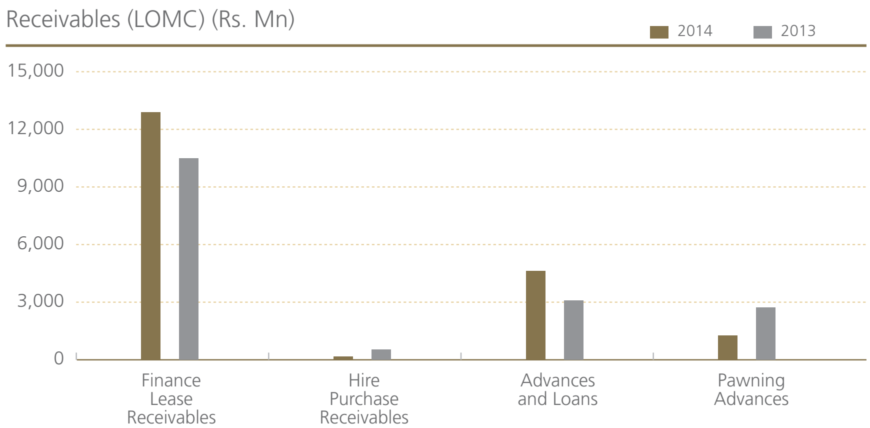
LOLC Micro Credit Company Ltd. (LOMC)

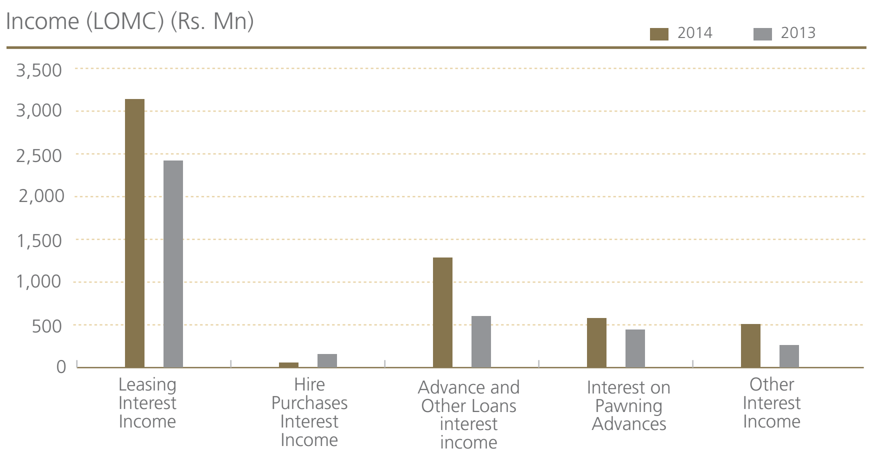
After five years of its business commencement, LOMC today is recognized as one of the largest dedicated microfinance institutions in Sri Lanka showing substantial progress in its business performance in terms of outreach, clientele, development of micro finance products and strong profitability.

The Company recorded an impressive growth in terms of the total asset base, reaching Rs. 26.7 Bn from Rs.21.6Bn in last year. The main contributor to the portfolio was the increase in finance lease receivables. Declining gold prices impacted the industry and resulted in higher Provisions. LOMC too provided Rs. 348 Mn as a provision for the gold loan portfolio of Rs.1.6 Bn. However LOMC was impacted by the decline in gold prices LOMC's gold portfolio represented only 7% of the total lending portfolio with no significant impact on the overall business.

The growth in the portfolio was well supported by the higher level of funding received from the funding partners. LOMC has been extremely successful in raising funds at attractive rates through foreign bilateral and multilateral funding institutions. LOMC manages the foreign currency exposure effectively through currency swaps. The total borrowings of the Company increased to Rs. 20.1 Bn from Rs. 16.1 Bn. The debt to equity ratio stood at 4.5 times compared to the 4.4 times in the previous year.

In terms of Income, LOMC recorded an impressive performance as the interest income grew by 45% to Rs.5.7 Bn. The income rose mainly due to increases in market rates in the early part of the year and growth in the portfolio. The profit before operating expenses increased by 58% to Rs.3.6 Bn. However as with the industry LOMC too experienced lower collections in credit settlements and made a total provision





of Rs.970 Mn for impairment losses. Despite higher provisions made during the year the PBT reached Rs. 1 Bn a marginal drop from Rs. 1.1 Bn in the previous year.

LOMC strives to manage NPLs with strong collection efforts and close monitoring of the portfolio and the Company was successful in maintaining the NPLs at the same level as last year with the Gross NPL ratio reported at 4.4% and a zero Net NPL.

LOLC Insurance Co. Ltd

LOLC Insurance, the fully-fledged composite Insurance arm of the Group, providing both General & Life insurance services recorded impressive results during the year. Increase in business volumes enabled the Company to reach Rs. 2.2 Bn in terms of Gross income compared to Rs. 1.2 Bn in the previous year. The Life insurance business also recorded strong growth and in the first year of operations with its launch of endowment products. The Company expects stronger business growth in the coming years.

Captive insurance business of the Group fuelled strong growth in the top line performance of the Company. The Company's financial position is strong with adequate solvency being maintained at as per the regulatory specifications. The general reserves increased to Rs. 1.2 Bn from Rs. 925 Mn with the life reserves reached Rs. 272 Mn by the year end. LOLC Insurance is being geared for the impending segregation of businesses and LOLC Insurance will operate two individual businesses, for Life and General from next year.

Leisure

Taking advantage of potential opportunities in years to come the leisure sector of the Group is fully focused on completing the ongoing construction phase of its many hotels. Sri Lanka is expecting higher growth in tourist arrivals in line with the Government's vision for tourism, and the leisure sector of the Group is being geared to reap the benefits from this expected exponential growth. The Group made further investments into this sector by acquiring Green Paradise Resorts now named as The Paradise. The total assets of the sector increased to Rs. 20.5 Bn from Rs16.6 Bn. The Increase in the assets base is due to the ongoing construction of Riverina resorts (Pvt) Ltd, a 371 rooms property, in Beruwala, Samudra Beach Resorts (Pvt) Ltd in Kosgoda and Sun and Fun (Pvt) Ltd in Pasikuda.

Trading

The Group's investment into the trading sector represents Brown and Company and its subsidiaries. Trading sector made a significant contribution to the Group profitability with Rs. 542 Mn PBT recorded for the year compared to Rs. 148 Mn in the previous year.

Considering the overall financial performance of the Group, strong profitability in the current year contributes well for the overall strengthening of the balance sheet.

The Group's businesses are well positioned to derive long term benefits from the ongoing development efforts in the country. The management continues to manage the asset book of the Group in line with the long term vision of the parent company LOLC.

SUSTAINABILITY INFORMATION

Responsible Policies. Sustainable Growth

LOLC's entrepreneurial journey has been a pioneering one, which began with Leasing in 1980. In over three decades of business and in the last few years in particular, the Group has grown rapidly and diversified to be one of Sri Lanka's leading conglomerates, adding value to the country's resources in several thrust sectors of the economy. The Group's portfolio today, broadly categorized as Financial and Non-Financial Services, encompasses the entire gamut of Financial Services, Leisure, Agri and Plantations, Renewable Energy, Construction, Manufacturing & Trading, and overseas expansions to other strategic markets. We have a diverse network of stakeholders in multitude of locations. They range from farmers and budding entrepreneurs in the rural hinterlands across the country, to the urban and semi urban consumer and travellers from across the world to international funding agencies and investors who continue to partner us.

Sustainable Development, albeit a buzz word today, is also an essential value generation level that enlightens us, that a business cannot sustain its success in isolation, and how its long term profitability ultimately depends on how favourably it makes an impact on the community and the environment which it is a part of. Thus is the need for an enterprise to expand its focus beyond profits to encompass the other two bottom lines that it invariably impacts - people and the planet.

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

Subscribing to the UNGC Principles

Our approach to sustainable development has been augmented by our partnerships with various stakeholders. We are proud to say that the LOLC Group is a signatory to the United Nations' Global Compact (UNGC) strategic policy initiative and its established code of principles that promotes sustainable and responsible business practices among Corporate and non-Corporates alike around the world.

The Group is thus guided by the 10 principles concerning human rights, labour, environment and anti-corruption promulgated by the UNGC, and the solid framework they provide is espoused by LOLC and its subsidiaries in every facet of their many activities. Some of the ways in which we practice these principles are communicated in this Sustainability review as well as elsewhere in this Annual Report such as the Governance Report.

The Ten Principles of UNGC :

Human Rights

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

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

Labour

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

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

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

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

Environment

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

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

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

Anti-Corruption

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

1. Human Rights

All our Group companies strongly uphold the very basic right and dignity accorded to all living beings. Thus, our sustainability and CSR activities as well as our HR structures are centered on upholding all aspects of human rights, both within and outside of our organization.

LOLC Care:

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

"LOLC Care" from its very inception has identified the following broad areas as priority to make an impact on society :

1. The support of child welfare by caring for orphaned children by the setting up of orphanages.

2. Uplifting the living standards of society by providing basic amenities needed for living.

3. helping the sick with the appropriate medical assistance, to relieve them from suffering

4. Identifying and providing sustainable assistance and business guidance to those with entrepreneurial skills including the very low income group in our society, who would otherwise have no such access, through our small, medium and micro finance business.

Child Empowerment and Welfare

The year 2013 saw "LOLC Care" complete its first child development and empowerment project with the construction of a new two storied building comprising all amenities, for a children's home for orphaned boys. The Group not only sponsored the building but also provided technical assistance during its construction. Named the "LOLC CARE Child Development Centre" and located in Madiwela Nugegoda, the home was handed over by the Group to the National Council for Child & Youth Welfare (NCCYW). The home can house 50 children up to the age of 18 who will thereafter be provided vocational training and empowered to secure employment or start a livelihood of their own.

Additionally, "LOLC Care" also provided assistance to build a new wing to accommodate six more occupants and to renovate and maintain, an existing home –the 'Madiwela Special Education and Home for Boys' which is located adjacent to the above and managed by the NCCYW to care for 34 developmentally challenged boys and male adults. "LOLC Care" was able to raise funds through donations and fund raising activities involving customers, well-wishers and employees.

The Group strives to have a positive long term impact on the lives of these children and hence would sustain its support and assistance to ensure that they are well cared for, and able to integrate themselves into society when they reach adulthood. Some of the ways in which we aim to continue support include the maintenance of the buildings, sponsorship of children from childhood to employment, educational support, extra-curricular activities conducted by staff members or by way of sponsorships, skill development of children and facilitating career opportunities within as well as outside the Group as they reach adulthood. The Group also encourages active employee participation in these initiatives carried out by the Group and sponsorships of birthdays and various requirements of the homes.

A snapshot of employee engagement and activities we carried out for the children at the LOLC CARE Child Development Centre during the year under review, with employee participation is given below.

Opening ORIX Champ Minor Savings Accounts with an initial startup fund for all children as part of celebrating the Universal Children's Day; creating awareness about saving for their future as well as the importance of celebrating Universal Children's Day; establishing a library and donation of educational items including 150 new books, three white boards, two book racks and a six-month subscription of "Sathara" educational newspaper for each child under the "Sathsithmaa" project; donating bicycles and musical instruments such as Melodicas, Shakers, Tambourines, Triangles, and Thaalampotas; an evening of fun and games, face painting, musical chairs and tea party with a give-away of personalized cards with an endearing message for each child; celebration of children's birthdays and many other similar child-centric activities.

Supporting Education

Fostering Leaders for Tomorrow with "Sisu Upahara"

LOLC Micro Credit Ltd (LOMC), the microfinance company of the Group, launched the "Isuru Diriya Sisu Upahara" Scholarship Awards in 2010 and organized it during the year under review for the fourth consecutive year. A total of 340 academically gifted students from across the country were recognized for their exceptional achievements during the year's scholarship awards. Students thus rewarded and felicitated by the "Isuru Diriya Scholarship Award" program are children of LOMC's group loan client segment, who otherwise lack access to formal funding.

The program has a three pronged approach to encouraging and developing the primary education of children from grass root communities. For one, LOMC facilitates skills development and exam preparation via educational programs and seminars for children identified from need-based communities, including those who are not necessarily children of the Group's clients. Secondly, the Company provides scholarships and rewards to the high performing children of its micro and SME clients. Thirdly, the children together with their parents are brought to Colombo each year from all corners of Sri Lanka to be felicitated at a colourful awards ceremony graced by high level Executives of the Group as well as illustrious personalities from the Government sector.

During four years of the 'Isuru Diriya Sisu Upahara' Scholarship programme, nearly 10,000 children across the country have benefitted from Grade 5 exam preparatory seminars which were conducted with the help of renowned educators whilst over 1,000 children of clients who achieved exceptional results have been felicitated and rewarded by LOMC.

Contributing to educational infrastructure

The Eden Resort & Spa of the Group, identifying an immediate need laid the foundation stone for a new building at the Moragalla Junior School in Beruwala. The building is to be constructed with a total investment of Rs. 16 Million, and once completed will add 08 new classrooms to the school. This project is part of Eden's CSR initiative to uplift and develop the Beruwala community with a focus on education, youth employment, health and community wellbeing.

Construction work of the two-storey new school building is expected to be completed in two stages, with Phase I to be completed with financial contributions made possible by Ms. Chris McGrail, a frequent visitor to Eden hailing from West Midlands, UK. Ms Grail is the Deputy Head Teacher of Redhill School of England, and funding for Phase I was an outcome of the fund raising effort by the students of Redhill, UK on Ms. Grails' initiative. The 2nd phase of the project is to be completed following fund raising activities which the hotel plans to initiate in the coming months.

2. Labour

Our People

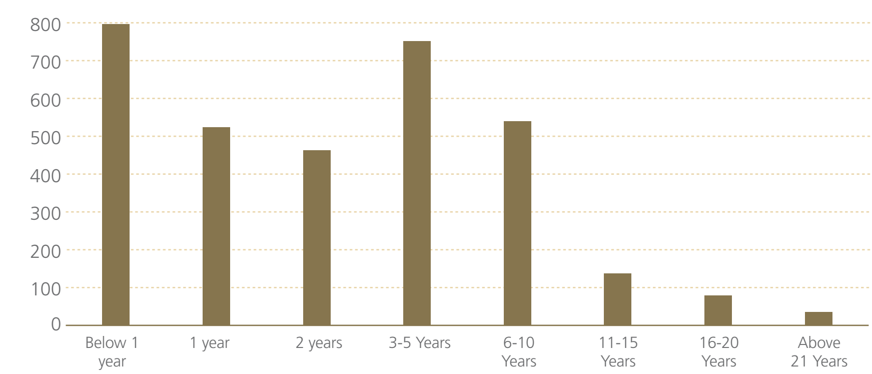
Accolades:
We won the Gold Award at the inaugural People Development Awards organized by the Sri Lanka Institute of Training and Development (SLITAD) in November 2013.

Our Triple Bottom Line focuses on the People of our planet an we believe it begins with the people that make up the family of LOLC, which today stands at 3990, as at 31st March 2014. In a highly competitive market in the service industry, the commitment, determination and talents of our people have been the key differentiator and the corner stone of our success.

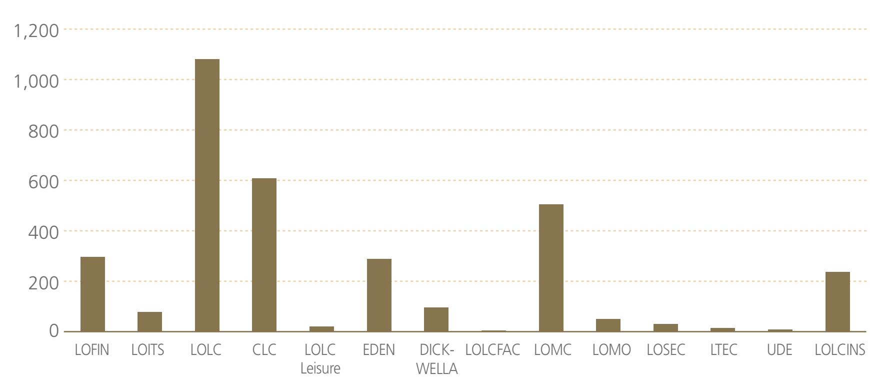
LOLC has a unique culture across the Group which encourages minimum hierarchy; valuing professionalism over rank or stifling practices. An open door policy enables any employee to approach another employee including Directors. The culture also ensures greater transparency in our processors and procedures.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

The year under review saw the adoption of a new recruitment strategy to cater

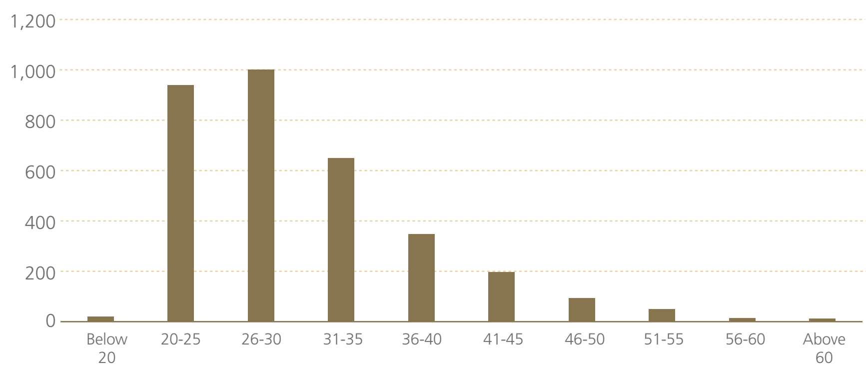
No of years in service - LOLC Group



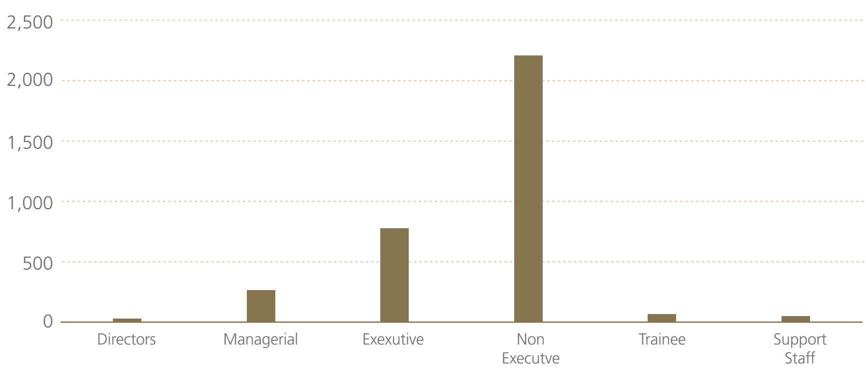
Company wise Staff Breakdown



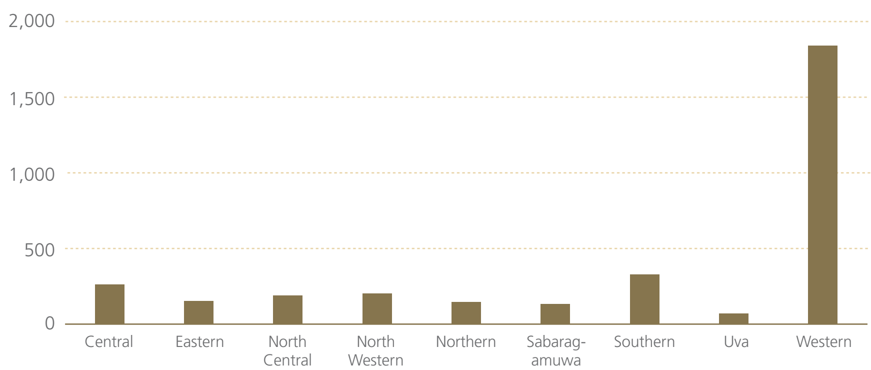
Age wise Analysis - LOLC Group



Grade wise Analysis - LOLC Group



Province wise Breakdown - LOLC Group



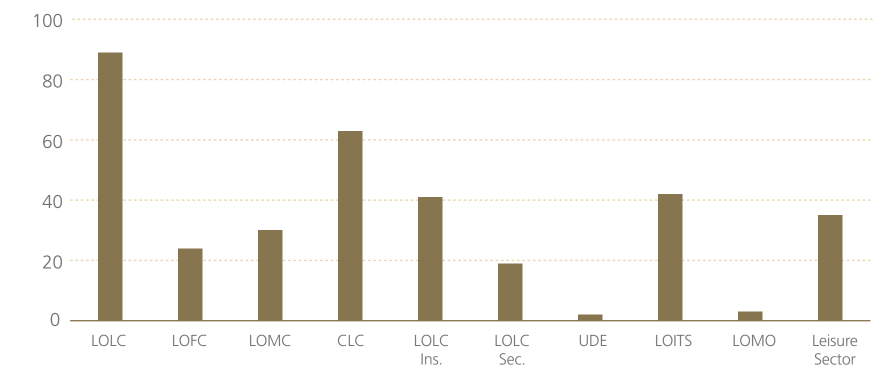
to the growing manpower needs of the Group, and the strategy proved effective in achieving the given recruitment related targets. The Group's Recruitment and Selection Policy clearly defines the process starting from the point when the vacancy arises to completion of recruitment. A first day's induction programme is followed by a formal induction session within a month of a new recruit joining the Group. The "HR buddy" programme which appoints a mentor to each new recruit facilitates an easier "fitting in" by new comers to LOLC and is considered a key factor in the high retention ratios that the Group has achieved in comparison to industry statistics.

Employees are our most valuable asset and one of the critical strategic imperatives of the Group is to enhance the value of that asset. Training and development, promoting education and a culture of continuous learning have remained key focus areas of our HR initiatives during the year as well. Employees are frequently nominated for training on critical areas such as compliance and the new accounting standards to ensure that their knowledge is up to date. During the year, the Group invested more than Rs. 12 Million and 24,452 man-hours on training its people conducting a total of 348 training programmes.

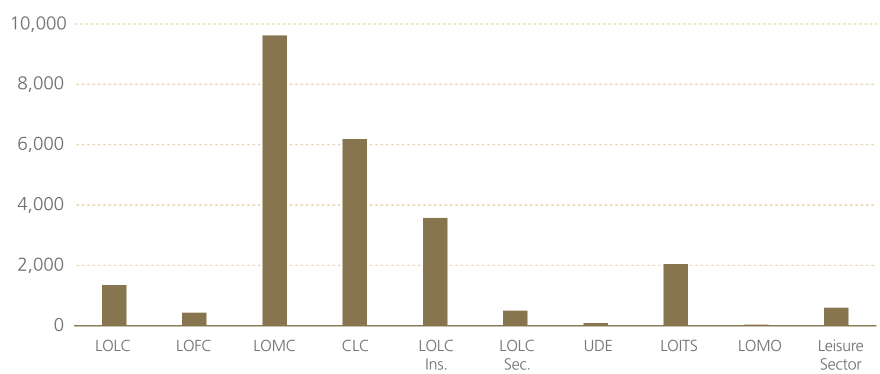
The HR department also automated certain key processors during the year thereby enhancing efficiency and level of service to employees, as well reducing paper work. The automation introduced included the Online Pay slip system and the online approval of over-time.

LOLC's Performance Management system has been developed to incorporate an objective approach to goal based performance appraisals across executive

Total no of Training Programmes



Training Hours Provided



and management grades in the Company. Employees are appraised on KPI's agreed on at the beginning of the year and bi-annual Performance Appraisals are carried out for all staff. Any shortcomings in performance is identified and analysed with training needs identified to address the shortcomings.

Our interaction and engagement with people across the spectrum is characterized by respect, accommodation and fairness. Respect for rights influences our behaviour from recruitment policies, working conditions and work culture where our employees are concerned to the manner in which we engage and interact with stakeholders.

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

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

Employee interaction within the Group is encouraged via formal and informal channels. The employee association of the Group - SPIRIT plays an invaluable role in facilitating the right spirit for a cohesive team through numerous employee activities. Some of these informal interactions during the year included the Sports Day, Pirith Ceremony, Christmas Party, An Annual Trip and the Kiddies party.

Plantations

Our Plantations Companies – Maturata and Pussellawa Plantations - respect and abide by labour laws governing the industry. We have regular meetings to handle employee grievances, providing immediate relief and assistance where necessary with utmost respect to their rights as employees. Regular dialogue is maintained at Plantation level between employees and the Management which has contributed towards creating an atmosphere of collective bargaining.

On our Maturata plantations, one of the initiatives we established to ensure worker dignity was re-naming the title 'Workers' to 'Associates'. Those who work on plantations were traditionally referred to as 'Coolies', a term which stemmed from the colonial era, and was later changed to 'Labourers'. Subsequently, this title changed to refer to them as 'Workers'. We have taken the steps to be made it known across the company, that all its employees including plantation employees, regardless of their rank or designation would, in future, be referred to as 'Associates' - a term that is reflective of the equality and dignity that we strive to achieve within our work environs. The term 'Associates' thus reflects the fact that we consider a plantation employee a partner in our aspirations and success, and one who is empowered to take ownership of a larger objective and vision, and they are accorded the same levels of respect and dignity that others enjoy.

Similarly, there are a number of other policies and measures in place which we have continuously reviewed and fine-tuned to ensure worker rights and dignity and adherence to the UNGC principles on human rights and labour.

For instance at our Pussellawa plantations, employees have the freedom to organize themselves and gather together, have regular meetings to handle employee grievances and provide immediate relief and assistance for such grievances where necessary and practice the principle of collective bargaining by all employees and Trade Unions where employees have the option to accept or reject conditions offered by the Company. The fact that there was no trade union action on our plantations during the year under review is a reflection of the effectiveness of our policies and practices in place.

Regular meetings are followed up by management group reviews to ensure that the human rights regime on our plantations is exemplary and free from abuses of any kind. As a responsible employer we find the concept of child labour abhorrent and there is no recruitment of under-aged persons within the Group nor do we engage in any form of forced labour. Recruitment of employees and associates is done through a selection process that covers the above aspect.

Also, when our employees at our plantations are required to undertake tasks that involve them in using chemicals and other hazardous material, we have ensured that right steps are taken for safeguarding our employees and ensuring their safety within our work environs. We have provided them with protective clothing, gloves and goggles to protect them from any harmful effects when spraying chemicals and other similar substances. We have ensured that whatever kind of work they undertake, whilst ensuring their safety within our premises, we have also provided them necessary knowledge and awareness on workplace safety as well.

In addition, on both our Maturata and Pussellawa plantations, we have ensured continuing improvements to employee housing and sanitation facilities, community medical care and access to educational opportunities for the children of estate families. All these are carried out within a broader programme of community development which stretches beyond employee engagement and aims to uplift the living conditions and the quality of life of the resident population as well.

In doing so, we have carried out a plethora of community activities to improve the living standards of the resident population as well as neighbouring communities. Projects carried out during the year include:

- The construction of a new estate school at Kurulugala divison on Enselwatte Estate
- Providing furniture to estate schools and crèches
- Construction of toilets by the EWHC
- Formation of voluntary teams to implement welfare activities
- Facilitating maternal health and children's clinics, medical clinics and eye camps
- Guided educational tours for preschool children
- Facilitating a mobile service for estate residents to obtain National Identity Cards
- Provision of Gas Cylinders under hire-purchase system
- Programme to create awareness on the health benefits of rice flour vis a vis wheat flour
- Programme about awareness and prevention of Cancer and T B
- Nutrition awareness programme for mothers
- New year celebrations for children
- Celebration of World Children's Day
- Sponsoring 'Dansals' during Vesak

3. Environment

Whilst we strive to minimise our environmental foot print, we also proactively seek ways in which we can contribute to the sustainability of the natural capital. Our Group's micro financing and SME business empowers and progressively develops a significant segment of Sri Lanka's population and a large portion of this clientele is engaged in agriculture or agri related enterprises. The weather patterns to the quality of the soil and other natural factors are key determinants of the success of these enterprises and in turn, the sustainability of our business. Moreover, agricultural machinery and other agri inputs also constitute a considerable portion of the Group's trading business and are hence dependent on the performance of Sri Lanka's agricultural sector. Additionally and more directly, for our plantations - the natural environment is their key resource. Thus, in addition to environmental preservation being in sync with our values, it also makes business sense to us and is of strategic importance to ensure sustainable profitability, and hence we strive to influence one key stakeholder, the farming community on the importance of investing in environment friendly practices.

Developing Renewable Energy

Our renewable energy projects typify a venture with a triple bottom line impact.

The need for conservation of energy and sources of renewable energy in the world has been made more urgent today than ever before. The need is that much greater and immediate for countries such as Sri Lanka whose high dependence on oil imports continues to burden the Balance of Payments. Renewable energy is also of critical importance due to the favourable impact on the environment vis a vis the detrimental effect of greenhouse gas emissions from other forms of energy. LOLC's previous initiatives to produce alternate sources of renewable energy which have been described in previous reports include solar power generation for rural homes in 2003, renewable fuel wood plantations which now make a contribution to the company's profits and the environment, and two mini hydro power generating schemes commissioned in 2003 and 2006 with a total generation capacity of 3.2 Mw.

The year under review saw our hydro power Company FLCH Hydro Power PLC commission its mini hydro plant, Stellenberg Plant, in January, adding a further 0.9 Mw and increasing the total generation capacity to 4.1Mw. The fourth plant which is being constructed in Thebuwana is to be commissioned at the end of the next financial year. In addition, the Company has also obtained an Energy Permit to develop Halgran Oya II, a project which will generate a further 0.65 Mw. The Group will continue to actively pursue opportunities for development of all forms of renewable energy.

Products which Green Homes and Offices

Browns & Company PLC has partnered with suppliers who uphold similar concerns and values about safeguarding and protecting our environment. Our premier brand Sharp is reputed for its environmentally conscious products and devices for homes and offices. Apart from designing products that are energy efficient, Sharp has product categories which are demarcated as "Advanced Green Products" and "Super Green Products" to indicate the level of energy efficiency, thereby, enabling customers to make a clear and informed choice. Sharp is advancing its research and development of people-friendly and environmentally friendly technologies covering four areas-energy saving and energy creation, effective use of resources, safety and peace of mind, and health and comfort.

Along with establishing guidelines for environmentally conscious designs, Sharp sets objectives for the development of environmentally conscious products and devices as well as assessment standards for certification. Every year, the company revises these guidelines and standards, thereby constantly improving the environmental performance of its products and devices.

On the manufacturing side, all products manufactured by the Browns Group adhere to the ISO: 14001 Environment Management System. And as part of the Company's 'Go Green' environmental sustainability commitment, products are recycled to the greatest extent possible; for example, lead and scrap batteries and regi foam packing material used to package batteries are all recycled at the Browns factories.

Browns' Power Generation division consumed 44,10,961 KWH of power during the year under review. In a bid to reduce levels of energy consumed by the company, the power generation division introduced several measures such as strictly opting for energy efficient rated electrical equipment motors and pumps, and the reformat of the Company's systems so that the total ampere input is reduced. The Company was able to increase the power factor of electricity by as much as 99% for its charging system of MF batteries, by adding a new capacitor bank.

Browns also monitors ambient air quality and gaseous emissions to comply with Central Environmental Authority standards.

Furthermore, a total of 32,854,000 litres of water is directed annually to the waste-water treatment plant and treated water is being reused at the Browns Power Generation.

Greener and Sustainable Plantations

At our Maturata and Pussellawa Plantations, we have designed and implemented programmes and projects giving due consideration to positive environmental impacts, protection of bio-diversity and creating awareness on environmental protection and sustainability.

We are conscious of the environmental challenges faced by the industry and have taken steps to introduce soil conservation methods and the introduction of chemical free bio products for pest control etc. We continued our "giant Bamboo" cultivation programme in the catchment areas to promote soil conservation.

Our tea manufacturing factories are certified by the Ethical Tea Partnership, certifying the Tea is Produced ethically and these factories conform to the required standards. Some of our notable accolades are as follows :

- Rothschild Estate – Received the distinction of being the Highest Quantity Sold by a Single Factory in the Regional Plantation Company Estates category during the year by selling 1,776,042Kg. This estate secured the Highest Improvement in the turn over for the year. Also the quantity sold is the highest for all regions.

- Delta Estate – Received the No.1 Position in the overall ranking for Western Medium Grown CTC Teas, also won the all-time record price of Rs.520/ per Kg for PF1 Grade, won the 3rd highest sale average in the John Keells catalogue for Western Medium Grown Teas.

- Mooloya Estate- Received the all-time record for flowery grades and the highest improvement in the sale average for the region.

Sustainable Ecofriendly Tourism

We continue to strengthen and accelerate our sustainable tourism efforts while being mindful of the community and environment around us. In doing so, we are proud to state that all our leisure entities, mainly our hotels, have embedded the practice of the three 'R's – Reduce, Reuse and Recycle - into their operations as an effort to minimize waste and harmful impacts on the environment as well as to conserve the bio diversity of the surrounding areas.

Some of the green initiatives undertaken by our Group’s Leisure sector during the year include the following:

- Installation of an anaerobic sewage treatment plant at Green Paradise hotel with an investment of Rs 7 million, to recycle 60,000 litres of water per day for use the garden to reduce our carbon footprint.

- Maintenance of a Village tank by the Green Paradise hotel with the aim of preserving water and protecting birds and animals.

- Introduction and establishment of an Eco park for nature lovers by Green Paradise hotel.

- Annual distribution and breeding of species of endangered fish in the village tank by Green Paradise Hotel.

- A Shramadana campaign to clean the beach near Dickwella Resort & Spa.

- Participation in a beach cleaning Shramadana organized by the Pradeshiya Sabawa of Dickwella by Dickwella Resort & Spa.

- Shramadhana at a nearby temple by Eden Resort & Spa.

- Annual cleaning of the Maggona church premises by Eden Resort & Spa.

- Creating awareness amongst villagers and tourists via workshops and sign boards on the importance of protecting and preserving the environment by Green Paradise hotel.

- Growing organic vegetables and fruits at Green Paradise hotel.

- Using organic dish washing liquid and laundry detergent at Green Paradise hotel.

Our Hotels, in addition to recruiting from the locals where possible and generating employment opportunities for people in the respective areas, are also well integrated into the communities via numerous social initiatives. The hotels contribute not just financially but also lend their time and efforts to organise events and other initiatives by the communities. Some of the ways in which we contributed during the year are summarised below:

- Initiating activities encouraging the participation of the community and making them a part of our hotels’ travel and tourism development initiatives.

- Improve conditions of religious establishments via donations and voluntary activities of our hotels.

- Donations to local schools with the support of contributions from hotel guests.

- Maintenance of a ward at the Aluthgama Hostpital by Eden Resort & Spa.

- Assist the community’s crop cultivation activities by giving technical guidance and aid by Green Paradise hotel.

- Construction of a school building for Lenawa Primary School by Green Paradise hotel.

- Donation of a Computer room with 02 computers and accessories for the Lenawa Primary school by Green Paradise hotel.

- Construction and commissioning of a bus halt in the village by Green Paradise hotel.

- Construction of a Dagoba in the village temple by Green Paradise hotel.

- Helping to preserve the Kaludiyapokuna Archaeological site by Green Paradise hotel.

- Organising cookery demonstrations for school children and teachers in Dickwella education division by Dickwella Resort & Spa.
- Donating school books to 200 school children of poor families in the Cultural Triangle by Green Paradise hotel.
- Financial contributions to youth societies, religious activities and establishments including the Deegawalukarama temple at Batheegama by Dickwella Resort & Spa.
- Conducting leadership training programs for school children by Green Paradise hotel; 100 students at Nalanda Vidyalaya Colombo benefited in 2013.
- World Tourism Day awareness programme for a nearby school by Eden Resort & Spa
- Shramadhana campaigns at churches and temples by Eden Resort & Spa
- Annual blood donation campaigns by our hotels.

4. Anti-Corruption

We understand that sustaining good business practices means sound Corporate Governance structures and effective risk management practices. In upholding them, all our established systems and controls do not permit employees to engage in corruption and malpractices of any kind. We have always fulfilled governance and compliance requirements in both practice and conformity in a transparent and ethical manner, which is communicated to stakeholders spanning from regulators to the general public via our annual reports, press releases, regulatory disclosures, websites and others. This report provides an in depth look into our good governance measures and practices currently in place within our Company, under the sections titled Enterprise Risk Management and Corporate Governance.

GOVERNANCE INFORMATION

Prudent Strategies. Controlled Growth

The Board of Directors

Top, left to right: Mrs. R L Nanayakkara, Mr. I C Nanayakkara
Middle, left to right: Mr. W D K Jayawardena, Deshamanya M D D Pieris
Bottom, left to right: Mr. R A Fernando, Mrs. K U Amarasinghe




Top, left to right: Mr. R M Nanayakkara, Mr. H Nishio
Bottom, left to right: Mr. H Yamaguchi, Miss. C S Emmanuel

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 setup 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 Chairperson of Taprobane Holdings Ltd and subsidiary companies of the Browns Group. She is also a Director of Overseas Realty (Ceylon) PLC, Mireka Homes (Pvt) Ltd and Eastern Merchants PLC. She is a trustee of National Trust of Sri Lanka.

Mr. I C Nanayakkara

Mr. Ishara Nanayakkara joined the Board of Lanka ORIX Leasing Company PLC (LOLC) in 2002 and is, presently the Deputy Chairman of LOLC and Lanka ORIX Finance PLC. He is also the Chairman of Commercial Leasing & Finance PLC, a leading Finance company in the country.

Mr. Nanayakkara is the Chairman of LOLC Micro Credit Limited, the micro finance arm of LOLC Group. He also serves on the Board of PRASAC Micro Finance Institute; one of the largest Micro Finance institutions in Cambodia. His enduring interest in microfinance was further evident by his latest initiative and LOLC's first overseas investment - LOLC Myanmar Micro Finance Company Ltd in which he is the founding Chairman. He was also instrumental in the joint venture between BRAC and LOLC to form BRAC Lanka Finance PLC.

Mr. Nanayakkara is the Deputy Chairman of Seylan Bank PLC, a premier commercial bank in the country. His strategic participation in general, life and micro insurance through LOLC Insurance Company Ltd, factoring and working capital through LOLC Factors Ltd, stock brokering and securities through LOLC Securities Ltd, Islamic finance through LOLC Al-falaah, SME financing in addition to conventional lending and deposit product knowhow, reflects his vivid exposure in the financial services arena.

He is also the Executive Chairman of Brown & Company PLC and Browns Investments PLC. The Browns Group is a renowned conglomerate with leading market position in trade, leisure, manufacturing, consumer appliances and agriculture equipment and Browns Investments is the strategic investing arm of Browns that consists a portfolio of Leisure, Plantation, construction, agriculture inputs and banking.

Mr. Nanayakkara also serves on the Boards of Sierra Construction (Pvt) Ltd, FLC Holdings PLC, Lanka Century Investment PLC, Associated Battery Manufacturers (Cey) Ltd and Agstar Fertilizer PLC.

He holds a diploma in Business Accounting from Australia.

Mr. W D K Jayawardena

Mr. Kapila Jayawardena counts over thirty two years' experience in Banking, Financial Management and Corporate Management. Mr. Jayawardena was appointed as the Group Managing Director/CEO of Lanka ORIX Leasing Co., PLC in 2007. He was the former CEO/Country Head of Citibank Sri Lanka & Maldives.

Mr. Jayawardena has played a pivotal role in the banking sector contributing to the financial market reforms, development and regularly advising regulators on prudential requirements and has widespread experience in introducing innovative financial service products to the market.

LOLC Group is one of the largest conglomerates in Sri Lanka with a presence in diversified industries such as Financial Services, Trading, Manufacturing, Construction, Leisure and Renewable Energy.

As an individual with extensive International and domestic financial experience, Mr. Jayawardena was a key member of the following committees;

- Chairman Sri Lanka Bank's Association (SLBA) 2003/2004
- Member of the Financial Services Reforms Committee (FSRC) 2003/ 2004
- Director of Lanka Clear and was instrumental in completing the automated clearing project for the Sri Lankan banking industry 2004
- President of the American Chamber of Commerce Sri Lanka 2006/2007
- Member of the inaugural Sovereign ratings team for Sri Lanka
- Member of the National Council of Economic Development (NCED)
- Board Member of the United States - Sri Lanka Fulbright Commission

Presently, Mr. Jayawardena holds Chairmanship/directorship in the following companies:

- Lanka ORIX Leasing Company PLC - Group Managing Director/CEO
- Lanka ORIX Finance PLC- Chairman
- LOLC Insurance Company Limited - Chairman
- LOLC Securities Limited - Chairman
- Eden Hotels Lanka PLC - Chairman
- Speed Italia (Pvt) Ltd - Chairman
- United Dendro Energy (Pvt) Ltd - Chairman
- Palm Garden Hotels PLC - Chairman
- LOLC General Insurance Ltd - Chairman
- LOLC Life Insurance Ltd - Chairman
- LOLC Micro Credit Ltd - Director
- Commercial Leasing & Finance PLC - Director
- Brown & Company, PLC - Director
- Browns Investments PLC - Director
- Seylan Bank PLC - Director
- BRAC Lanka Finance PLC - Director
- Riverina Resorts (Pvt) Ltd - Director

Qualifications

- Master of Business Administration, American University of Asia
- Fellow of the Institute of Bankers, Sri Lanka
- Associate of the Institute of Cost and Executive Accountants, London.

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 Broadcasting.

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 Peoples' 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 Director 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 Program 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 Program 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 Co. Ltd, United Dendro Energy (Pvt) Ltd, Palm Garden Hotels PLC and Eden Hotels 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 organization 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. Nanayakkara is also on the Board of Brown & Company PLC.

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

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

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

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

Miss C S Emmanuel
Miss Chrishanthi Emmanuel brings over 20 years of experience to the role of Company Secretary. She 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 also served as Company Secretary of several companies within the LOLC Group and now serves as a director of L O L C Corporate Services (Private) Ltd.

Corporate Management Team

Gayani de Silva
Chief Officer – Small & Medium Enterprises & Development Finance, & Customer Relationship Management

Brindley de Zylva
Managing Director / Chief Executive Officer -
Lanka ORIX Finance PLC

Anura Dharmaprema
Corporate Executive Officer -
Recoveries - LOLC

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

Dharini Fernando
Chief Operating Officer
- LOLC Insurance Company Limited

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

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

Gunendra Jayasena
Chief Administration Officer
- LOLC Group
General Manager - LOLC Ventures

Solomon Jesudason
Chief Officer – Marketing Operations -
LOLC

Corporate Management Team

Jayantha Kelegama
Chief Credit Officer -
LOLC

Sunjeevani Kotakadeniya
Chief Financial Officer -
LOLC Group

Graham Lawrence
Director / Chief Executive Officer -
LOLC Factors Limited

Ashan Nissanka
Chief Executive -
Branch Network - LOLC

Rohan Perera
Group Treasurer -
LOLC

Gehan Rajapakse
Chief Executive Officer -
LOLC Insurance Company Limited

Krishan Thilakaratne
Director / Chief Executive Officer -
Commercial Leasing & Finance PLC and
Valuation Unit
General Manager -
Islamic Business unit of LOFC

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

Sharmini Wickremasekera
Chief Risk Officer
- LOLC Group

Gayani de Silva

Attorney-at-Law, MBA (Sri J)

Chief Officer – Small and Medium Enterprises & Development Finance, and Customer Relationship Management

Joined LOLC in 1994. Counts over 20 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, SME and development finance portfolio management, customer relationship management, call centre management, corporate social responsibility and corporate sustainability.

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 30 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 25 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(USA), FBCS (UK), MBA (University of Leicester)

Chief Information Officer - LOLC Group

Managing Director/Chief Executive Officer - Lanka ORIX Information Technology Services Ltd.,/LOLC Technologies Limited

Joined in 2006.Counts over 23 years of experience in Information Technology, Software Engineering, Project Management, Strategic and Investment Planning, Finance Management, Corporate Restructuring and Unit Trust & Fund Management. Possesses domain expertise in sectors such as Trading, Banking and Finance, Asset Management and Manufacturing.

Dharini Fernando

Chartered Insurer, Associate of the Chartered Insurance Institute of London (ACII)

Chief Operating Officer - LOLC Insurance Co. Ltd.

Joined in December 2010. Counts nearly 20 years' experience and has worked with a number of leading multinational insurance companies in varying roles at senior management level. Wide local and international exposure and experience in both Life and General insurances, especially in the areas of Reinsurance, Property, General Accident and Health and Casualty (Liability). 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 Jayawardenapura.)

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 in several subsidiaries within the LOLC Group.

Sriyan Gurusinghe

ICMQ (UK)

Managing Director/Chief Executive Officer - LOLC Securities Ltd.

Joined in 2011.Counts over 21 years of experience in stock brokering. Previously Director/General Manager at Ceylinco Stock Brokers for 14 years. He has served as a President to Colombo Stock Brokers' Association.

Gunendra Jayasena

Chief Administration Officer - LOLC Group
General Manager - LOLC Ventures

Joined in 2007.Counts over 21 years of experience in Manufacturing, Administration and Plantation Management.

Gunendra has been appointed as a Director in several subsidiaries within the LOLC Group.

Solomon Jesudason

Chief Officer - Marketing Operations - LOLC

Joined in 1988.Counts over 26 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 26 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. Member of the CIMA (UK) Sri Lanka Board. Member of Statutory Accounting Standards Committee, Sri Lanka.

Graham Lawrence

Director/Chief Executive Officer - LOLC Factors Ltd

Joined in 1992.Counts over 26 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.

Ashan Nissanka

MBA, CIM (UK), MSLIM, Practicing Marketer (SL)

Chief Executive - 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, specializes 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 in 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 Jayawardenepura), FCMA (UK), B.A.(Econ) Hon. (University of Colombo.)

Chief Executive Officer – LOLC Insurance Company Limited

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

Director / Chief Executive Officer - Commercial Leasing & Finance PLC and Valuation Unit

General Manager - Al-Falaah Islamic Business Unit of LOFC

Joined in 1995 and counts over 24 years of experience. He also serves in the Board of Commercial Insurance Brokers (Pvt) Ltd., the largest Insurance Broker in Sri Lanka which is an Associate Company of Commercial Leasing & Finance PLC.

He previously held the positions of CEO - Lanka ORIX Factors Ltd. & CEO - Auto Finance of LOLC. He is an Associate Member of the Institute of Bankers of Sri Lanka.

Ravi Tissera

Director/Chief Executive Officer - LOLC Micro Credit Ltd.

Joined in 1993. Counts over 21 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 conceptualizing and introducing microfinance to LOLC in 2009. Ravi is also on the Board of Sundaya Lanka (Pvt) Limited and LOLC Micro Investments (Pvt) Limited, LOLC Myanmar Microfinance Co. Ltd which are subsidiaries of the LOLC Group and BRAC Lanka Finance PLC.

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

Susaan Bandara
Head of Marcom
- LOLC Group

Chrishanthi Emmanuel
Company Secretary

Jithendra Gunatilake
DGM - Finance Operations -
LOLC

Chandana Jayanath
DGM - Recoveries -
LOLC

Rohana Kumara
DGM - Micro Finance -
LOLC Micro Credit Ltd

Mehra Mendis
DGM - Fleet Management Services -
LOLC

Nihal Weerapana
DGM - Recoveries -
Commercial Leasing & Finance PLC

Roshani Weerasekara
DGM - Marketing - Savings & Deposits -
Lanka ORIX Finance PLC

Mallika Abeykoon
AGM - Finance Operations -
LOLC

Deepamalie Abhayawardane
AGM - *Factoring* -
Commercial Leasing & Finance PLC

Rohana Chandrasiri
AGM - Branches -
LOLC Securities Ltd

Isaac Devshanker
AGM - Metro Region -
LOLC

Jayantha Dharmapriya
AGM - Legal -
LOLC Group

Saliya Dias
AGM - Life (Technical & Operations) -
LOLC Insurance Company Ltd

Heshan Ferdinand
AGM - General (Technical & Operations) -
LOLC Insurance Company Ltd

Yanik Fernando
AGM - Eastern & Uva Regions
- LOLC

Tharanga Indrapala
AGM - Operations
- Commercial Leasing & Finance PLC

Operational Management Team

Hasala Thilekaratne
AGM - Southern II & Western II Regions -
LOLC

Nalaka Mohotti
AGM - Southern Region -
LOLC

Sanakan Thamotharampillai
Chief Operating Officer -
LOLC Securities Ltd

Wasantha Batagoda
AGM - Legal & Strategic Business -
LOLC

Chumley Ranatunge
AGM - Recoveries -
LOLC

Nadika Opatha
Head of Corporate Sales - Life Insurance -
LOLC Insurance Company Ltd

Mohan Thilakawardena
AGM - Underwriting & Operations (General) -
LOLC Insurance Company Ltd

Enoka Jayampathy
Head Of Finance -
United Dendro Energy (Pvt) Ltd
LOLC Motors Ltd & Speed Italia (Pvt) Ltd
AGM - Finance Corporate -
LOLC

Gamini Jayaweera
AGM – Northern & North Central Regions -
LOLC

Sanjaya Kalidasa
AGM - Treasury –
LOLC Group

Sudath Premaratne
AGM - Recoveries -
LOLC

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

Shantha Rodrigo
AGM - Central Region
- LOLC

Manish Rodrigo
AGM - Sales -
LOLC Securities Ltd

Bahirathan Shanmugalingam
AGM - Finance Operations -
LOLC

Preethimali Soosaithasan
AGM - Client Management -
LOLC Factors Ltd

Sujeewa Vidanapathirana
DGM - Business Development (General Insurance) -
LOLC Insurance Company Ltd

Pradeep Uluwaduge
AGM - Human Resources
- LOLC Group

Operational Management Team

Montini Warnakula
AGM - Western II & North Western Regions -
LOLC

Gayantha Weerakoon
AGM - Enterprise Risk Management
- LOLC Group

Indunil Herath
AGM - Sabaragamuwa & Central II
- LOLC

LOLC Leisure Limited

Ajit Jayemanne
Consultant / Director - Project Development -
LOLC Leisure Ltd

Tilak Selviah
Consultant/ General Manager - Projects
- LOLC Leisure Ltd

Eksath Wijeratne
General Manager
- Eden Resort & Spa

Mirza Borham
Manager -
Dickwella Resort & Spa

United Dendro Energy Private Limited

Haresh Karunanayake
Managing Director
- United Dendro Energy Pvt Ltd

Suresh Navaratnam
Deputy General Manager - Plantations -
United Dendro Energy Pvt Ltd
LOLC Motors Ltd

LOLC Motors Limited

Ramesh Kariyawasam
Head of Operations
- LOLC Motors Ltd

Annual Report of the Board of Directors

Over the years of its existence, the focus of the Company has been identifying and optimizing opportunities. In so far as these opportunities have met previously unfulfilled needs, or have opened new avenues for growth, the Company's focus has enriched the lives of its clients and benefited its stakeholders.

In this way, the Company and the community within which it operates have flourished together .

The Board trusts that all the qualitative and quantitative information provided in this Annual Report of the Board of Directors of the Company provides all stakeholders with a clear and comprehensive view of the performance and activities of the Company and its Group for the year under review.

The Board of Directors

The Board of Directors is as follows :

Mrs 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

Mrs. Kalsha Upeka Amarasinghe
- Executive Director

Minuwanpitiyage Dharmasiri Dayananda Pieris
- Independent Director

Ravindra Ajith Fernando
- Independent Director

Rajah Mahinda Nanayakkara
- Non Executive Director

Harukazu Yamaguchi
- Non Executive Director

Hiroshi Nishio
- Non Executive Director
(Appointed w.e.f. 1st March 2014)

Yuki Oshima
- Non Executive Director
(Resigned w.e.f. 1st March 2014)

Shinji Yamana - Alternate to H Yamaguchi -
Non Executive Alternate Director

Mrs. Kyoko Mori - Alternate to H Nishio
- Non Executive Alternate Director
(Appointed w.e.f. 1st April 2014)

Shin Hamada
- Non Executive Alternate Director
(Alternate to Y Oshima until Mr. Oshima's resignation and then appointed alternate to H Nishio w.e.f. 1st March 2014, Resigned w.e.f. 31st March 2014)

The Directors profiles can be found on pages 94 to 96. 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, Mr R A Fernando and Mr. I C Nanayakkara retire by rotation and being eligible seek re-election as directors. The Board recommends their re-election.

Mr H Nishio who was appointed during the year, retires in accordance with Article 95 of the Articles of Association of the Company and being eligible offer himself for re-election . The Board recommends his re-election. Subject to his re-election, his alternate director, Mrs K Mori, will also be re-elected.

Mrs Rohini Nanayakakra, Mr Dharmasiri Pieris and Mr Raja 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. 7 of 2007 . The Board recommends their re-election.

Directors interests in contracts

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

Directors remuneration

The remuneration is disclosed on page 252. The Report of the Remuneration Committee is on page 118.

Directors shareholdings

	2014		2013	
	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	23,760,000	5.00%	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	172,492,292	36.30%	141,433,220	29.76%
Mr. H Yamaguchi	-	-	-	-
Mr. H Nishio	-	-	-	-
Mr. S Yamana (Alternate to Mr. H Yamaguchi)	-	-	-	-
Mrs. K Mori (Alternate to Mr. H Nishio)	-	-	-	-

Shareholding structure

The Company has issued 475,200,000 shares. The shareholding structure is given on pages 288 to 289, together with the 20 largest shareholders. During the year, the share price ranged from Rs. 49.50 to Rs. 80.50. As at the end of trading on 31st March, 2014, the share price was Rs. 75/-

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 130 to 270, are in compliance with Sri Lanka Accounting Standards and the requirements of the Companies Act No. 7 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 re-stated to facilitate this.

Significant accounting policies

The significant accounting polices adopted when preparing these financial statements and any changes thereof if applicable are given on pages 145 to 172.

Statutory Payments

For the year under review, all known statutory payments have been made and all retirement gratuities have been provided for .Further, all management fees and payments to related parties for the year under review have been reflected in the accounts . Details are given in note no 42 & 49 on pages 246 & 252.

Going concern

Over the year, the Directors have reviewed the interim financials and the year end financials. They have also regularly reviewed operations, and the environment within which the company is operating, including the macro environment, together with likely scenarios in the future.

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 128. The Chief Executive Officer's and Chief Financial Officer's responsibility statement appears on pages 127.

Auditors

The Auditors, M/s Ernst and Young retire, and offer themselves for re-appointment. The Board recommends their re-appointment for the year 2014/2015 at a fee to be decided upon by the Board.

The fees paid to the auditors are disclosed in the notes to the Accounts on page 177.

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 129.

Post Balance Sheet Events

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

Notice of Meeting

The notice of Meeting is found on page 294 If you are unable to be present, please complete and return the Form of Proxy (page 295).

On behalf of the board of Directors

Mrs Rohini Nanayakkara
Non Executive Chairperson

Mr Kapila Jayawardene
Managing Director / Group CEO

Directors' Declarations

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

Name	Other Directorships held
	Director Agstar Fertilizers PLC PRASAC Micro Finance Institution Sierra Constructions (Pvt) Ltd BRAC Lanka Finance PLC LOLC Myanmar Micro finance Co Ltd FLC Holdings PLC Associated Battery Manufacturers (Cey)Ltd Lanka Century Investment PLC
Mrs. K U Amarasinghe	Director Lanka ORIX Leasing Co.PLC Lanka ORIX Finance PLC LOLC Micro Credit Ltd LOLC Insurance Co. Ltd Commercial Leasing & Finance PLC Palm Garden Hotels Lanka PLC Eden Hotels Lanka PLC Brown & Co. PLC Browns Investments PLC Riverina Resorts (Pvt) Ltd United Dendro Energy (Pvt) Ltd
Mr. W D K Jayawardena	Chairman Eden Hotels 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 Co., PLC

Name	Other Directorships held
	Director Commercial Leasing & Finance PLC LOLC Micro Credit Ltd Brown & Co. PLC Browns Investments PLC Riverina Resorts (Pvt) Ltd BRAC Lanka Finance PLC Seylan Bank PLC
Mr. R M Nanayakkara	Chairman Ishara Traders (Pvt) Ltd Ishara Property Developers (Pvt) Ltd Director Brown & Co. PLC Lanka ORIX Leasing Co. PLC
Mr. R A Fernando	Director Lanka ORIX Leasing Co. PLC Malaysian Blue Ocean Strategy Institute (Operations Director) Board Member Environmental Foundation Ceylon Asset Management Ltd Member of the Board of Governors UNOP-ARU
Mr. M D D Pieris	Director Lanka ORIX Leasing Co.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 Co Ltd

Name	Other Directorships held
Mr. H Yamaguchi	Chairman Federal Land ORIX Corporation OMLF Servicer Corporation ORIX Glorious Stars (SPV-AMC), Inc. Deputy Chairman ORIX Polska S.A. Vice President PT. ORIX Indonesia Finance 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-UOI Investments Pte. Ltd. ORIX Australia Corporation Limited Thai ORIX Leasing Co., Ltd. ORIX Metro Leasing and Finance Corporation Lanka ORIX Leasing Company PLC ORIX Leasing Pakistan Limited OPP (Private) Limited ORIX Leasing Egypt SAE DI Investment Partners Limited ORIX Hotels International Private Limited Alternate Director Infrastructure Leasing & Financial Services Limited
Mr. H Nishio	Chairman ORIX Australia Corporation Limited ORIX Polska S.A. Director ORIX Aviation Systems Limited Lanka ORIX Leasing Co. PLC Orient Infrastructure Asset Management Limited ORIX Leasing Singapore Limited

The Board of Directors believes that good governance contributes to the high performance of the Company . Over the course of its history, whether as a pioneering leasing company, a gradually expanding group or the holding company of a diversified conglomerate, the Company has always endeavoured to incorporate governance practices and principles in its process and procedures .

Having transitioned from a leasing company to a holding company, LOLC continues to be governed by the requirements of the Colombo Stock Exchange.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
7.10	Corporate Governance	
7.10	Statement confirming that as at the date of the annual report that the Company is in compliance with these rules.	The Company is in compliance with the listing rules of the Colombo Stock Exchange, as explained below.
7.10.1	Non-executive Directors **a.** The Board of Directors of a listed entity shall include at least : - two nonexecutive directors; or - such number of nonexecutive directors equivalent to one third of the total number of directors whichever is higher	Six of the nine Directors are non-executive Directors. The names of the non-executive directors are set out in the Report of the Board Directors on page 108
7.10.2	Independent Directors **a.** Where the constitution of the Board of Directors includes only two non-executive directors in terms of 7.10.1, both such non-executive directors shall be 'independent'. In all other instances two or 1/3rd of non-executive directors appointed to the Board, whichever is higher shall be 'independent'.	At present the Board comprises 2 independent directors.
	b. The Board shall require each non-executive director to submit a signed and dated declaration annually of his/her independence or non-independence against the specified criteria.	All non-executive have submitted their declarations
7.10.3	Directors disclosures **a.** The Board shall make a determination annually as to the independence or non-independence of each director based on such declaration and other information available to the board and shall set out in the annual report the names of directors determined to be 'independent'	The Board has reviewed the independence of the independent directors. Deshamanaya M D D Pieris and MR R A Fernando are the independent directors.
	b. In the event a director does not qualify as 'independent' against any of the criteria set out below but if the board, taking account all the circumstances, is of the opinion that the director is nevertheless 'independent', the board shall specify the criteria not met and the basis of its determination in the annual report	Deshamanya M D D Pieris and R A Fernando have served as Directors for over 9 years. The Board has determined that these two directors are independent, despite their years of service, as their professionalism and expertise enables them to remain independent . These two directors meet all the other criteria of independent directors .
	c. In addition to disclosures relating to the independence of a director set out above, the board shall publish in its annual report a brief resume of each director on its board which includes information on the nature of his/her expertise in relevant functional areas.	The profiles of the Directors can be found on pages 94 to 96.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	d. Upon appointment of a new director to its board, the Entity shall forthwith provide to the Exchange a brief resume of such director for dissemination to the public. Such resume shall include information on the matters itemized in paragraphs (a), (b) and (c) above.	In the event of the appointment of a new director to the Board, the Company has provided the required information to the Exchange for dissemination to the public .
7.10.5	Remuneration Committee **a. Composition** The remuneration committee shall comprise; - of a minimum of two independent non-executive directors (in instances where an Entity has only two directors on its Board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors.	The Committee comprises 2 non-executive independent directors. Please refer the Committee report on page 118.
	b. Functions The Remuneration Committee shall recommend the remuneration payable to the executive directors and Chief Executive Officer of the Listed Entity and/or equivalent position thereof, to the board of the Listed Entity which will make the final determination upon consideration of such recommendations.	The Committee reviews the salary structures periodically The Committee report is on page 118.
	c. Disclosure in the Annual Report The annual report should set out the names of directors (or persons in the parent company's committee in the case of a group company) comprising the remuneration committee, contain a statement of the remuneration policy and set out the aggregate remuneration paid to executive and non-executive directors.	The names of the members of the committee can be found in the Committee Report on page 118. The remuneration paid to executive and non-executive directors is disclosed on page 252.
7.10.6	Audit Committee **a. Composition** The audit committee shall comprise; - of a minimum of two independent non-executive directors (in instances where the Entity has only two directors on its board); or - of non-executive directors a majority of whom shall be independent, whichever shall be higher. One non-executive shall be appointed as Chairman of the committee by the board of directors. The Chairman or one member of the committee should be a Member of a recognized professional accounting body.	The Committee comprises three non-executive directors, two of whom are independent. Please refer the Committee report on page 121.

Section No.	Listing Rules of the Colombo Stock Exchange	Level of compliance
	b. Functions Shall include, (i) Overseeing of the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. (ii) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. (iii) Overseeing the processes to ensure that the Entity's internal controls and risk management are adequate, to meet the requirements of the Sri Lanka Auditing Standards. (iv) Assessment of the independence and performance of the Entity's external auditors. (v) To make recommendations to the board pertaining to appointment, re-appointment and removal of external auditors and to approve the remuneration and terms of engagement of the external auditors.	The Committee functions within the framework of an Audit Committee Charter which includes those listed here .
	c. Disclosure in the Annual Report The names of the directors (or persons in the parent company's committee in the case of a group company) comprising the audit committee should be disclosed in the annual report. The committee shall make a determination of the independence of the auditors and shall disclose the basis for such determination in the annual report. The annual report shall contain a report by the audit committee, setting out the manner of compliance by the Entity in relation to the above, during the period to which the annual report relates.	The members of the Committee are named in the Committee Report on page 121.

Through its culture of high performance with good governance, not only have LOLC and its group companies flourished, its stakeholders too have received lasting benefits, creating long term relationships.

Report of the Remuneration Committee

The Remuneration Committee comprises two independent directors, Deshamanya M D D Pieris and Mr R A Fernando (Committee Chairman). The Committee on occasion invites the Executive Deputy Chairman, Mr I C Nanayakkara to attend meetings.

The Committee noted with pleasure the "Great place to work" awards which had been received by three Group companies, giving the Group the unique distinction of taking 3 of the top 5 rankings.

Retaining and rewarding top talent at LOLC was focused on as the key mandate of the committee. The Committee increased its scope to include recruitment, development & training, and retention of key employees, including senior management.

In terms of retaining top talent the committee identified world class programs to augment and inspire talent.

In terms of rewarding talent, a program to recognize "excellence" was developed

To facilitate this the Committee worked closely with the Head of Human Resources. The Committee also noted that succession plans were in place for key employees, in some cases covering second and third tier management levels.

The Committee met twice during the year under review.

Mr. R A Fernando
Chairman - Remuneration Committee

Report of the Nomination Committee

The Nomination Committee comprises the two independent directors, Deshamanya M D D Pieris (who is the Committee Chairman), Mr. R A Fernando and the Executive Deputy Chairman Mr. I C Nanayakkara.

The Non-Executive Chairperson Mrs. R L Nanayakkara attends by invitation.

The profiles of these directors can be found on page 94 to 96.

During its meeting, the Committee reviewed the composition of the Board and the roles played by the Executive, Non Executive and Independent Directors . The Committee also discussed the scheduling of Board and Board sub-committee meetings, and how conducive this scheduling is to attendance, especially the attendance of directors based overseas.

The Committee then made its recommendations to the Board.

Minutes of the Meetings of the Nomination Committee are tabled at Board Meetings, for the information of the entire Board, which enables further discussion.

Deshamanya M D D Pieris
Chairman - Nomination Committee

Report of the Integrated Risk Management Committee

This Committee was first set up when the Company was engaged in leasing and was licensed by the Central Bank of Sri Lanka ("CBSL"). While this is no longer a requirement, the Committee is being retained voluntarily by the Board which believes that this sub-committee has an important role to play in ensuring compliance and contributing to good governance.

Reports called for by this Committee cover a multitude of areas and help to identify vulnerabilities in operational and procedural issues (including IT issues). It also facilitates Board awareness of key issues in the conglomerate. Though LOLC is no longer involved in operations, its position as the holding company carries with it obligations and the necessity to review group companies and their impact.

The IRMC is chaired by Mrs R L Nanayakkara, the non-executive Chairperson of LOLC and comprises the following:

Mr 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.

In a dynamic business environment, identification of new and impending risk is of critical importance and this is enhanced by the mix of Board and Management in this Committee. It also helps to ensure that risk mitigation methods do not hinder operations or reduce customer focus. Optimization of resources, whether human or technological can also be pursued, while putting in place necessary safeguards against accidental or deliberate deviations from processes. The issues and solutions aim to be truly integrated, for the betterment of the organization as a whole.

The Committee met 3 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, Deshamanya M D D Pieris (Committee Chairman) and Mr R A Fernando, and the non-executive Chairperson Mrs R L Nanayakkara.

This sub Committee, which was established several years ago, was not appointed by the Board in response to any regulatory requirement, but as one of the steps the Directors took to help them play their role as the Board of the holding company of a group that was expanding not just in size and numbers but also in diversity.

Noting the level of responsibility expected of the holding company's Board, the Committee reviewed and strengthened the current information flow, especially from significant subsidiaries. The information called for is of both qualitative and quantitative aspects and relates to both performance and conformance. Through this information flow, the Committee is kept informed and aware of key events in the Group, which facilitates monitoring and decision making at holding company Board level.

Deshamanya M D D Pieris
Chairman - Corporate Governance Committee

Report of the Audit Committee

The Audit Committee is chaired by the non-executive Chairperson, Mrs R L Nanayakkara and its other members are Deshamanya M D D Pieris and R A Fernando, both of whom are independent directors.

The Committee, which has Board approved Terms of Reference within which it functions, assists the Board with oversight of the financial reporting system of the Company. In fulfillment of this function, the Committee reviews the internal processes and procedures to ensure that the controls in place are adequate and appropriate and that the capture and reporting of financial information is comprehensive, accurate and within prescribed timelines.

When reviewing the interim financial statements, the Committee also reviews accounting policies and compliance with applicable accounting standards and other regulatory requirements.

As the Company moves away from being a leasing company and takes on its new role as the holding company of a diversified conglomerate, the Committee also reviews the consolidated financial statements.

The Committee has agreed on an annual agenda. This facilitates discussion and review of key issues including the functioning of the internal and external auditors. Issues raised are followed up on, so that a satisfactory conclusion can be reached.

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

To facilitate information flow, and take speedy decisions, selected senior management officers are also invited to attend Committee meetings. These include the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Information Officer and the Head of IT Security and Compliance. As training is considered an essential part of facilitating governance and compliance, the Head of HR is also invited. Participation of the management facilitates recommendations for workable revision of procedures and controls, and also commitment to remedial measures.

The Committee meets regularly with the External Auditors who are encouraged to raise any concerns or suggestions for improvement. This also facilitates discussions on the LOLC Group. To enhance independence, on occasion meetings are conducted without the executive directors or management being present.

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 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 Auditors, M/s 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 31st 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.

The Committee met 9 times during the financial year 2013/14.

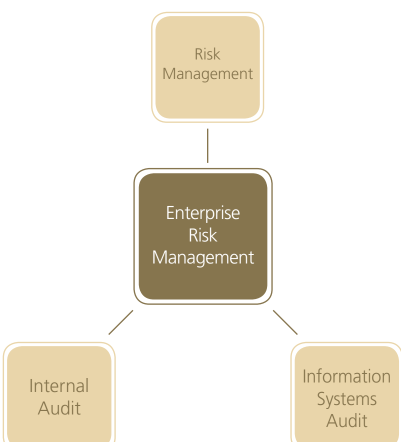
Mrs. R L Nanayakkara
Chairperson - Audit Committee

Enterprise Risk Management

Managing risks with in the risk appetite of an organization is one of the key elements of success and is a fundamental in good governance. Lanka ORIX Leasing Co PLC (LOLC) at the start of its journey towards becoming a conglomerate identified the importance of governance, risk and compliance and initiated mechanisms in all three spheres.

The roots

The seed of enterprise risk management was first planted in the holding company where the Internal Audit, Information systems audit and Risk Management formed the main roots of growth . We identified the synergies of these three closely inter related functions and placed them under the banner of Enterprise Risk Management (ERM). Having identified that total independence of these three functions as a key ingredient for an effective and efficient growth of risk management, The Chairman of the board of directors overlooks the ERM via the Audit committee and the Integrated Risk Management Committee (IRMC). The above initiative by the board demonstrate its true commitment in maintaining proper Governance, Risk and compliance structures within the organization.



Risk Management in the current context requires a vast and diversified knowledge of operations and of the environment of such business operates. The dynamic nature and the volatility of todays' businesses in turn require constant enhancement of knowledge. The human resource element plays a key role in this aspect. ERM department comprises of staff with expertise in all major operational areas of the organization and have access to an internally managed resource base in electronic form on various subject matter to read and update their knowledge. We constantly train ERM staff on key knowledge domains and skills by way of both internal and external training.

We strongly believe that the best risk management practice is empowering all employees to be risk managers with in their scope of work. ERM division initiates risk training sessions at induction level for new recruits while unit specific training sessions are conducted for operational staff on request or on need identification by ERM.

A strong stem

Risk Identification and analysis is primarily a responsibility of the business process owners who are also the risk owners. Their efforts are well complimented by the independent risk reviews carried out by the Risk Management function & the internal control reviews conducted by the Audit function. Deficiencies or risks reported are promptly addressed and followed up by the business process owners and are monitored by ERM. Any adverse movements of the risk indicators so identified are reported to the board of management via the IRMC.

The internal audit function review the adequacy and the reliability of the internal controls while The IS audit review the ICT platform of the organization in line with the best practices and IS auditing standards formulated by the ISACA USA (Information Systems Audit & Control Association). All audit findings are reported to the audit committee and are followed up until resolution. Audited confirmations of rectifying audit queries are obtained and random secondary audits are undertaken to ensure that all recommendations by the audit committee are implemented.

ERM plays a consultative role on major operational process changes ensuring that adequate internal controls are embedded in all new business processes and appropriate risk mitigation strategies and mechanisms are in place.

All assignments undertaken by ERM undergo a stringent quality assurance mechanism adopted by ERM to ensure that all reporting are consistent and required standards are met . Periodic reviews of all ERM processes are undertaken and constant quality improvements and value additions are incorporated.

The risk governance structures and mechanisms adopted by LOLC were recognized by the OCEG (Open Compliance and Ethics Group) USA with a GRC achievement award in 2012 which bears testimony for the sound risk governance structures adopted by LOLC.

Branching off

The diversified nature of the LOLC group with key organizations which are regulated and their respective branch network possess a major challenge to ERM in deploying resources which is currently overcome by appointing risk management officers who are entrusted with coordinating all ERM activities with respect of all major companies of the LOLC group. In addition the audit function have located internal auditors in selected regions for ease of operations in reviewing localized operations of the LOLC group.

Risk information often lies with the business process owners and in order to obtain first-hand information from various business silos and service units, compulsory periodic reporting lines were established from each units to ERM. This include a declaration by the head of each business/support unit of maintaining an effective internal control framework. These initiatives ensure that entity level risks are closely monitored and grass root level risk information is communicated to ERM on a timely manner.

To supplement this process a whistleblowing hotline for corporate users to report on any risk and a customer feedback line for external stake holders to report any irregularity are in operation. Both these channels of communication are managed by ERM and all reported issues are followed up until resolution.

Aiming to flourish

The scattered nature of information among the entities required a robust yet flexible information management system and due to the complexities involved in drawing information from different entities and systems LOLC opted for a phased out implementation of a risk information management system . During the last financial year we managed to integrate financial data of all major companies of the LOLC group and are currently in live mode enhancing the risk monitoring and information capacity of the ERM. We have now entered the second phase of the project which is integrating the operational level /transactional level information which we hope will be fully operational by the end of this calendar year thus enhancing the capabilities of ERM considerably. This will allow us to monitor the movement of risk indicators and facilitate deeper analysis of such data.

As an initiative to further strengthen our risk management practices and the internal control frame work we have planned to roll out self-risk assessments and internal control assessment initiatives in two phases beginning with the branch network and ending with the support services level.

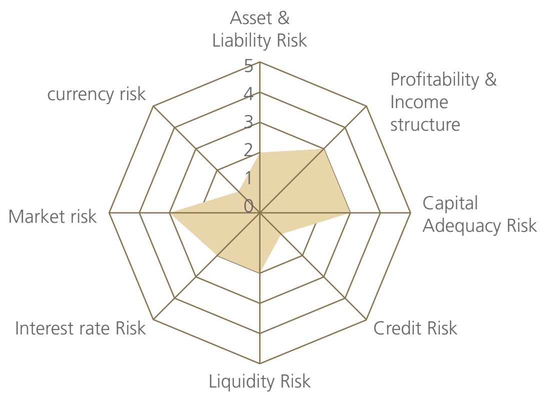
In keeping in line with our vision of risk management “Building an organizational Culture where Protection, Assurance, Reliability, Accountability, Transparency and Confidentiality are treasured and lasting values ” We constantly strive to formulate the best yet unique risk management structures and mechanisms which are dynamic and flexible yet strong and consistent to complement the growth strategies of LOLC group.

Risk Profile of LOLC

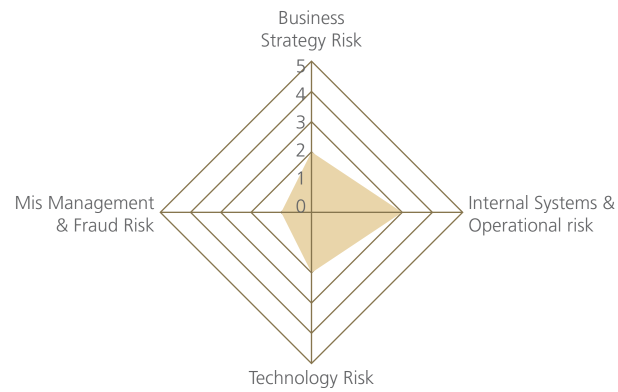
This is a high level catogorisation based on perceived risk used for the illustration purposes of this report.

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

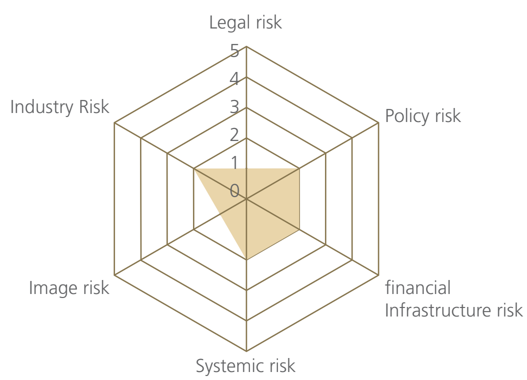
Financial Risks



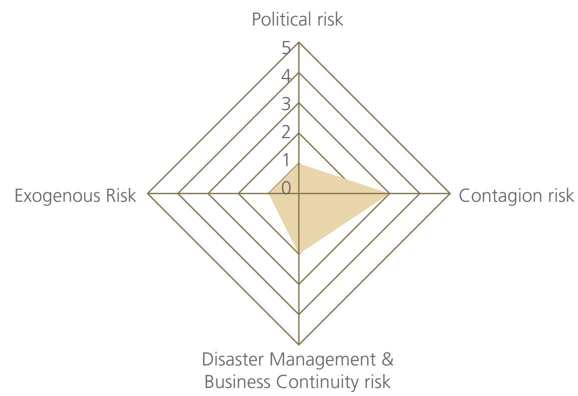
Operational risks



Business Risks



Event risks



FINANCIAL STATEMENTS

Remarkable Results. Flourishing Growth

Financial Calendar

FINANCIAL CALENDAR 2013/14

1st Quarter Results 2013/14 released on	15 August 2013
2nd Quarter Results 2013/14 released on	15 November 2013
3rd Quarter Results 2013/14 released on	13 February 2014
4th Quarter Results 2013/14 released on	30 May 2014
Annual Report for 2013/14 released on	August 2014
35th Annual General Meeting on	30 September 2014

PROPOSED FINANCIAL CALENDAR 2014 /15

1st Quarter Results 2014/15 will be released on	07 August 2014
2nd Quarter Results 2014/15 will be released on	14 November 2014
3rd Quarter Results 2014/15 will be released on	13 February 2015
Annual Report for 2014/15 will be released on	August 2015
36th Annual General Meeting in	September 2015

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

13 June 2014

Directors' Responsibility for Financial Reporting

The Directors confirm that the Company's Financial Statements for the year ended 31 March 2014 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 129.

Kapila Jayawardena
Group Managing Director /
Chief Executive Officer

13 June 2014

Auditor's Report

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

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

TO THE SHAREHOLDERS OF LANKA ORIX LEASING COMPANY PLC

Report on the financial statements

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

Management's responsibility for the financial statements

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

Scope of audit and basis of opinion

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

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

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

Opinion

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

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

Report on other legal and regulatory requirements

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

Ernst & Young

16 June 2014
Colombo

Partners: A D B Talwatte FCA FCMA M P D Cooray FCA FCMA R N de Saram ACA FCMA Ms. N A De Silva ACA Ms. Y A De Silva FCA W R H Fernando FCA FCMA W K B S P Fernando FCA FCMA A P A Gunasekera FCA FCMA A Herath FCA D K Hulangamuwa FCA FCMA LLB (Lond) H M A Jayesinghe FCA FCMA Ms. A A Ludowyke FCA FCMA Ms. G G S Manatunga ACA N M Sulaiman ACA ACMA B E Wijesuriya ACA ACMA

A member firm of Ernst & Young Global Limited

Statement of Financial Position

		Group		Company	
		2014	2013	2014	2013
As at 31 March	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Assets					
Cash in hand and favourable bank balances	16.1	5,362,900	6,591,389	94,205	730,311
Trading assets - fair value through profit or loss	17	1,017,080	1,737,830	536,325	812,241
Investment securities	18	16,288,214	13,145,210	382,733	487,119
Finance lease receivables, hire purchases and operating leases	19	36,259,242	38,090,460	1,069	50,352
Advances and other loans	20	54,285,641	49,724,225	1,513,662	2,726,748
Insurance premium receivables	21	449,589	303,431	-	-
Inventories	22	2,191,924	2,798,388	44,435	-
Current tax assets	23	1,122,555	981,897	186,559	154,185
Trade and other current assets	24	7,231,989	6,663,993	2,826,612	8,398,264
Prepaid lease rentals on leasehold properties	25	287,654	289,185	-	-
Investment properties	26	7,159,771	6,339,688	331,500	412,500
Real estate stocks		-	2,599	-	-
Biological assets;					
Consumer biological assets	27	3,050,783	2,871,193	-	-
Bearer biological assets	28	3,633,649	3,617,989	-	-
Investments in group of companies;					
Subsidiary companies	29	-	-	32,624,979	29,796,324
Joint venture companies	30	-	-	14,298	14,298
Equity accounted investees - Associates	31	13,472,318	10,105,241	7,009,249	6,746,789
Deferred tax assets	32.1	390,619	508,992	-	65,178
Intangible assets	33	739,386	769,453	142,276	95,433
Property, plant and equipment	34	22,599,854	18,440,368	3,546,245	2,749,598
Total assets		175,543,168	162,981,531	49,254,147	53,239,340

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Liabilities and equity					
Liabilities					
Bank overdrafts	16.2	2,934,398	6,875,475	399,689	1,374,998
Trading liabilities - fair value through profit or loss	35	405,434	627,652	6,443	125,204
Deposits liabilities	36	49,614,880	35,397,144	-	-
Interest bearing borrowings	37	66,286,716	66,070,984	13,853,920	18,362,624
Insurance provision - life	38.1	271,792	116,139	-	-
Insurance provision - general	38.2	1,248,685	928,051	-	-
Current tax payables	39	1,082,927	983,976	179,186	132,397
Trade and other payables	40	4,670,380	5,164,051	529,238	426,688
Deferred tax liabilities	32.3	2,762,477	2,155,855	7,282	-
Deferred income	41	259,285	292,717	-	-
Retirement benefit obligations	42	1,151,932	996,729	149,112	96,841
Total liabilities		130,688,906	119,608,773	15,124,870	20,518,752
Equity					
Stated capital	43	475,200	475,200	475,200	475,200
Reserves	44	5,357,905	2,268,778	1,509,262	767,952
Retained earnings	45	17,069,012	18,144,262	32,144,815	31,477,436
Equity attributable to shareholders of the Company		22,902,117	20,888,240	34,129,277	32,720,588
Non-controlling interests		21,952,145	22,484,518	-	-
Total equity		44,854,262	43,372,758	34,129,277	32,720,588
Total liabilities & equity		175,543,168	162,981,531	49,254,147	53,239,340

The notes on pages 142 through 270 form an integral part of these financial statements.

Figures in brackets indicate deductions.

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

Mrs. S.S. Kotakadeniya
Chief Financial Officer

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

Mrs. R.L. Nanayakkara
Chairperson

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

13th June 2014, Rajagiriya (Greater Colombo)

Income Statement

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross income	4	45,007,778	42,391,175	5,460,558	4,683,628
Revenue	4.1	14,081,434	16,988,149	-	-
Less: cost of sales		(8,245,684)	(10,721,916)	-	-
Gross profit		5,835,750	6,266,233	-	-
Income	4.2	27,571,520	22,890,876	2,111,378	3,541,670
Other income/(expenses)	5	3,354,824	2,512,150	3,349,180	1,141,958
Finance costs	6	(16,408,947)	(14,527,658)	(2,720,484)	(3,464,147)
Profit before operating expenses		20,353,147	17,141,601	2,740,074	1,219,481
Operating expenses					
Direct expenses excluding finance costs	7	(2,236,834)	(1,529,427)	(95,750)	(33,576)
Personnel costs	8	(5,649,326)	(4,898,502)	(129,311)	(141,523)
Net impairment loss on financial assets	9	(3,490,519)	(2,090,382)	72,392	(54,256)
Depreciation and amortization	10	(972,249)	(1,979,773)	(308,429)	(559,854)
Other operating expenses	11	(5,560,032)	(4,684,418)	(1,589,934)	(362,370)
Results from operating activities	12	2,444,187	1,959,099	689,042	67,902
Gain on disposal of subsidiaries	29.7.3	79,845	-	-	-
Share of profits of equity accounted investees	31.4	1,497,381	246,129	-	-
Gains on bargain purchases (negative goodwill)	13	493,586	1,500,943	-	-
Profit before income tax expense		4,514,999	3,706,171	689,042	67,902
Income tax expense	14	(1,407,093)	(1,153,884)	5,218	(33,718)
		3,107,906	2,552,287	694,260	34,184

The notes on pages 142 through 270 form an integral part of these financial statements .

Figures in brackets indicate deductions

Statement of Comprehensive Income

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Profit for the year		3,107,906	2,552,287	694,260	34,184
Other comprehensive income					
Revaluation surplus of property, plant and equipment					
Revaluation surplus		2,063,810	937,497	787,783	-
Deferred tax on revaluation		(126,212)	(61,867)	(88,554)	-
Available for sale financial instruments					
Net change in fair value of available-for-sale financial assets		(133,957)	(168,443)	(72,302)	(273,861)
Impairment of AFS transfers to profit or loss		136,199	-	136,199	-
Transfers upon disposals		(1,475,184)	-	-	-
Defined benefit plan actuarial gains / (losses)					
Defined benefit plan actuarial gains / (losses) for the year	42	(91,205)	(31,133)	(38,842)	-
Deferred tax on actuarial gain / (losses)		22,154	3,519	10,876	-
Foreign currency translation differences for foreign operations					
Exchange gain from translation of foreign operations		42,721	86,956	-	-
Fair value differences on cash flow hedges					
Net movement in cash flow hedges		(23,848)	(290,394)	(21,816)	(53,799)
Share of other comprehensive income of equity accounted investees (net of tax)	31.4	478,953	70,723	-	-
Other comprehensive income/ (expense) for the year, net of tax		893,431	546,858	713,344	(327,660)
Total comprehensive income for the year		4,001,337	3,099,145	1,407,604	(293,476)
Profit attributable to;					
Equity holders of the Company		1,515,767	1,896,018	694,260	34,184
Non-controlling interests		1,592,139	656,269	-	-
		3,107,906	2,552,287	694,260	34,184
Total comprehensive income attributable to;					
Equity holders of the Company		4,227,420	1,595,201	1,407,604	(293,476)
Non-controlling interests		(226,083)	1,503,944	-	-
		4,001,337	3,099,145	1,407,604	(293,476)
Basic earnings per share	15.1	3.19	3.99	1.46	0.07

The notes on pages 142 through 270 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Statement of Changes in Equity

For the year ended 31 March 2014 Company	Equity attributable to the shareholders of the Company			
	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Fair Value Reserve on AFS
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance as at 01 April 2012	475,200	600,887	79,761	209,964
Total comprehensive income for the period				
Profit for the year	-	-	-	-
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	-	-	(273,861)
Net movement in cash flow hedges	-	-	(53,799)	-
Total comprehensive income for the period	-	-	(53,799)	(273,861)
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	600,887	25,962	(63,897)
Total comprehensive income for the period				
Profit for the year	-	-	-	-
Other comprehensive income				
Movement in AFS				
Net change in fair value of available-for-sale financial assets	-	-	-	(72,302)
Impairment of AFS transfers to profit or loss				136,199
Net movement of cash flow hedges	-	-	(21,816)	-
Revaluation of Property, plant & equipment	-	787,783	-	-
Deferred tax on revaluation	-	(88,554)	-	-
Defined benefit plan actuarial gains / (losses)	-	-	-	-
Deferred tax on actuarial gains / (losses)	-	-	-	-
Total comprehensive income for the period	-	699,229	(21,816)	63,897
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends forfeited	-	-	-	-
Total transactions with the owners of the Company	-	-	-	-
Transfer of reserves	-	-	-	-
Balance as at 31 March 2014	475,200	1,300,116	4,146	-

The notes on pages 142 through 270 form an integral part of these financial statements.

Figures in brackets indicate deductions

Future Taxation Reserve	Statutory Reserve Fund	Retained Earnings	Total
Rs.'000	Rs.'000	Rs.'000	Rs.'000
205,000	272,356	31,408,496	33,251,664
-	-	34,184	34,184
-	-	-	(273,861)
-	-	-	(53,799)
-	-	34,184	(293,476)
-	-	(237,600)	(237,600)
-	-	(237,600)	(237,600)
-	(272,356)	272,356	-
205,000	-	31,477,436	32,720,588
-	-	694,260	694,260
-	-	-	(72,302)
			136,199
-	-	-	(21,816)
-	-	-	787,783
-	-	-	(88,554)
-	-	(38,842)	(38,842)
-	-	10,876	10,876
-	-	666,294	1,407,604
-	-	1,085	1,085
-	-	1,085	1,085
-	-	-	-
205,000	-	32,144,815	34,129,277

Statement of Changes in Equity

Group	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Fair Value Reserve on AFS
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Balance as at 01 April 2012	475,200	812,540	301,481	(372,528)
Total comprehensive income for the period				
Profit for the period	-	-	-	-
Other comprehensive income				
Net change in fair value of available-for-sale financial assets	-	-	-	(361,982)
Revaluation of property, plant and equipment	-	204,799	-	-
Deferred tax on revaluation	-	(13,945)	-	-
Foreign currency translation differences for foreign operations	-	-	-	-
Net movement of cash flow hedges	-	-	(253,126)	-
Defined benefit plan actuarial gains / (losses)	-	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	-	45,134	-	40,503
Deferred tax on actuarial gains / (losses)	-	-	-	-
Total comprehensive income for the period	-	235,988	(253,126)	(321,479)
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				
Effect on forward to acquire non-controlling interests (Note 29.5.1/ 29.5.2)	-	-	-	-
Acquisition of non-controlling interests without a change in control	-	-	-	-
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)	-	-
Net transfers to statutory reserve fund	-	-	-	-
Transfers to investment fund account	-	-	-	-
Stamp duty on subsidiary share issues	-	-	-	-
Total other movements	-	(601)	-	-
Balance as at 31 March 2013	475,200	1,047,927	48,355	(694,007)

The notes on pages 142 through 270 form an integral part of these financial statements.

Figures in brackets indicate deductions

Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Investment Fund	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
31,816	205,000	1,131,542	281,274	16,702,750	19,569,075	23,644,277	43,213,352
-	-	-	-	1,896,018	1,896,018	656,269	2,552,287
-	-	-	-	-	(361,982)	193,539	(168,443)
-	-	-	-	-	204,799	732,698	937,497
-	-	-	-	-	(13,945)	(47,922)	(61,867)
86,956	-	-	-	-	86,956	-	86,956
-	-	-	-	-	(253,126)	(37,268)	(290,394)
-	-	-	-	(13,418)	(13,418)	(17,715)	(31,133)
-	-	-	-	(37,447)	48,190	22,533	70,723
-	-	-	-	1,709	1,709	1,810	3,519
86,956	-	-	-	1,846,862	1,595,201	1,503,944	3,099,145
-	-	-	-	(237,600)	(237,600)	(281,810)	(519,410)
-	-	-	-	(237,600)	(237,600)	(281,810)	(519,410)
-	-	-	-	(45,153)	(45,153)	(1,265,768)	(1,310,921)
-	-	-	-	(365,309)	(365,309)	(1,148,346)	(1,513,655)
-	-	-	-	375,177	375,177	35,266	410,443
-	-	-	-	(35,285)	(35,285)	(2,378,848)	(2,414,133)
-	-	-	-	(272,885)	(272,885)	(2,660,658)	(2,933,543)
-	-	-	-	601	-	-	-
-	-	(96,246)	-	96,246	-	-	-
-	-	-	226,161	(226,161)	-	-	-
-	-	-	-	(3,151)	(3,151)	(3,045)	(6,196)
-	-	(96,246)	226,161	(132,465)	(3,151)	(3,045)	(6,196)
118,772	205,000	1,035,296	507,435	18,144,262	20,888,240	22,484,518	43,372,758

Statement of Changes in Equity

Group	Stated Capital	Revaluation Reserve	Cash Flow Hedge Reserve	Fair Value Reserve on AFS
	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
Balance as at 01 April 2013	475,200	1,047,927	48,355	(694,007)
Total comprehensive income for the period				
Profit for the period	-	-	-	-
Other comprehensive income				
Movement in Available for sale reserve				
Net change in fair value of available-for-sale financial assets	-	-	-	22,407
Impairment of AFS transfers to profit or loss	-	-	-	136,199
Transfers upon disposals	-	-	-	490,740
Revaluation of property, plant and equipment	-	1,838,238	-	-
Deferred tax on revaluation	-	(116,161)	-	-
Foreign currency translation differences for foreign operations	-	-	-	-
Net movement of cash flow hedges	-	-	(19,961)	-
Defined benefit plan actuarial gains / (losses)	-	-	-	-
Deferred tax on actuarial gains / (losses)	-	-	-	-
Share of other comprehensive income of equity accounted investees (net of tax)	-	156,680	-	211,679
Total other comprehensive income for the period	-	1,878,757	(19,961)	861,025
Total comprehensive income for the period	-	1,878,757	(19,961)	861,025
Transactions with owners directly recorded in the Equity				
Contributions by and distributions to owners				
Dividends paid during the period	-	-	-	-
Dividends forfeited during the period	-	-	-	-
Total contribution by / (distributions to) owners of the Company	-	-	-	-
Transactions due to changes in group holding				
Non-controlling interests recognized on acquisition of subsidiaries - Note 29.6.4	-	-	-	-
De-recognition of non- controlling interests on loss of control of subsidiaries - Note 29.7.3	-	-	-	-
Acquisition of non-controlling interests - Note 29.8	-	-	-	-
Effect on forward to acquire Diriya non-controlling interests - Note 29.5.3		-	-	-
Changes in ownership interests in subsidiaries that do not result in a change in control - Note 29.9	-	-	-	-
Total transactions due to changes in group holding	-	-	-	-
Total transactions with owners directly recorded in the Equity	-	-	-	-
Other movements in equity				
Depreciation transfer on revaluation	-	(174,141)	-	-
Net transfers to statutory reserve fund	-	-	-	-
Transfers to investment fund account	-	-	-	-
Share issue cost of subsidiary companies	-	-	-	-
Total other movements	-	(174,141)	-	-
Balance as at 31 March 2014	475,200	2,752,543	28,394	167,018

Translation Reserve	Future Taxation Reserve	Statutory Reserve Fund	Investment Fund	Retained Earnings	Total	Non-controlling Interests	Total Equity
Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000	Rs.' 000
118,772	205,000	1,035,296	507,435	18,144,262	20,888,240	22,484,518	43,372,758
-	-	-	-	1,515,767	1,515,767	1,592,139	3,107,906
-	-	-	-	-	22,407	(156,364)	(133,957)
-	-	-	-	-	136,199	-	136,199
-	-	-	-	-	490,740	(1,965,924)	(1,475,184)
-	-	-	-	-	1,838,238	225,572	2,063,810
-	-	-	-	-	(116,161)	(10,051)	(126,212)
42,721	-	-	-	-	42,721	-	42,721
-	-	-	-	-	(19,961)	(3,887)	(23,848)
-	-	-	-	(68,496)	(68,496)	(22,709)	(91,205)
-	-	-	-	17,646	17,646	4,508	22,154
-	-	-	-	(39)	368,320	110,633	478,953
42,721	-	-	-	(50,889)	2,711,653	(1,818,222)	893,431
42,721	-	-	-	1,464,878	4,227,420	(226,083)	4,001,337
-	-	-	-	-	-	(72,767)	(72,767)
-	-	-	-	1,085	1,085	-	1,085
-	-	-	-	1,085	1,085	(72,767)	(71,682)
-	-	-	-	-	-	626,300	626,300
-	-	-	-	-	-	(102,230)	(102,230)
-	-	-	-	(2,151,321)	(2,151,321)	(515,607)	(2,666,928)
-	-	-	-	216,496	216,496	(225,575)	(9,079)
-	-	-	-	(261,917)	(261,917)	(16,091)	(278,008)
-	-	-	-	(2,196,742)	(2,196,742)	(233,203)	(2,429,945)
-	-	-	-	(2,195,657)	(2,195,657)	(305,970)	(2,501,627)
-	-	-	-	174,141	-	-	-
-	-	255,486	-	(255,486)	-	-	-
-	-	-	245,240	(245,240)	-	-	-
-	-	-	-	(17,886)	(17,886)	(320)	(18,206)
-	-	255,486	245,240	(344,471)	(17,886)	(320)	(18,206)
161,493	205,000	1,290,782	752,675	17,069,012	22,902,117	21,952,145	44,854,262

Statement of Cash Flow

For the year ended	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before income tax expense		4,514,999	3,706,171	689,042	67,902
Adjustment for:					
(Gain) / loss on sale of property, plant and equipment	5.1	(57,239)	(173,739)	(37,926)	(158,391)
Depreciation and amortization	10	972,249	1,979,773	308,429	559,854
Insurance provision		476,287	664,157	-	-
Change in fair value of forward contracts	5.1	(43,628)	249,874	-	-
Provision for gratuity	42.1	168,406	149,502	24,121	14,723
Net impairment (loss) / reversal on financial assets	9	3,490,519	2,090,382	(72,392)	54,256
Provision for fall/(increase) in value of investments	5.1	(6,170)	(140,768)	(76,888)	(96,094)
Investment Income		(1,446,445)	(822,643)	(216,270)	(121,710)
Net finance costs	6	16,408,947	14,527,658	2,720,484	3,464,147
(Profit)/loss on sale of quoted and non-quoted shares	5.1	(1,434,899)	6,818	(946,603)	6,867
Foreign exchange gain / (loss)	5.1	147,138	(91,899)	3,626	5,710
Impairment of investments		136,199	-	1,286,473	71,245
Share of profits of equity accounted investees	31.4	(1,497,381)	(246,129)	-	-
Gains on bargain purchases	13	(493,586)	(1,500,943)	-	-
Gain on disposal of subsidiaries	29.7.3	(79,845)	-	-	-
Change in fair value of investment properties	26	(338,461)	(909,809)	(475,000)	-
Amortization of deferred income	41	(36,868)	(8,577)	-	-
Gain / (loss) on change in fair Value of consumer biological assets	27	(182,542)	(102,205)	-	-
Gain on change in fair Value of bearer biological assets	28.2.4	216,917	(51,546)	-	-
Provision for slow moving inventories	22.1	177,723	218,772	-	-
Allowance for trade and other receivables	24.1.1	12,194	138,784	-	-
Transaction cost on acquisition of subsidiaries	29.6.1	2,500	-	- -	
Allowance of impairment - goodwill	33.3	59,000	-	-	-
Operating profit before working capital changes		21,166,014	19,683,633	3,207,096	3,868,509
Working capital changes					
Increase/(decrease) in trade and other payables		(467,529)	507,289	(245,012)	(881,378)
(Increase)/decrease in real estate stocks		2,599	13,852	-	-
(Increase)/decrease in investment in leases, hire purchase and others		719,454	1,792,740	49,283	50,150
(Increase)/decrease in investment in advances and other loans		(7,150,171)	(12,583,922)	1,245,528	3,290,034
(Increase)/decrease in premium receivables		(146,158)	(63,814)	-	-
(Increase)/decrease in inventories		213,520	181,202	(44,435)	-
(Increase)/decrease in trade and other receivables		(601,734)	1,588,930	1,552,941	3,111,593
(Increase)/decrease in customer deposits		14,217,736	8,044,691	-	-
Cash generated from operations		27,953,731	19,164,601	5,765,401	9,438,908
Finance cost paid		(16,372,489)	(14,677,457)	(2,818,199)	(3,212,589)
Income tax and Economic Service Charge paid		(776,649)	(889,626)	(6,137)	(27,187)
Defined benefit plan costs paid	42	(104,408)	(135,869)	(10,692)	(3,879)
Net cash from/(used in) operating activities		10,700,185	3,461,649	2,930,373	6,195,253

For the year ended	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
CASH FLOW FROM INVESTING ACTIVITIES					
Investment in subsidiary companies		-	-	(2,749,183)	(841,382)
Net cash and cash equivalents on acquisition of subsidiary	29.6.5	(507,781)	-	-	-
Disposal of subsidiaries		-	-	3,815,000	-
Net cash and cash equivalents received on disposal of subsidiary	29.7.4	95,605	-	-	-
Investment in equity accounted investees	31.4	(800,202)	(372,632)	(262,462)	(2,218,277)
Acquisition of property, plant and equipment / Investment properties		(3,026,290)	(2,731,197)	241,926	(441,057)
Acquisition / (Disposal) of intangible assets	33.4	(152,919)	(212,800)	(46,843)	(18,479)
Net additions to trading assets		726,921	363,739	(24,596)	112,724
Net additions to investment securities		(3,715,089)	(2,953,122)	276,254	2,107,779
Proceeds from the sale of property, plant and equipment		656,235	635,704	615,689	248,106
Investment income received		1,445,940	790,779	662	36,699
Dividend received		195,332	65,815	96,101	-
Net additions of consumer biological assets		2,952	4,447	-	-
Additions of bearer biological assets		(258,535)	(216,935)	-	-
Net cash flow from investing activities		(5,337,831)	(4,626,202)	1,962,548	(1,013,887)
CASH FLOW FROM FINANCING ACTIVITIES					
Net cash proceeds from short-term interest bearing loans and borrowings		(9,686,402)	5,895,662	(1,252,451)	166,898
Principal repayment under finance lease liabilities		(160,408)	(104,407)	(73,330)	(69,694)
Proceeds from long-term interest bearing loans and borrowings	37.3	26,674,236	11,023,624	1,283,694	-
Repayments of long-term interest bearing loans and borrowings	37.3	(16,467,727)	(12,529,906)	(4,511,631)	(4,331,770)
Issue / (repayment) of debentures		-	(350,503)	-	-
Dividends paid to parent's shareholders		-	(237,600)	-	(237,600)
Dividends paid to non-controlling interests		(72,767)	(281,810)	-	-
Receipt of capital grants	41	3,436	32,523	-	-
Share issue cost of subsidiaries		(18,206)	(6,196)	-	-
Payments to buy Diriya residual Interests	29.5.2	(255,000)	(1,065,000)	-	-
Acquisition of non-controlling interests	29.8	(2,666,928)	(1,513,655)	-	-
Net cash generated from financing activities		(2,649,766)	862,732	(4,553,718)	(4,472,166)
Net increase/(decrease) in cash and cash equivalents during the year		2,712,588	(301,821)	339,203	709,200
Cash and cash equivalents at the beginning of the year		(284,086)	17,735	(644,687)	(1,353,887)
Cash and cash equivalents at the end of the year		2,428,502	(284,086)	(305,484)	(644,687)
Analysis of cash and cash equivalents at the end of the year	16				
Cash in Hand and Favourable Bank Balances		5,362,900	6,591,389	94,205	730,311
Unfavourable Bank Balances used for cash management purposes		(2,934,398)	(6,875,475)	(399,689)	(1,374,998)
		2,428,502	(284,086)	(305,484)	(644,687)

The notes on page 142 through 270 form an integral part of these financial statements.

Figures in brackets indicate deductions

Notes to the Financial Statements

1. Reporting entity

1.1 General

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

The Consolidated Financial Statements of the Company as at and for the year ended 31st March 2014 comprise of the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interest in associates and jointly controlled entities.

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

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

1.2 Principal Activities and Nature of Operations

The principle activities of the Company comprised of managing the operations of its group companies and investing in quoted and non-quoted securities.

Description of the nature of operations and principle activities of the subsidiaries, jointly-controlled entities and associates are given on note 29.3, 30.3 and 31.3 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.

The presentation of these Financial Statements is also in compliance with the requirements of the Finance Leasing Act No 56 of 2000, Finance Business Act No 42 of 2011 and Insurance Industry Act No 43 of 2000.

2.2 Presentation of Financial Statements

The assets and liabilities of the Group presented in the Statement of Financial Position are grouped by nature and listed in-order to reflect their relative liquidity and maturity pattern. An analysis regarding recovery or settlement within twelve months after the reporting date (current) and more than twelve months after the reporting date (non-current) is presented in note 51 (Maturity analysis)

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position only when there is a legally enforceable right to off-set the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. Income and expenses are not offset in the Statement of Comprehensive Income unless required or permitted by an accounting standard or an interpretation, and as specially disclosed in the accounting policies of the Group.

2.3 Basis of Measurement

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

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

2.4 Functional and Presentation Currency

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

2.5 Use of Estimates and Judgment

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

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

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

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

Critical accounting estimate/ judgment	Disclosure reference Note
Financial Instruments – fair value disclosure	50
Determination in fair value of Investment properties	3.6.2.1
Determination in fair value of property, plant and equipments	3.8.14
Impairment of group investments	11.1
Useful lives of intangible assets	3.7.5
Useful lives of property, plant and equipment	3.8.17
Bearer biological assets	3.28.2.2 / 28.8
Consumer biological assets	3.28.3 / 27.6
Goodwill on acquisition	3.1.14 / 33.1
Gain on bargain purchase	3.1.15 / 13
Insurance provision – life	3.27.6.6
Insurance provision – general	3.27.5.8
Unearned premium reserve	3.27.5.3
Deferred acquisition cost	3.27.5.6
Retirement benefit obligation	42.2
Un-recognised deferred tax assets	32.6
Collective allowance for impairment	3.3.4
Leasehold right to bare land	3.28.5
Impairment of non-financial assets	3.9
Consolidation of Eden Hotels Lanka PLC	29.4
Income Tax on Financial Statements	3.10.2

2.6 Comparative Information

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

2.7 Materiality and Aggregation

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

2.8 Offsetting

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

2.9 Going Concern

The Board of Directors is satisfied that the Group has adequate resources to continue its operations in the foreseeable future and management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore going-concern basis has been adopted in preparing these Financial Statements.

2.10 Directors' Responsibility For The Financial Statements

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

These Financial Statements include the following components;

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

2.11 Approval of Financial Statements by the Board of Directors

The Financial Statements of the Group and the Company for the year ended 31 March 2014 (including comparatives) were approved and authorized for issue by the Board of Directors on 13th June 2014.

2.12 New Accounting Standards Issued But Not Effective at Reporting Date

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

2.12.1 SLFRS 9 - Financial Instruments

SLFRS 9 - Financial Instruments, which replaces the provisions of LKAS 39 Financial Instruments: Recognition, measurement and classification of financial assets and requirements with respect to the classification and measurement of financial liabilities, the de-recognition 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 are 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 09 is effective for annual periods beginning on or after 1 January 2015.

2.12.2 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.

2.12.3 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 periods beginning on or after 1 January 2014.

The effect of the change in current method of accounting using proportionate consolidation and future equity method of accounting is disclosed in note 30.4 to the Financial Statements.

2.12.4 SLFRS 12 - Disclosure of Interests in Other Entities

SLFRS 12 Disclosure of Interests in Other Entities is a consolidated disclosure standard requiring disclosures about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated 'structured entities'.

The objective of SLFRS 12 is to require the disclosure of information that enables users of Financial Statements to evaluate the nature of, and risks associated with, its interests in other entities, the effects of those interests on its financial position, financial performance and cash flows.

SLFRS 12 is effective for annual periods beginning on or after 1 January 2014.

2.12.5 SLFRS 13 - Fair Value Measurement

SLFRS 13 Fair Value Measurement applies to SLFRSs that require or permit fair value measurement or disclosures and provides a single SLFRS framework for measuring fair value and disclosures on fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement.

SLFRS 13, defines fair value, sets out in a single SLFRS a framework for measuring fair value disclosures on fair value measurements.

SLFRS 13 is effective for annual periods beginning on or after 1 January 2014.

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

3.1 Basis of Consolidation

3.1.1 Business combinations

The Group measures goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized 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 recognized 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 recognized amount of the identifiable net assets, at the acquisition date.

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

3.1.2 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company has the power, directly or indirectly, to govern the financial and operational policies of an entity so as to obtain benefits from its activities. 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 where necessary to align them with the policies adopted by the Group. If a member of the group uses accounting policies other than those adopted in the consolidated Financial Statements for similar transactions and events in similar circumstances, appropriate adjustments are made to its Financial Statements in preparing the consolidated Financial Statements.

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

3.1.3 Non-controlling interests

Non-controlling Interests is the equity in a subsidiary not attributable, directly or indirectly, to the parent are presented in the Statement of Financial Position within Equity, separately from the Equity attributable to share 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 interest is accounted for as transactions with owners in their capacity as owners. Therefore no goodwill or gain on bargain purchase is recognized as a result of such transactions.

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

3.1.5 Transaction do not result a change in control

Changes in the Group's interest in a subsidiary that do not result in a loss of control status are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests and parent's equity are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill recognized and no gain or loss is recognized in Profit or Loss.

3.1.6 Common control transactions

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

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

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

3.1.7 Loss of control

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

3.1.8 Equity Accounted Investees - Associates

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

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

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

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

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee. Associate Companies of the Group which have been accounted for under the equity method of accounting are disclosed under Note 31.2 to these Financial Statements.

3.1.9 Jointly-Controlled Entities

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

Jointly-controlled entities are accounted for using 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 30.2 to these Financial Statements.

However as described in Note 2.12.3 to these Financial Statements, as per the forthcoming SLFRS 11 on Joint Agreements, the Group will be obliged to follow equity method of accounting for all of its Jointly Controlled Entities.

3.1.10 Reporting Date

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

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

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

3.1.11 Balances and Transactions Eliminated on Consolidation

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

Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee.

3.1.12 Business Combinations

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

3.1.13 Cost of Acquisition

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

3.1.14 Goodwill on Acquisition

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

The Group tests the goodwill for impairment annually and assess for any indication of impairment to ensure that its carrying amount does not exceed the recoverable amount. If an impairment loss is identified, it is recognized 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.

3.1.15 Gain on Bargain Purchase (negative goodwill)

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the acquisition of the entity, the Group will reassess the measurement of the acquiree's identifiable assets and liabilities and the measurement of the cost and recognize 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 - LKR) of the Group at exchange rates at the dates of the transactions.

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

3.2.2 The Net Gain or Loss on Conversion of Foreign Operation

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

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

When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to Profit or Loss as part of the gain or loss on disposal. If the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while relating control, then the relevant proportion of the cumulative amount is attributed to NCI.

If a settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, the foreign currency differences arising on the item form part of the net investment in the foreign operation and are recognized in OCI, and accumulated in the translation reserve within equity.

3.3 Financial Instruments

3.3.1 Financial Assets

Financial assets are within the scope of LKAS 39 are classified appropriately as fair value through Profit or Loss (FVTPL), loans and receivables (L & R), held to maturity (HTM), available-for-sale (AFS) at its initial recognition.

All the financial assets are recognized at fair value at its initial recognition.

3.3.1.1 Financial Assets at Fair Value Through Profit or Loss (FVTPL)

A financial asset is classified at fair value through Profit or Loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through Profit or Loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition, transaction costs are recognized in Profit or Loss as incurred.

Financial assets at fair value through Profit or Loss are measured at fair value, and subsequent therein are recognized in Profit or Loss.

The Group's investments in certain equity securities and derivative instruments which are not accounted under hedge accounting are classified under fair value through profit or loss.

3.3.1.2 Loans and Receivables (L&R)

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables of the Group comprise of the following,

3.3.1.2.1 Rental Receivables on Finance Leases and Hire purchases

Rentals receivable on leased and hire purchase assets are accounted for as finance leases and reflected in the statement of financial position at balance cost recoverable after eliminating unearned income and deducting pre-paid rentals, rental collections and impairment losses.

3.3.1.2.2 Rental Receivables on Operating Leases

Leases where the group as the lessor effectively retains substantially all the risk and rewards incidental to the ownership are classified as operating leases. Lease rentals from operating leases are recognized as income on a straight-line basis over the lease term.

3.3.1.2.3 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 statement of financial position at amounts disbursed less repayments and allowance for impairment losses. Loans to customers with fixed instalments are stated in the statement of financial position net of possible loan losses and net of interest, which is not accrued to revenue.

3.3.1.2.4 Gold Loans

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

3.3.1.2.5 Trade Receivables

Trade receivables are stated at the amounts they are estimated to realize, net of provisions for impairment. An allowance for impairment losses is made where there is objective evidence that the Group will not be able to recover all amounts due according to the original terms of receivables. Impaired receivables are written-off when identified.

3.3.1.3 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortized cost using the effective interest method, less any impairment losses.

Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

The Group has not classified any instrument as held to maturity.

3.3.1.4 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 recognized in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss in other comprehensive income is transferred to Profit or Loss.

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

3.3.2 Financial Liabilities

The Group initially recognizes debt securities, deposits from customers, loans & borrowings on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes party to the contractual provisions of the instrument.

The Group derecognises financial liability when it's contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using effective interest rate method.

Other financial liabilities comprise of loans & borrowings, bank overdraft, customer deposits and debentures issued.

3.3.2.1 Finance Leases

Property 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.

3.3.2.2 Lease Payments

Payments made under operating leases are recognized in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.3.3 Accounting for Non-derivative Financial Instruments

3.3.3.1 Recognition

The Group initially recognizes loans and advances, deposits, debt securities and subordinated liabilities on the date at which they are originated. All the financial assets and liabilities other than regular purchases and sales are recognized on the date the Group becomes a party to the contractual provisions of the instrument.

3.3.3.2 De-recognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for de-recognition that is created or retained by the Group is recognized as a separate asset or liability in the statement of financial position. On de-recognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in Profit or Loss.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

Transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

3.3.3.3 Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.3.3.4 Amortized cost measurement

The amortized 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 amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

3.3.3.5 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and other equity pricing models.

The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e. the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in Statement of Financial position.

3.3.3.6 Valuation of Financial Instruments

The Group measures the fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1 – Quoted market price (unadjusted) in an active market of an identical instrument.

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices), this category included instruments valued using: quoted market prices in active markets similar instruments; quoted prices for identical or similar instruments in markets are considered less than active: or other valuation techniques where all significant inputs are directly observable from market data.

Level 3 – Valuation techniques use significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques

Valuation techniques include comparison of similar instruments for which market observable prices exist, other equity pricing models and other valuation models.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instruments at the reporting date that would have been determined by market participants acting at arm's length.

The Group widely recognized valuation models for determining fair value of common and more simple financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities. Availability of observable market inputs reduces the need for management judgment and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets are is prone to changes based on specific events and general conditions in the financial markets.

3.3.4 Impairment of Financial Instruments

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through Profit or Loss are impaired. A financial asset or a group of financial assets is (are) impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group of economic conditions that correlate with defaults in the group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence for impairment.

The Group considers evidence of impairment for loans and advances at both specific and collective basis. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment. All individually significant loans and advances and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping them together with similar risk characteristics based on product types.

In assessing collective impairment the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical 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 amortized 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 recognized in Profit or Loss and reflected in an allowance account against loans and advances. Interest on impaired assets continues to be recognized 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 recognized by transferring the cumulative loss that has been recognized 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 amortization, and the current fair value, less any impairment loss previously recognized in Profit or Loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

3.3.4.1 Reversal of Impairment Loss

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in Profit or Loss, the impairment loss is reversed, with the amount of the reversal recognized in Profit or Loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in Other Comprehensive Income. The Group writes off certain loans and advances and investment securities when they are determined to be uncollectible.

3.3.5 Accounting for Derivative Financial Instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values are obtained from quoted market prices in active markets. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

3.3.5.1 Hedge Accounting

The Group holds derivative financial instruments to hedge its foreign currency risk exposure. On initial designation of derivative as hedge instrument, the Group documents the relationship between the hedging instruments and the hedged items, its risk management objective and its strategy for undertaking the hedge.

Group treasury is also required to documented assessments, both at hedge inception and on an on-going basis, of whether or not the hedging instruments, primarily forward rate contracts, that are used in hedging transactions are highly effective in offsetting the changes attributable to the hedged risks in the fair values or cash flows of the hedged items.

3.3.5.1.1 Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges as recognized 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 recognized immediately in the Profit or Loss during that period. The accumulated gains and losses recognized 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 a case, the cumulative gain or loss on the hedging instrument that has been recognized in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecasted transaction occurs.

3.3.5.1.2 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 on-going basis. The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed.

For establish effectiveness, the hedging instrument is expected to be highly effective in offsetting changes in cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness to be achieved, the changes in cash flows must offset each other within the range of 80% to 125%. In evaluating the hedge effectiveness the entity takes into account the future forward currency contracts and evaluates the effectiveness of the hedge by taking into consideration the total period of the hedged item. The ineffective portion of the derivative portion will be recognized immediately in Statement Comprehensive Income.

3.3.5.1.3 Derivatives that do not qualify for Hedge Accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognized immediately in the Profit or Loss.

3.3.6 Reclassification of Financial Instruments

The Group reclassifies non-derivative financial assets out of the 'held for trading' category and into the 'available-for-sale', 'loans and receivables' or 'held to maturity' categories as permitted by LKAS 39. Further, in certain circumstances, the Group is permitted to reclassify financial instruments out of the 'available-for-sale' category and into the 'loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the 'available-for-sale' category, any previous gain or loss on that asset that has been recognized in equity is amortised to Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using EIR. In the case of a financial asset does not have a fixed maturity, the gain or loss is recognized in the Profit or Loss when such a financial asset is sold or disposed of. If the financial asset is subsequently determined to be impaired, then the amount recorded in equity is recycled to the Statement of Comprehensive Income.

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

3.4 Inventories

Inventories are measured at the lower of cost and net realizable 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 realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

For manufacturing stocks, provision for slow moving inventories are made when the holding period exceeds 365 days, and the sale of the inventories is no longer probable.

The cost incurred in bringing inventories to its present location and condition is accounted using the following cost formula:

Type of Inventory	Method of Valuation
Input Materials	Weighted Average basis
Growing Crop - Nurseries	At the cost of direct materials, direct labour and appropriate proportion of directly attributable overheads less provision for over-grown plants
Harvested Crop	Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Such measurement is deemed to be the cost at the time of transferring the harvested crop to inventories.
Spares and Consumables	Weighted average basis
Finished goods and work-in-progress	First in First out (FIFO) basis

Certified Emission Reduction [CER]

Carbon credit units as at the reporting date have been valued at their estimated net realizable value as inventories and disclosed in the Financial Statements as Certified Emission Reduction (CER).

CER represents units of greenhouse gas reduction that has been generated certified by the United Nations under the Cleaned Development Mechanism (CDM) provision of the Kyoto Protocol. These CERs can be traded and sold and used by industrialized countries to meet part of their Emission Reduction targets.

According to the ruling issued by Sri Lanka Accounting and Auditing Standards Monitoring Board (SLAASMB), CER units have been recognized as an asset and disclosed under inventories. These inventories have been measured at Net Realizable Value (NRV) and any changes in value as at reporting date is recognized in the Profit or Loss.

3.4.1 Real Estate Stocks

Real estate stocks of the Group represent the purchase value of properties acquired for re-sale. Carrying value of the real estate stocks as at the reporting date represents the purchase value of properties and any subsequent expenditure incurred on developing of such properties.

3.5 Non-Financial Receivables

Other 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 the property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

3.6.2 Basis of Measurement

3.6.2.1 Fair value Model

Investment properties are initially recognized at cost. Subsequent to initial recognition the investment properties are stated at fair value, which reflect market conditions at the reporting date. Gains or losses arising from changes in fair value are included in the Statement of 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 De-recognition

Investment properties are de-recognized 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 recognized 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 recognized 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 recognized in the Statement of Comprehensive Income.

3.6.2.4 Determining Fair Value

External and independent valuers, having appropriate recognized professional qualifications and recent experience in the location and category of property being valued, values the investment property portfolio as at each reporting date. In financial periods within that period the fair value is determined by the Board of Directors.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

3.7 Intangible Assets

3.7.1 Basis of Recognition

An intangible asset is recognized 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 amortization and any accumulated impairment losses. The useful life of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite useful life are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization 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 are capitalized only when it increases the future economic benefits embodied these assets. All other expenditure are expensed when incurred.

3.7.4 De-recognition

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

3.7.5 Amortization

Amortization is recognized 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
License and Fees	20 years
Customer Base	5 years
Brand Name	10 years

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

3.8 Property, Plant and Equipment

3.8.1 Freehold Property, Plant & Equipment

3.8.1.1 Basis of Recognition

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

3.8.1.2 Basis of Measurement

Items of property, plant and equipment are measured at cost/revaluation less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site at which they are located and capitalized borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalized 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 is recorded 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 reporting date.

On revaluation of lands and buildings, any increase in the revaluation amount is credited to the revaluation reserve in shareholder's equity unless it off sets a previous decrease in value of the same asset that was recognized in the Statement of Comprehensive Income. A decrease in value is recognized in the Statement of Comprehensive Income where it exceeds the increase previously recognized 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 recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is de-recognized. The costs of the day-to-day servicing of property, plant and equipment are recognized 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 re-measured to fair value and reclassified as investment property. Any gain arising on re-measurement is recognized in Profit or Loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognized and presented in the revaluation reserve in equity. Any loss is recognized 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 recognized in Profit or Loss on a straight-line basis over the estimated useful life of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognized.

Depreciation methods, useful life values are assessed at the reporting date. The estimated useful lives for the current year are as follows:

Free-hold and lease-hold Building	40-50 years
Free-hold and lease-hold Motor Vehicles	4-8 years
Furniture and Fittings	5-10 years
Office Equipment	4-5 years
Computer equipment	5-8 years
Plant and Machinery	8-20 years
Water Sanitation	20 years
Roads & Bridges	50 years
Penstock Pipes	20 years
Power/Electricity Supply	13 1/3 years
Security fencing	3 years
Cutlery, Crockery & Glassware	5 years
Linen	3 years
Swimming pool	10 years

3.8.1.8 De-recognition

An item of property, plant and equipment is de-recognized 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, recognized 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 statement of financial position at cost less accumulated depreciation.

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

3.8.3 Leasehold Property, Plant & Equipment (Assets Acquired on Finance Leases)

Leases in terms of which the Group assumes substantially obtained all the risks and rewards of ownership are classified as finance leases. Assets acquired by way of a finance lease are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception less accumulated depreciation.

3.8.4 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 properties.

3.9 Impairment of Non-financial Assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or its related Cash-Generating Unit (CGU) exceeds its estimated recoverable amount.

The Group's corporate assets do not generate separate cash inflows and are utilized 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 recognized in Profit or Loss. Impairment losses recognized 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 recognized 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 recognized.

3.10 Tax Expense

Tax expense comprises of current, deferred tax and other statutory taxes. Income tax expense is recognized in Statement of Comprehensive Income except to the extent that it relates to items recognized directly in the Statement of Other Comprehensive Income or 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 recognized 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 recognized 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 realized simultaneously.

A deferred tax asset is recognized 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 utilized. 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 realized.

Deferred tax assets and liabilities are not discounted.

The Group is subject to income taxes and other taxes. Significant judgement was required to determine the total provision for current, deferred and other taxes and the taxable profit for the purpose of imposition of taxes. Uncertainties exist, with respect to the interpretation of the applicability of tax laws, including but not limited to those that can arise due to treatment of effect of adoption of Sri Lanka Financial Reporting Standards and Transfer Pricing, at the time of the preparation of these Financial Statements.

3.10.2.1 Accounting for Deferred Tax for the Companies enjoying tax holidays

Group companies enjoying a tax exemption period shall only recognize 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 recognizing 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 recognized at the same time as the liability to pay the related dividend is recognized.

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 recognized net of the amount of sales tax except for the following;

- Sales tax incurred on a purchase of a assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the statement of financial position.

3.11 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 capitalized as part of the assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in Profit or Loss using the effective interest method.

OTHER NON-FINANCIAL LIABILITIES AND PROVISIONS

Liabilities are recognized in the Statement of Financial Position when there is a present obligation as a result of a past event, the settlement of which is expected to result in an outflow of resources embodying economic benefits. Obligations payable at the demand of the creditor within one year of the reporting date are treated as current liabilities. Liabilities payable after one year from the reporting date are treated as non-current liabilities.

3.12 Deposit Insurance Scheme

In terms of the Finance Companies Direction No 2 of 2010 “Insurance of Deposit Liabilities” issued on 27th September 2010, all Registered Finance Companies are required to insure their deposit liabilities in the Deposit Insurance Scheme operated by the Monetary Board in terms of Sri Lanka Deposit Insurance

Scheme Regulations No 1 of 2010 issued under Sections 32A to 32E of the Monetary Law Act with effect from 1st October 2010.

Deposits to be insured include time and savings deposit liabilities and exclude the following.

Deposit liabilities to member institutions

Deposit liabilities to the Government of Sri Lanka

Deposit liabilities to shareholders, directors, key management personnel and other related parties as defined in Finance Companies Act Direction No 03 of 2008 on Corporate Governance
of Registered Finance Companies

Deposit liabilities held as collateral against any accommodation granted

Deposit liabilities falling within the meaning of dormant deposits in terms of the Finance Companies Act, funds of which have been transferred to Central Bank of Sri Lanka

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

3.13 Grants and Subsidies

3.13.1 Grants related to assets

Grants related to property, plant and equipment are initially deferred and allocated to 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 statement of financial position and credited to the Statement of Comprehensive Income over the useful life of the related asset as given below;

	No. of Years	Rate %
Building	40	2.5
Plant and Machinery	13 1/3	7.5
Equipment	8	12.5
Roads	50	2
Vehicles	5	20

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

3.13.2 Grants related to assets

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

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 recognized 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 Group contributes 3% of the salary of each employee to the Employees' Trust Fund.

3.14.2 Defined Benefits Plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs are deducted.

The calculation is performed every three years by a qualified actuary using the projected unit credit method. For the purpose of determining the charge for any period before the next regular actuarial valuation falls due, an approximate estimate provided by the qualified actuary is used.

When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognized 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 recognized immediately in Profit or Loss.

The Group recognizes 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 recognize as personnel expenses in Statement of Comprehensive Income. The 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 recognized 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 amortized cost.

3.16 Provisions, Contingent Assets and Contingent Liabilities

Provisions are made for all obligations (legal or constructive) existing as at the reporting date when it is probable that such an obligation will result in an outflow of resources and a reliable estimate can be made of the quantum of the outflow. The amount recognized is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation at that date.

All contingent liabilities are disclosed as a note to the Financial Statements unless the outflow of resources is remote. Contingent assets are disclosed, where inflow of economic benefit is probable.

STATEMENT OF 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
Manufacturing, Trading & Production, sale of consumer, agricultural, motor vehicles and industrial Related Services	items and providing related services
Leisure	Accommodation sales, service charges, food & 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
Construction	Contract fee
Real Estate	Rental Income

Revenue is income that arises in the course of ordinary activities of group companies. Other Income such as interest on treasury bills, bonds and debentures, gain on disposal of property, plant and equipment, rental income, dividend income, royalty income, foreign exchange gain, franchise fees, gain on disposal of investments securities, gain on marked to market valuation of investments etc is also included in gross income.

3.17.1 Revenue Recognition

Revenue is recognized 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 recognized 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 recognized as a reduction of revenue as the sales are recognized. 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 recognized 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 recognized 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 expenses presented in the Statement of Comprehensive Income include:

- interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis
- interest on available for sale investment securities calculated on an effective interest basis

Interest income and expenses on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Fair value changes on other derivatives held for risk management purposes, and other financial assets and liabilities carried at fair value through Profit or Loss, are presented in net income from other financial instruments at fair value through Profit or Loss in the Statement of 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 recognized as the related services are performed.

Other fees and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

3.17.6 Net Trading Income

Net trading income comprise of gains less losses related to trading assets and liabilities, and includes all realized and unrealized 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 realized and unrealized 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 are recognized at the end of a given accounting month. In computing this discount, a fixed rate agreed upon at the commencement of the factoring agreement is applied on the daily balance in the client’s current account.

Sales Ledger Related Services - A service charge is levied as stipulated in the factoring agreement.

Income is accounted for on accrual basis and deemed earned on disbursement of advances for invoices factored.

3.17.9 Revenue from Accommodation Sales and Services Charge

Revenue from accommodation sales is recognized for the rooms occupied on a daily basis, together with outlet sales and other income from hotel operations.

90% of Service Charge collected from guests is distributed among the employees, retaining 10% of such service charges collected for recovery of breakages of cutlery, crockery, glassware and stainless steel items. Any balance amount of the retention after recovery of actual breakages is redistributed among employees after the end of each financial year.

3.17.10 IT Service Fee

IT services fee is accounted for on accrual basis.

3.17.11 Turnover from Sale of Solar Systems and Sale of Electricity

The above revenue components are accounted on 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 recognized 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, carrying amount of such assets after deducting from the net sales proceeds on disposal.

Rental Income

Rental income from investment property is recognized in Profit or Loss on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease. Rental income from subleased property is recognized as other income.

3.17.13 Amortization of Government Grants Received

An unconditional government grant related to a biological asset is recognized in the Statement of Comprehensive Income as other income when the grant becomes receivable.

Other government grants are recognized 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 recognized 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 recognized in the Statement of Comprehensive Income as other income on a systematic basis in the same periods in which the expenses are recognized.

3.18 Expenses Recognition

Expenses are recognized 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 property, plant & equipment in a state of efficiency has been charged to income in arriving at the profit for the year.

For the presentation of the Statement of 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 presentation method is adopted.

Preliminary and pre-operational expenditure is recognized 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 recognized as it accrues in Profit or Loss, using the effective interest method. Dividend income is recognized in Profit or Loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

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

3.20 Earnings per Share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the Profit or Loss attributable to ordinary shareholders of the Parent Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is determined by adjusting the Profit or Loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

3.21 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.

3.22 Related Party Disclosures

3.22.1 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.

3.22.2 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.

3.23 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments operating results are reviewed regularly by Group Board of Directors to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Accordingly, the segment comprises of financial services, insurance, IT services, Trading, Leisure, Plantation, Power and Energy and Others are described in Note 52.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Expenses that cannot be directly identified to a particular segment are allocated on bases decided by the management and applied consistently throughout the year.

3.24 Subsequent Events

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

3.25 Commitments and Contingencies

All discernible risks are accounted for in determining the amount of all known liabilities. Contingent Liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent Liabilities are not recognized in the statement of financial position but are disclosed unless they are remote.

3.26 Capital Management

The Board of Directors monitors the return on capital investment on a month basis. This review is mainly carried out through return on investment analysis prepared on a quarterly basis. The plan forecasts are also reviewed on a monthly basis to ensure that targets are met in order to manage the capital invested in Group Companies.

The Board of Directors also decides and monitors the level of dividends to ordinary shareholders.

The Company does not subject to any externally impose capital requirements. However companies within the group have such requirement based on the industry in which such company is established. Group companies which require externally imposed capital will monitor such requirement on a regular basis and report to respective legal authority in order to ensure compliance with such regulatory requirement.

ACCOUNTING POLICIES APPLIES TO SPECIFIC INDUSTRY SECTORS

3.27 Insurance Sector

3.27.1 Product Classification

Insurance contracts are those contracts when the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Investment contracts can however be reclassified as insurance contracts after inception if insurance risk becomes significant.

3.27.2 Reinsurance Receivable/Payable

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the comprehensive 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.

3.27.3 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.

3.27.4 Insurance Premium Receivables

Collectability of premiums and other debts are reviewed on an on-going basis. Policies issued on credit basis and that are known to be uncollectible are cancelled and the respective gross written premium is reversed. A provision for doubtful debts is raised when some doubt as to collection exists.

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the comprehensive Income Statement.

Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

3.27.5 General Insurance Business

3.27.5.1 Gross Written Premium

Premium is accounted as and when cash is received and in the same period as the policy liabilities are created. For single premium contracts, premiums are recorded as income when received with any excess profit deferred and recognized as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.27.5.2 Reinsurance Premium

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

3.27.5.3 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.

3.27.5.4 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 31st December.

3.27.5.5 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.

3.27.5.6 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 amortized over the period in which the related revenues are earned. All other acquisition costs are recognized as an expense when incurred.

Deferred acquisition expenses represent commission and franchise fees which vary with and are directly related to the production of business. Commission expenses are deferred and charged over the period in which the related premiums are earned, on 1/365 basis.

3.27.5.7 Claims

Claims incurred include provisions for the estimated cost of claims and related handling expenses in respect of incidents up to 31st December. Claims outstanding are assessed by reviewing the individual claim files and estimating changes in the ultimate cost of settling claims. The provision in respect of claims Incurred But Not Reported (IBNR) is actuarially valued to ensure a more realistic estimation of the future liability based on past experience and trends. Actuarial valuations are performed on an annual basis. Whilst the Directors consider that the provision for claims related reinsurance recoveries are fairly stated on the basis of information currently available, the ultimate liability will vary as a result of subsequent information and events. This may result in adjustments to the amounts provided. Such adjustments are reflected in the Financial Statements for that period. The methods used, and the estimates made, are reviewed regularly.

3.27.5.8 Valuation of Insurance Provision-General Insurance Reserve for Outstanding Claims Including IBNR

Methodology for Claim Liability

Central Estimate

The Central Estimate of the Net Claim Liability has been determined based upon the gross analysis performed for the Company as at 31st December 2013, whereby a full review of the Loss Development Factors on a gross basis is performed. Various Gross-to-Net ratios are compared, and the Net Claim Liability is determined by applying a factor to the Gross Claim Liability.

Since the net analysis is based on the gross analysis, any change in the gross results will subsequently affect the results in this net valuation.

The Central Estimate is then adjusted by the same provision as the gross analysis to allow for Claims Handling Expenses (CHE) such as fees for loss adjustment, and the annual salary and related overhead costs of the claims department.

75% Confidence Level Estimate

The volatility of the Central Estimate of claims reserves are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the Net Claim Liability on 75% confidence level, we have adopted the Prudential Reserve for Adverse Development (PRAD) and Fund Prudential Reserve for Adverse Development (FPRAD) risk margins that were derived in the gross analysis as at 31st December 2013, which were based on a Stochastic Chain Ladder approach.

Calculation of Discounted Claim Liability

The Discounted Claim Liability is calculated as the current value of the projected future claim payments for each class of business.

The Claim Liability is discounted on the same basis as the gross numbers. These are based upon the Government Securities spot rates from the Central Bank of Sri Lanka and the modelled payment patterns.

Methodology for Estimate of Premium Liability

Central Estimate

For the Central Estimate of the Premium Liability, Actuary developed a trended Ultimate Loss Ratio for each class to compute the Central Estimate of the Unexpired Risk Reserve (URR). A provision, which is the same value as per the gross analysis, was added to the Central Estimate of the URR to account for CHE and a further provision, based on the Unearned Premium Reserve (UPR), has been retained to cover future Management Expenses. The adjusted loss ratios are finally applied to the UPR that the company currently holds to derive the Central Estimate of the URR.

75% Confidence Level Estimate

The Central Estimates of the URRs are then projected to secure an overall level of sufficiency of not less than 75% confidence. In determining the URR at the 75% confidence level, actuaries multiply the Central Estimate of the URR with an adjustment factor for each line of business. The adjustment factor is determined at a class level as well as at an aggregate level, and takes into account the observed relationship between the current estimate of an Accident Period's ULR and the trended ULR. The diversification is determined by comparing the sum of adjustment factors by line of business and the adjustment factor at the aggregate level.

3.27.6 LIFE INSURANCE BUSINESS

3.27.6.1 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 recognized as income in a constant relationship to the insurance in force, for annuities and the amount of expected benefit payments.

3.27.6.2 Reinsurance Premium

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

3.27.6.3 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.

3.27.6.4 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.

3.27.6.5 Life Insurance Contract Liabilities

Life insurance liabilities are recognized when the contracts are entered into and premiums are charged. These liabilities are calculated via the net premium method for protection products, the unit fund plus sterling reserve method for Unit-linked products and a modified gross premium method for conventional products. For the net premium method the liability is calculated as the discounted value of the future benefits that are directly related to the contract, less the discounted value of the theoretical premiums that would be required to meet those future benefits based on the valuation assumptions. For the sterling reserve method all contract-related cash flows are projected using best estimate assumptions (but with valuation claim rates) and additional liabilities are set up in the event that contracts are not self-financing. For the modified gross premium method the investment account is the starting point and in addition to that a liability may be held on account of future cash flows shortfalls. This second component is calculated exactly as per the sterling reserve above.

3.27.6.6 Valuation of Insurance Provision -Life insurance Contract Liabilities

Methodology

Actuaries have adopted the net premium valuation methodology for calculating the provisions for majority of the products and riders (all except those mentioned below), as required by the extant regulations, by valuing individual policy records. For regular premiums products, an allowance for recovery of initial expenses through loadings in the renewal premium has been allowed for in the provisions by using minimum of the Zillmer and Sprague adjustments as prescribed in the regulations. Besides limiting the calculated net premium to be maximum of90% of the policy premium to ensure a minimum 10% allowance to cover future expenses and commissions at the policy level. Actuaries have checked that this implicit allowance made for expenses and commissions through a reduction in the future premium income in the net premium methodology is sufficient to cover the projected expenses and commissions for regular premium products at the product level. For single premium products, an explicit additional provision has been calculated to cover future maintenance expenses at the policy level.

Statutory provisions have been set equal to the unearned premium reserves (UPR) for the base products Corporate Life & Migrant Workers, and the ADB, TPD due to accident and PPD riders.

For the dividend based fund accumulation products, Life Protect, Life Protect Plus, Pension Plan and Child Plan, provisions have been set equal to the fund value plus an expense provision, where the expenses provision has been set equal to any excess of expected future outgo over future income on he prudent basis calculated at the policy level.

The calculated provisions were floored at zero at the individual policy level, i.e. negative provisions have not been allowed for any policy.

The calculated provisions for each individual policy is note less than the applicable surrender value as on valuation date, as no surrender value is currently applicable for any of the in-force policies. Majority of the products are protection based which do not offer any surrender value. Surrender value on the savings products is payable only after the third policy year with none of the in-force policies having exceeded that duration.

Assumptions

The following reserving assumptions have been used for the purpose of the annual statutory valuation as at December 2013;

- Mortality rates
  110% of A67/70 (Ultimate) table has been used as the reserving assumptions.

- Rates for benefits other than mortality
  110% of the applicable reinsurance premium rates provided by reinsurer, made available to actuaries at the time of pricing the various riders attaching to the dividend based fund accumulation products.

- Lapses
  No lapses have been assumed for prudence, except for dividend based fund accumulation products, where lapses equal to 50% of the best estimate pricing assumption have been used for the calculation of the expense provision. The lapse rates assumed for pricing the dividend based products are tabulated below;

Policy year	Lapse Rates
1	30%
2	15%
3	10%
4	5%
5	5%
6-10	5%
11+	2.5%

- Investment return
  The assumed investment returns are as prescribed by the regulations for life insurers with less than three years of operations. The following table summarizes the annual investment returns assumed for different classes of business and premium payment options;

Business class (Premium payment option)	Investment return
Participating (Regular premium)	5.0%
Non-participating (Regular premium)	6.5%
Non-participating (Single premium)	8.0%

- Expenses inflation
  Real annual investment returns have been assumed to be 1.0%, based on which expense inflation has been set to be 1.0% lower than the assumed annual investment returns tabulated above.

- Expense assumptions
  The reserving expense assumptions have been set out in the table below. For group products these represent the expense assumption applicable to each policy and not the scheme.

Type of expense	Expense assumption
Fixed per annum	LKR 220
% of provisions	0.275%
% of renewal premium*	2.750%
Regular commission*	Commission rates as per the pricing certificates of respective products

*Applicable only for regular premium products

- Loan repayment rate
  Mortgage reduction plan (MRP) and Divisaviya are reducing terms assurance plans to cover the outstanding loan liability of the policyholder. However, the policy data for theses products does not contain the loan repayment rate applicable for individual policies. Actuaries have used an average loan repayment rate of 28% of 12% per annum for the MRP and Divisaviya product respectively. These have been estimated based on the original sum assured, sum assured as at valuation date and issue date information present in the policy data.

3.28 PLANTATION SECTOR

3.28.1 Agricultural Activities

The Group considers all the activities that are managed in biological transformation and harvest of biological assets for sale or for conversion into agricultural produce or into additional biological asset.

3.28.2 Bearer Biological Assets

Biological assets are classified as mature biological assets and immature biological assets. Mature biological assets are those that have attained harvestable specifications or are able to sustain regular harvests. Immature biological assets are those that have not yet attained harvestable specifications. Tea, Rubber, Coconut, Timber, Other plantations and nurseries are classified as biological assets.

The biological assets are further classified as bearer biological assets and consumables biological assets. Bearer biological assets includes tea, rubber and coconut trees, those that are not intended to be sold or harvested, however, used to grow for harvesting agricultural produce from such biological assets. Consumable biological assets includes managed timber own by the company (Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jak, Rubber, Nadun, Mango, Pellen, Hora, Domba, Lunumidella, Wal Del and Mara on the plantations have been taken into consideration in this valuation of timber trees) those that are to be harvested as agricultural produce or sold as biological assets.

The entity recognizes the biological assets when, and only when, the entity controls the assets as a result of past event, it is probable that future economic benefits associated with the assets will flow to the entity and the fair value or cost of the assets can be measured reliably.

Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads, less provision for overgrown plants.

3.28.2.1 Bearer Biological Assets – At Cost

The Group recognizes 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 02nd March, 2012, due to the impracticability of carrying out a proper fair valuation. New ruling provide the option to measure bearer biological assets using LKAS16 – 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.

- Limited Life Land Development Cost on Bearer Biological Assets at Cost (New/Re-Planting)
  The total cost of land preparation, rehabilitation, new planting, re-planting, crop diversification, inter-planting and fertilizing, incurred between the time of planting and harvesting (When the planted area attains maturity) are recognized as initial cost for capitalization. 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 capitalized 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 recognized 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.

- Infilling Costs
  The land development costs incurred in the form of infilling have been capitalized to the relevant mature field where infilling results in an increase in the economic life of the relevant field beyond its previously assessed standard of performance, in accordance with Sri Lanka Accounting Standard - 16 and depreciated over the useful life at rates applicable to mature plantation. These rates are re-evaluated annually.

  Infilling cost that are not capitalized have been charged to the statement of comprehensive income in the year in which they are incurred.

- Growing Crop Nurseries
  Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.28.2.2 Bearer Biological Assets – At Fair Value

The Group recognizes the Rubber and Coconut plantations at fair value less estimated point-of-sale-of-costs, in accordance with LKAS 41- Agriculture. Point-of-sales-costs include all the costs that would be necessary to sell the assets, including costs necessary to get the assets to market. In respect of Rubber and Coconut Plants having below six years of age as at the date of financial position, have been taken at cost. The fair value of rubber and coconut are measured using DCF Method based on forecasted future cash flows.

The Group has engaged an Independent Chartered Valuation Surveyor Mr. K.T.D. Tissera in determining the fair value of Rubber and Coconut Bearer Biological Assets. The valuer has valued the latex component of Rubber, and also Coconut using the forecasted crop, prices and cost of production based on past statistics. 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. All other assumptions are given in Note No. 28.8 The Group measured the Rubber and Coconut plantations at fair value less estimated-point-of-sale- costs as at each date of Statement of Financial Position and the gain or loss on changes in fair value is recognized in the Statement of comprehensive income.

The estimated useful lives for the current and comparative years are as follows;

Tea	30-33 1/3 years
Rubber	20 years
Coconut	50 years
Cardamom / Cinnamon	15 years

3.28.3 Consumable Biological Assets

Trees namely teak, mahogany, Nadun, mango, Albezzia, Wal del, and etc. are considered as consumable biological assets and measured in accordance with LKAS 41- Agriculture. The initial costs incurred in planting such trees are capitalized until the market determined prices or values are not available and for which alternative estimates of fair value are to be clearly unreliable. Once the fair value of such a biological asset becomes reliably measurable, the group measures it at its fair value less costs to sell. The change in fair values will be directly identified in income statement.

The Group has engaged an Independent Chartered Valuation Surveyor Mr. K.T.D. Tissera in determining the fair value of managed Timber Plantation. The valuer has valued the Timber Plantation per tree valuation basis by using available log prices in city centres less point-of-sale-costs. The timber plants having less than three years old have not been taken in to the valuation and hence, the cost of such plants has been added to the valuation. All other assumptions are given in Note No. 27.6. The Group measures the Timber Plantation at fair value less estimated-point-of-sale-costs as at each date of Statement of Financial Position. The gain or loss on changes in fair value of Timber Plantation is recognized in the Statement of comprehensive income.

- Growing Crop Nurseries
  Nursery cost includes the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads.

3.28.4 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 capitalized and amortized over the remaining lease period.

3.28.5 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 01st January, 2012) for right – to - use of land on lease on 19th December, 2012. Since the SORP issued by the ICASL has not been finalized, the company 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 01st January, 2012 which has been superseded by the Sri Lanka Accounting framework with effect from 01st January, 2012.

3.28.6 Amortization

The Right-to-use of land on lease is amortized 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 recognized in the Income Statement.

Amortization rates used for the purpose are as follows:

	No. of Years	Rate %
Bare Land	53	1.89
Improvement to Lands	30	3.33
Mature Plantations	30	3.33
Buildings	25	4.00
Machinery	15	6.67
Crop Diversification	30	3.33
Water and Sanitation	20	5.00
Other Vested Assets	30	3.33
Permanent Land Development	53	1.89

3.28.7 Liability to make lease rentals

The liability to make the rentals to the lessor is recognized on amortized cost using effective interest rate method. The finance cost is recognized in the income statement under finance cost using effective interest rate method.

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
4 Gross income					
Revenue	4.1	14,081,434	16,988,149	-	-
Income	4.2	27,571,520	22,890,876	2,111,378	3,541,670
Other income	5.1	3,354,824	2,512,150	3,349,180	1,141,958
Total		45,007,778	42,391,175	5,460,558	4,683,628
4.1 Revenue					
Sectorial revenue					
Manufacturing		67,661	75,052	-	-
Trading		9,062,903	12,339,196	-	-
Exports		136,386	215,035	-	-
Hotelier		1,003,830	1,034,890	-	-
Service providing		412,732	124,239	-	-
Plantation		3,108,543	3,095,943	-	-
Travel & Tours		29,731	37,819	-	-
Construction		216,013	40,290	-	-
Hydro power generation		43,635	25,685	-	-
		14,081,434	16,988,149	-	-
4.2 Income					
Leasing interest income		8,634,435	7,206,212	-	-
Hire purchases interest income		660,337	1,509,668	-	2,910
Interest income on deposits		158,117	82,681	662	4,036
Advances and other loans interest income		11,244,184	8,508,166	1,628,713	2,621,859
Earned Premium on Insurance contracts		1,962,690	1,040,083	-	-
Deferred instalment income		6,642	60,300	6,642	60,300
Operating lease and hire rental income		385,747	421,923	371,702	408,734
Overdue interest income		1,332,889	913,707	62,411	128,230
Debt factoring income		1,567,259	1,965,838	-	-
Securities trading income		78,953	55,811	-	-
Rentals & sales proceeds - contracts written off		295,794	111,109	40,211	71,594
Transfer fees and profit on termination		904,804	738,083	989	30,769
Arrangement / documentation fee & other		317,320	241,191	48	166
Other operational income		22,349	36,104	-	213,072
Total		27,571,520	22,890,876	2,111,378	3,541,670

	Note	Group 2014	Group 2013	Company 2014	Company 2013
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
5 Other income/(expenses)					
5.1 Other Income					
Rental income		23,840	46,628	7,176	4,586
Royalty income		-	-	158,289	35,942
Dividends Income		505	33,439	215,608	79,201
Franchise fees		-	2,888	125,654	2,888
Insurance Policy Fees		44,840	28,459	-	-
Treasury handling charges		-	-	331,451	302,387
Restructuring and arrangement fees		-	-	578,000	200,000
Asset hire income		-	-	151,415	96,885
Guarantee fee income		-	-	46,479	74,754
Advisory charges		-	-	147,538	-
Interest received from government securities & other interest earning assets	5.2	1,422,100	735,430	2,954	3,190
Debenture interest income		-	5,832	-	40,894
Gain / (loss) on disposal of quoted and non-quoted shares		1,434,899	(6,818)	946,603	(6,867)
Gain on disposal of property, plant and equipment		57,239	173,739	37,926	158,391
Gain / (loss) on change in fair Value of consumer biological assets	27	182,542	102,205	-	-
Gain / (loss) on change in fair Value of bearer biological assets	28.2.4	(216,917)	51,546	-	-
Change in fair value of investment properties	26	338,461	909,809	475,000	-
Sale of timber		-	54,883	-	-
Loss on sale of treasury bonds		-	(1,575)	-	(1,575)
Foreign exchange gain / (loss)		(147,138)	91,899	(3,626)	(5,710)
Change in fair value of derivatives - forward contracts		43,628	(249,874)	-	-
Appreciation / (fall) in value of investments		6,170	140,768	76,888	96,094
Amortisation of deferred income	41	36,868	8,577	-	-
Penalty and early settlement interests		69,423	112,438	-	-
Sundry income / (expenses)		58,364	271,877	51,825	60,898
Total		3,354,824	2,512,150	3,349,180	1,141,958

5.2 Credit for Withholding Tax on Government Securities on Secondary Market Transactions

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

6 Finance costs

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Finance costs on;				
Customer deposits	5,792,831	4,183,427	-	-
Commercial papers and promissory notes	830,230	618,158	650,340	579,969
Overdraft and other short-term borrowings	3,773,318	6,111,634	709,384	1,037,322
Long term borrowings	3,545,021	1,402,069	436,304	773,177
Finance leases	199,363	67,047	48,419	43,118
Debenture interests	711,846	712,785	711,846	712,785
Swap costs	1,556,338	1,432,538	164,191	317,776
	16,408,947	14,527,658	2,720,484	3,464,147

7 Direct expenses excluding finance costs

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Value Added Tax (VAT) on leases/general expenses and VAT on financial services	509,063	362,261	84,192	26,618
Business Turnover Tax (BTT), debits tax and others	71,482	16,063	11,558	6,958
Reinsurance premium	224,482	118,158	-	-
Insurance benefits, losses and expenses	852,200	596,282	-	-
Increase in long term insurance fund	145,882	67,874	-	-
Insurance expenses	327,734	211,214	-	
Other direct expenses	105,991	157,575	-	-
	2,236,834	1,529,427	95,750	33,576

8 Personnel costs

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Salaries, wages and other benefits		5,205,310	4,508,570	93,171	113,637
Contribution to EPF/CCPS/ESPS		220,488	192,344	9,853	10,841
Contribution to ETF		55,122	48,086	2,166	2,322
Retirement benefit cost	42.1	168,406	149,502	24,121	14,723
		5,649,326	4,898,502	129,311	141,523

9 Net impairment loss on financial assets

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Net impairment loss / (reversal) on;				
Finance lease receivables	1,038,408	266,980	-	-
Hire purchase receivables	68,397	11,824	(2,168)	5,144
Operating lease receivables	4,959	(32,943)	4,959	(32,943)
Advances and loans	1,751,916	1,320,682	(90,474)	35,242
Factoring receivables	208	439,909	-	-
Pawning advances	550,055	(67,327)	-	-
Bad debts written off net of reversals	76,576	151,257	15,291	46,813
Total	3,490,519	2,090,382	(72,392)	54,256

10 Depreciation and amortization

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Amortization of prepaid lease rentals	25.1	8,184	8,176	-	-
Amortization of bearer biological assets	28.1.4	25,958	25,233	-	-
Amortization of intangible assets	33.3	123,986	87,870	45,986	29,277
Depreciation of property, plant and equipment	34	814,121	1,858,494	262,443	530,577
		972,249	1,979,773	308,429	559,854

11 Other operating expenses

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Administration cost		2,466,904	2,499,542	84,059	236,735
Operating and marketing cost		2,897,929	2,184,876	218,896	125,635
Allowance for impairment of Group investments	11.1	59,000	-	1,150,780	-
Allowance for impairment of AFS securities		136,199	-	136,199	-
		5,560,032	4,684,418	1,589,934	362,370

11.1 Allowance for impairment of Group investments

An impairment test is carried out by the management for group investments on an annual basis as per the requirement of respective Sri Lanka Accounting Standards. Following investments have been identified as impaired during the year.

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Group Company					
Investment made in;	29.2				
LOLC Factors Limited		-	-	700,000	-
LOLC Eco Solutions Limited		-	-	25,000	-
		-	-	725,000	-
Related party receivables from	49.3.1				
United Dendro Energy (Private) Limited		-	-	390,454	-
Speed Italia Limited		-	-	35,326	-
		-	-	425,780	-
Goodwill on acquisition of;	33.3				
Speed Italia Limited		59,000	-	-	-
		59,000	-	1,150,780	-

12 Results from operating activities

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

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Directors' Remuneration	49.1.1	80,954	68,410	26,369	24,987
Auditors' Fees and expenses	12.1	23,540	21,405	3,498	4,188
Legal expenses		79,094	67,110	15,832	15,769
Secretarial fees		3,518	2,896	217	377
Professional fees		78,423	28,616	1,098	2,380
Advertising related expenses		538,498	724,089	3,842	16,833
Donations		3,907	5,924	1,013	2,230

12.1 Auditors' Fees and expenses

	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Remuneration for				
Audit related services	20,140	20,362	2,765	3,450
Non-audit related services	3,400	1,043	733	738
	23,540	21,405	3,498	4,188

13 Gains on bargain purchases (negative goodwill)

The gains on bargain purchases (negative goodwill) are attributable to the following entities acquired during the period;

For the year ended 31 March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000
Seylan Bank PLC		117,329	1,500,500
Acquisition of Joint ventures - Ceylon Estates Teas - Joint ventures		-	443
Beira Parawood (Private) Limited	31.7	72,785	-
Taprobane Holdings PLC	31.8	151,605	-
Green Paradise Resorts (Private) Limited	29.6.4	151,867	-
		493,586	1,500,943

14 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.

14.1 Major components of income tax expense are as follows:

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Current tax expense	14.3	795,534	832,441	-	-
Deferred tax expense	32.5	611,559	321,443	(5,218)	33,718
Income tax expense reported in the income statement		1,407,093	1,153,884	(5,218)	33,718

14.2 Numerical Reconciliation of accounting profits to income tax expense

	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Profit before income tax expense		4,514,999	3,706,171	689,042	67,902
(+) Disallowable expenses		25,479,443	16,340,527	1,926,406	1,267,374
(-) Allowable expenses		(20,289,947)	(13,470,234)	(797,624)	(1,175,428)
(-) Tax exempt income		(5,537,631)	(2,911,711)	(1,781,972)	(229,328)
(-) Allowable tax credits		(1,751,064)	(22,125)	-	-
(+) Tax losses incurred	14.6	2,547,703	2,132,823	-	69,480
(-) Tax losses utilized	14.6	(139,780)	(155,082)	(35,852)	-
(-) Consolidation adjustments		(2,070,812)	(1,747,072)	-	-
Taxable Income		2,752,911	3,873,297	-	-
Income tax @					
28%		715,848	754,674	-	-
12%		12,208	51,202	-	-
Total tax expense		728,056	805,876	-	-
Average tax rate		26.45%	20.81%	28.00%	28.00%

14.3 Current Tax Expense

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Tax Expense	14.2	728,056	805,876	-	-
Under provision in respect of previous years		67,255	26,044	-	-
Deemed dividend tax paid		223	521	-	-
		795,534	832,441	-	-

14.4 Effective Tax Rate

For the year ended 31 March	Group 2014 %	Group 2013 %	Company 2014 %	Company 2013 %
	31.16	31.13	(0.76)	49.66

14.5 A reconciliation of effective tax rate is as follows;

Group

For the year ended 31 March	2014 Rs. '000	2014 %	2013 Rs. '000	2013 %
Accounting profit before income tax	4,514,999		3,706,171	
Income tax expense at the average statutory income tax rate	1,194,071	26.45%	771,104	20.81%
Disallowable Expenses	7,350,048	162.79%	3,721,244	100.41%
Allowable Expenses	(5,366,035)	-118.85%	(2,802,609)	-75.62%
Tax Exempt Income	(1,464,524)	-32.44%	(605,809)	-16.35%
Allowable Tax Credits	(463,100)	-10.26%	(4,603)	-0.12%
Tax losses incurred	673,785	14.92%	443,754	11.97%
Tax losses utilized	(36,967)	-0.82%	(32,266)	-0.87%
Consolidation adjustments	(547,663)	-12.13%	(363,495)	-9.81%
Under / (Over) provision in respect of previous years	67,255	1.49%	26,044	0.70%
Deemed Dividend Tax Paid	223	0.00%	521	0.01%
Current tax expense	1,407,093	31.16%	1,153,884	31.13%

Company

For the year ended 31 March	2014 Rs. '000	2014 %	2013 Rs. '000	2013 %
Accounting profit before income tax	689,042		67,902	
Income tax expense at the average statutory income tax rate	192,932	28.00%	19,013	28.00%
Disallowable Expenses	534,176	77.52%	388,583	572.27%
Allowable Expenses	(223,335)	-32.41%	(329,120)	-484.70%
Tax Exempt Income	(498,952)	-72.41%	(64,212)	-94.57%
Tax losses incurred	-	0.00%	19,454	28.65%
Tax losses utilized	(10,039)	-1.46%	-	0.00%
Current tax expense	(5,218)	-0.76%	33,718	49.66%

14 Income tax expense contd.

14.6 Tax Losses

For the year ended 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Losses brought forward	4,993,316	3,568,525	1,201,388	1,163,150
Adjustments for brought forward tax losses	(123,249)	(552,950)	(123,249)	(31,242)
Losses incurred	2,547,703	2,132,823	-	69,480
Losses utilized	(139,780)	(155,082)	(35,852)	-
Losses carried forward	7,277,990	4,993,316	1,042,287	1,201,388

14.7 Tax exemptions, concessions or holidays that have been granted

Maturata Plantations Limited and Pussellawa Plantations Limited

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

LOLC Leisure Sector Companies

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

LOLC Myanmar Micro-Finance Company Limited - LMML

LMML is incorporated and domiciled in the Myanmar where the applicable corporate tax rate is 25%.

14.8 Income tax recognized in Other Comprehensive Income

For the year ended 31 March Tax (benefit) / expense on;	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Revaluation surplus	126,212	61,867	88,554	-
Defined benefit plan actuarial gains (losses) for the year	(22,154)	(3,519)	(10,876)	-
	104,058	58,348	77,678	-

15 Earnings per Share

15.1 Basic Earnings per Share

The calculation of basic earnings per share for the year is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding calculated as follows:

For the year ended 31 March		Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Profit attributable to equity holders of the Company		1,515,767	1,896,018	694,260	34,184
Weighted Average Number of Ordinary Shares	15.2	475,200	475,200	475,200	475,200
Basic Earnings Per Share (Rs.)		3.19	3.99	1.46	0.07

15.2 Weighted Average Number of Ordinary Shares

For the year ended 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Total as at beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Total as at end of the period	475,200	475,200	475,200	475,200

15.3 Diluted Earnings per Share

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

16 Cash and cash equivalents as per cash flow statement

16.1 Cash in Hand and Favourable Bank Balances

As at 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000	Company 2014 Rs. '000	Company 2013 Rs. '000
Cash in hand	221,718	46,597	3,639	2,357
Balances at banks	4,954,518	6,402,045	90,566	727,954
Other Instruments	186,664	142,747	-	-
	5,362,900	6,591,389	94,205	730,311
16.2 Unfavourable Bank Balances used for cash management purposes				
Bank overdrafts	(2,934,398)	(6,875,475)	(399,689)	(1,374,998)
Net cash and cash equivalents as in cash flow statement	2,428,502	(284,086)	(305,484)	(644,687)

17 Trading assets - fair value through profit or loss

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Debt Securities					
Unit trusts	17.1	131,278	129,131	-	-
Government securities	17.2	1,115	-	-	-
		132,393	129,131	-	-
Equity Securities	17.3	854,682	1,579,886	536,325	805,024
Derivative assets held for risk management	17.4	30,005	28,813	-	7,217
		1,017,080	1,737,830	536,325	812,241

17.1 Unit trusts

As at 31 March	Group 2014 No. of Units	Group 2014 Cost Rs. '000	Group 2014 Fair Value Rs. '000	Group 2013 No. of Units	Group 2013 Cost Rs. '000	Group 2013 Fair Value Rs. '000
Investments in unit trusts	12,171,373	125,000	131,278	12,171,373	125,000	129,131
		125,000	131,278		125,000	129,131

17.2 Government securities

As at 31 March	Group 2014 Cost Rs. '000	Group 2014 Fair Value Rs. '000	Group 2013 Cost Rs. '000	Group 2013 Fair Value Rs. '000
Investments in Treasury Bills and Bonds	1,112	1,115	-	-
	1,112	1,115	-	-

17.3 Equity Securities

Details of the Group's equity trading portfolio

As at 31 March	Group 2014			Group 2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Abans Electricals PLC	60,000	13,134	5,952	50,000	13,134	4,480
Acme Printing & Packaging PLC	25,876	602	223	25,876	602	303
Amana Takaful PLC	-	-	-	1,000	132	77
Anilana Hotels And Properties PLC	416,000	4,992	2,954	-	-	-
Asia Capital PLC	40	1	1	40	1	1
Asia Siyaka Commodities PLC	-	-	-	44,590,000	112,032	124,852
C T Land Development PLC	19,500	80	569	19,500	80	470
Chemanex PLC	303,605	40,961	24,865	486,905	71,667	36,031
Colombo Dockyard PLC	4,315	86	754	4,315	86	924
Commercial Bank Of Ceylon PLC	-	-	-	9,687	963	1,077
DFCC Bank PLC	38	3	5	38	3	5
Dialog Axiata PLC	-	-	-	2,000,000	24,325	427,777
Expolanka Holdings PLC	1,000,000	18,000	8,700	1,000,000	18,000	6,800
F L C Holdings PLC	1,420,900	7,105	2,984	-	-	-
Hayleys PLC	2,755,849	895,601	785,417	2,462,744	967,064	821,982
Hemas Holdings PLC	-	-	-	1,080,000	50,749	51,924
John Keells Holdings PLC	-	-	-	273	26	67
John Keells PLC	341	33	73	-	-	-
Lake House Printers And Publishers PLC	39,500	6,873	4,013	41,200	7,168	4,367
Lanka Ashok Leyland PLC	100	293	120	100	293	172
Laugfs Gas PLC	500	28	16	945,500	52,128	23,165
Malwatte Valley Plantations PLC	-	-	-	500	11	11
Merchant Bank Of Sri Lanka PLC	-	-	-	66,000	3,688	1,063

17.3 Equity Securities contd.

As at 31 March	Group 2014			Group 2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Nation Lanka Finance PLC	181,327	920	1,414	181,327	920	1,614
Nations Trust Bank PLC	-	-	-	116,100	8,905	7,082
Overseas Realty (Ceylon) PLC	113,680	1,665	2,330	113,680	1,665	1,592
Panasian Power PLC	4,000,000	20,882	8,800	4,000,000	20,882	10,800
Pc House PLC	300,000	6,463	90	300,000	6,463	900
Radiant Gems International PLC	106,753	7,542	4,911	106,753	7,542	5,135
Richard Pieris And Company PLC	-	-	-	1,600,400	26,234	10,563
Sinhaputhra Finance PLC	-	-	-	86,100	9,918	6,328
Taprobane Holdings PLC	166,667	1,000	450	166,667	1,000	717
Textured Jersey Lanka PLC	-	-	-	1,400	21,100	13,857
The Finance Company PLC	3,720	149	41	1,250,000	46,500	15,750
		1,026,413	854,682		1,473,281	1,579,886

Details of the Company's equity trading portfolio

As at 31 March	Company 2014			Company 2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Abans Electricals PLC	60,000	13,134	5,952	50,000	13,134	4,480
Acme Printing & Packaging PLC	25,876	602	223	25,876	602	302
Anilana Hotels and Properties PLC	416,000	4,992	2,954	-	-	-
Asia Capital PLC	40	1	1	40	1	1
Chemanex PLC	303,605	40,961	24,865	303,605	40,961	22,467
Hayleys PLC	1,700,000	667,518	484,500	2,434,144	955,785	727,079
Lake House Printers And Publishers PLC	39,500	6,873	4,013	41,200	7,168	4,367
Laugfs Gas PLC	500	28	16	945,500	52,128	23,165
Panasian Power PLC	4,000,000	20,881	8,800	4,000,000	20,881	10,800
PC House PLC	300,000	6,462	90	300,000	6,462	900
Radiant Gems International PLC	106,753	7,542	4,911	106,753	7,542	5,135
Sinhaputhra Finance PLC	-	-	-	86,100	9,917	6,328
		768,994	536,325		1,114,581	805,024

17.4 Derivative assets held for risk management

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Forward rate contracts		30,005	28,813	-	7,217

Forward rate contracts

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

Hedge Accounting

The Group entered in to forward exchange contracts in order to hedge the risk of variability in functional currency equivalent cash flows associated with the foreign currency- denominated loan. The forward contract is designated as a hedge of the changes in the cash flows relating to the changes in foreign currency rates relating to the loans.

Details	Description of the Hedge
Hedge Instruments	Forward foreign exchange contracts
Hedge Items	Foreign currency denominated borrowings

The fair value of derivatives designated as cash flow hedges are as follows:

Instrument type:	2014 Assets Rs. '000	2014 Liabilities Rs. '000	2013 Assets Rs. '000	2013 Liabilities Rs. '000
Group				
Forward rate contracts	16,433	397,330	26,877	587,555
Notional amount	6,468,191	19,589,689	1,625,218	18,114,080
Company				
Forward rate contracts	-	6,443	7,217	125,204
Notional amount	-	319,621	329,399	3,009,604

The maturity analysis of cash flows of the hedge item is given below.

Forecasted payable cash flows	Up to 3 Months Rs. '000	4 to 12 Months Rs. '000	1 to 5 Years Rs. '000	Total Rs. '000
Group	2,683,622	6,008,203	16,945,012	25,636,837
Company	126,286	54,450	54,450	235,186

18 Investment securities

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Available-for-sale investment securities	18.1	7,031,567	7,839,582	315,502	388,310
Loans & receivables	18.2	9,256,647	5,305,628	67,231	98,809
		16,288,214	13,145,210	382,733	487,119

18.1 Available-for-sale investment securities

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Government securities	18.1.1	6,429,013	3,555,069	-	-
Designated available-for-sale investment securities	18.1.2	464,980	4,095,298	315,502	388,310
Equity securities with readily determinable fair values	18.1.3	58,075	159,269	-	-
Unquoted equity securities	18.1.4	79,499	29,946	-	-
		7,031,567	7,839,582	315,502	388,310

18.1.1 Government securities

As at 31 March	Group 2014 Cost Rs. '000	Group 2014 Fair Value Rs. '000	Group 2013 Cost Rs. '000	Group 2013 Fair Value Rs. '000
Investments in Treasury Bills	3,305,001	3,354,344	2,414,775	2,428,854
Investments in Treasury Bonds	3,007,303	3,074,669	1,105,534	1,126,215
	6,312,304	6,429,013	3,520,309	3,555,069

18.1.2 Designated available-for-sale investment securities

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

Group						
As at 31 March	2014			2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Hatton National Bank PLC	996,521	34,722	149,478	22,197,674	773,274	3,706,988
The Housing Development and Finance PLC	9,707,740	451,700	315,502	9,707,740	451,700	388,310
		486,422	464,980		1,224,974	4,095,298

Company						
As at 31 March	2014			2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
The Housing Development and Finance PLC	9,707,740	451,700	315,502	9,707,740	451,700	388,310
		451,700	315,502		451,700	388,310

18.1.3 Equity securities with readily determinable fair values

Group						
As at 31 March	2014			2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Browns Beach Hotels PLC	26,100	499	499	412,113	2,713	6,993
Cargo Boat Development Company PLC	300	10	31	300	10	26
Ceylon Guardian Investment Trust PLC	-	-	-	19,063	4,320	4,423
DFCC Bank PLC	3,810	375	548	3,177	374	499
Distilleries Company Of Sri Lanka PLC	338	3	23	338	3	23
Hapugastenne Plantations PLC	100	1	3	100	1	23
Hatton National Bank PLC	152	7	23	-	-	-
John Keells Holdings PLC	-	-	-	131,573	379	1,738
Lanka Century Investments PLC	18,616	37	38	18,616	37	37
Lanka IOC PLC	27,800	754	1,072	27,800	754	569
Malwatte Valley Plantations PLC	500	11	2	-	-	-
Raigam Wayamba Salterns PLC	26,200	67	58	26,200	67	59
Sierra Cables PLC	32,218,343	185,849	54,771	32,218,343	185,849	70,880
Taprobane Holdings PLC	-	-	-	16,600	99,600	73,040
Vallibel Finance PLC	33,900	497	1,007	33,900	498	959
		188,110	58,075		294,605	159,269

18.1.4 Unquoted equity securities

Group

As at 31 March	2014			2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Badulla Transport & Agency Company (Private) Limited	10,000	100	-	10,000	100	-
Ceylon Studios Limited	500	5	5	500	5	5
Ceylon Marine & Travel Services (Private) Limited	5,200	31	-	5,200	31	-
Credit Information Beuarue Limited	19,490	547	547	200	547	547
Confifi Finance (Private) Limited	39,100	391	1,574	39,100	391	1,566
Equity Investments Lanka Limited	17,250	173	173	17,250	173	173
Expo Lanka International Limited	-	-	-	7,500	75	75
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
Rain Forest Eco Lodge (Private) Limited	3,283,688	32,837	23,807	3,283,688	32,837	27,580
Sun & Fun Resorts (Private) Limited	20	50,000	50,000	-	-	-
Ceylon Guardian Investment Trust Ltd	19,063	3,393	3,393	-	-	-
		97,477	79,499		44,159	29,946

Company

As at 31 March	2014			2013		
	No. of Shares	Cost Rs. '000	Fair Value Rs. '000	No. of Shares	Cost Rs. '000	Fair Value Rs. '000
Indo Lanka Steel Limited	200,000	6,000	-	200,000	6,000	-
Lanka Glass Manufacturing Limited	3,000,000	3,000	-	3,000,000	3,000	-
Magpek Exports Limited	250,000	1,000	-	250,000	1,000	-
		10,000	-		10,000	-

18.2 Loans & receivables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Corporate debentures	18.2.1	-	30,605	-	30,605
Government securities	18.2.2	5,488,475	3,195,548	-	-
Investments in term deposits		3,768,172	2,079,475	67,231	68,204
		9,256,647	5,305,628	67,231	98,809

18.2.1 Corporate debentures

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Bank of Ceylon	-	30,605	-	30,605
	-	30,605	-	30,605

18.2.2 Government securities

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000
Reverse Repo Instruments	5,488,475	3,195,548
	5,488,475	3,195,548

19 Finance lease receivables, hire purchases and operating leases

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Finance lease receivables	19.1	35,062,294	33,370,882	-	-
Hire purchase receivables	19.2	1,195,955	4,687,461	76	18,235
Operating lease receivables	19.3	993	32,117	993	32,117
		36,259,242	38,090,460	1,069	50,352
19.1 Finance lease receivables					
Receivables within one year	19.1.1	12,823,930	23,770,196	-	-
Receivable from one to five years	19.1.2	22,544,031	9,776,875	-	-
Overdue rental receivable	19.1.3	1,063,571	518,780	-	-
(-) Allowance for impairment	19.1.5	(1,369,238)	(694,969)	-	-
		35,062,294	33,370,882	-	-

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
19.1.1 Receivables within one year					
Gross rentals receivable		19,661,120	32,688,574	-	-
Unearned finance income		(6,837,190)	(8,918,378)	-	-
		12,823,930	23,770,196	-	-
19.1.2 Receivable from one to five years					
Gross rentals receivable		34,708,463	19,029,015	-	-
Unearned finance income		(6,956,120)	(4,547,557)	-	-
Prepayments received from lessees		(5,208,312)	(4,704,583)	-	-
		22,544,031	9,776,875	-	-
19.1.3 Overdue rental receivable					
Gross rentals receivable		1,221,622	518,780	-	-
Unearned finance income		(158,051)	-	-	-
		1,063,571	518,780	-	-
19.1.4 Total finance lease receivables					
Gross rentals receivable		55,591,205	52,236,369	-	-
Unearned finance income		(13,951,361)	(13,465,935)	-	-
Net investments in finance leases		41,639,844	38,770,434	-	-
Allowance for impairment	19.1.5	(1,369,238)	(694,969)	-	-
Prepayments received from lessees	19.1.2	(5,208,312)	(4,704,583)	-	-
Balance as at 31 March		35,062,294	33,370,882	-	-

19.1.5 Allowance for impairment

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Specific allowance for impairment					
Balance as at 01 April		605,576	383,076	-	-
Charged for the year		37,058	222,500	-	-
Write offs		(364,139)	-	-	-
Balance as at 31 March		278,495	605,576	-	-
Collective allowance for impairment					
Balance as at 01 April		89,393	80,512	-	-
Charged for the year		1,001,350	44,480	-	-
Write offs		-	(35,599)	-	-
Balance as at 31 March		1,090,743	89,393	-	-
Total allowances for impairment		1,369,238	694,969	-	-

19.2 Hire purchase receivables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Receivables within one year	19.2.1	920,732	4,184,958	-	7,151
Receivable from one to five years	19.2.2	303,271	764,963	-	10,823
Overdue rental receivable	19.2.3	113,305	69,642	80	2,433
(-) Allowance for impairment	19.2.5	(141,353)	(332,102)	(4)	(2,172)
		1,195,955	4,687,461	76	18,235

19.2.1 Receivables within one year

	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross rentals receivable	1,098,746	5,140,547	-	7,151
Unearned finance income	(178,014)	(955,589)	-	-
	920,732	4,184,958	-	7,151

19.2.2 Receivable from one to five years

	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross rentals receivable	344,532	850,917	-	11,198
Unearned finance income	(41,261)	(85,954)	-	(375)
	303,271	764,963	-	10,823

19.2.3 Overdue rental receivable

	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross rentals receivable	117,139	70,180	80	2,971
Unearned finance income	(3,834)	(538)	-	(538)
	113,305	69,642	80	2,433

19.2.4 Total Rentals Receivable on Hire Purchase

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross rentals receivable		1,560,417	6,061,644	80	21,320
Unearned finance income		(223,109)	(1,042,081)	-	(913)
Net investments in finance		1,337,308	5,019,563	80	20,407
Allowance for impairment	19.2.5	(141,353)	(332,102)	(4)	(2,172)
Balance as at 31 March		1,195,955	4,687,461	76	18,235

19.2.5 Allowance for impairment

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Collective allowance for impairment				
Balance as at 01 April	332,102	302,703	2,172	6,114
Charge / (reversal) for the year	68,397	11,824	(2,168)	5,144
Write offs	(259,146)	17,575	-	(9,086)
Balance as at 31 March	141,353	332,102	4	2,172
Total allowances for impairment	141,353	332,102	4	2,172

19.3 Operating lease receivables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross rentals receivable		551,410	898,287	551,410	898,287
Unearned finance income		(530,312)	(851,024)	(530,312)	(851,024)
Allowance for impairment	19.3.1	(20,105)	(15,146)	(20,105)	(15,146)
Balance as at 31 March		993	32,117	993	32,117

19.3.1 Allowance for impairment

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Collective allowance for impairment				
Balance as at 01 April	15,146	48,089	15,146	48,089
Charge / (reversal) for the year	4,959	(32,943)	4,959	(32,943)
Balance as at 31 March	20,105	15,146	20,105	15,146

19.4 Total finance lease receivables, hire purchases and operating leases

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross rentals receivable		57,703,032	59,196,300	551,490	919,607
Unearned finance income		(14,704,782)	(15,359,040)	(530,312)	(851,937)
Allowance for impairment	19.5	(1,530,696)	(1,042,217)	(20,109)	(17,318)
Prepayments received from lessees	19.1.2	(5,208,312)	(4,704,583)	-	-
Balance as at 31 March		36,259,242	38,090,460	1,069	50,352

19.5 Allowance for impairment

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Specific allowance for impairment				
Balance as at 01 April	605,576	383,076	-	-
Charge for the year	37,058	222,500	-	-
Write offs	(364,139)	-	-	-
Balance as at 31 March	278,495	605,576	-	-
Collective allowance for impairment				
Balance as at 01 April	436,641	431,304	17,318	54,203
Charge for the year	1,074,706	23,361	2,791	(27,799)
Write offs	(259,146)	(18,024)	-	(9,086)
Balance as at 31 March	1,252,210	436,641	20,109	17,318
Total allowances for impairment	1,530,696	1,042,217	20,109	17,318

20 Advances and other loans

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Advances and loans	20.1	47,934,649	40,547,551	1,513,662	2,726,748
Factoring receivables	20.2	5,082,965	6,464,709	-	-
Pawning advances	20.3	1,268,027	2,711,965	-	-
		54,285,641	49,724,225	1,513,662	2,726,748

20.1 Rentals receivable on loans to customers

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Rentals receivable on loans to customers		53,901,530	41,730,161	762,347	2,477,563
Capital outstanding of revolving loans		657,661	5,503,891	657,661	-
Instalment sales		2,336	8,190	2,336	8,190
Gross rental receivables		54,561,527	47,242,242	1,422,344	2,485,753
Future interest		(5,695,054)	(5,572,799)	(7,059)	(45,252)
Net rental receivables		48,866,473	41,669,443	1,415,285	2,440,501
Overdue loan instalments		482,435	599,221	160,314	438,658
Allowance for impairment	20.1.1	(1,414,259)	(1,721,113)	(61,937)	(152,411)
		47,934,649	40,547,551	1,513,662	2,726,748

20.1.1 Allowance for impairment

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Specific allowance for impairment				
Balance as at 01 April	1,248,718	77,700	-	-
Charge / (reversal) for the year	284,537	1,171,018	-	-
Write offs	(810,008)	-	-	-
Balance as at 31 March	723,247	1,248,718	-	-
Collective allowance for impairment				
Balance as at 01 April	472,395	316,428	152,411	160,766
Charge / (reversal) for the year	1,467,379	149,664	(90,474)	35,242
Write offs	(1,248,762)	6,303	-	(35,818)
Transfers	-	-	-	(7,779)
Balance as at 31 March	691,012	472,395	61,937	152,411
Total allowances for impairment	1,414,259	1,721,113	61,937	152,411

20.2 Factoring receivables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Factoring receivables		5,634,943	7,358,661	-	-
Allowance for impairment	20.2.1	(551,978)	(893,952)	-	-
Balance as at 31 March		5,082,965	6,464,709	-	-

20.2.1 Allowance for impairment

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Specific allowance for impairment					
Balance as at 01 April		731,909	772,908	-	-
Charge for the year		(23,942)	261,178	-	-
Recoveries		-	16,688	-	-
Write offs		(342,182)	(318,865)	-	-
Balance as at 31 March		365,785	731,909	-	-
Collective allowance for impairment					
Balance as at 01 April		162,043	-	-	-
Charge / (reversal) for the year		24,150	162,043	-	-
Balance as at 31 March		186,193	162,043	-	-
Total allowances for impairment		551,978	893,952	-	-

20.3 Pawning advances

	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Pawning receivables		1,616,020	2,742,155	-	-
Allowance for impairment	20.3.1	(347,993)	(30,190)	-	-
Balance as at 31 March		1,268,027	2,711,965	-	-

20.3.1 Allowance for impairment

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Collective allowance for impairment					
Balance as at 01 April		30,190	97,517	-	-
Charge / (reversal) for the year		550,055	(67,327)	-	-
Write offs		(232,252)	-	-	-
Balance as at 31 March		347,993	30,190	-	-

20.4 Concentration by Sector

Group

As at 31 March	Finance lease hire purchases and operating leases 2014 Rs. '000	Advances and other loans 2014 Rs. '000	Total 2014 Rs. '000	Finance lease hire purchases and operating leases 2013 Rs. '000	Advances and other loans 2013 Rs. '000	Total 2013 Rs. '000
Agriculture	7,340,257	3,615,723	10,955,980	7,707,803	1,738,259	9,446,062
Manufacturing	1,988,965	5,891,264	7,880,229	2,168,664	5,333,070	7,501,734
Trade	6,644,060	17,603,174	24,247,234	7,254,626	17,328,619	24,583,245
Tourism	241,823	887,786	1,129,609	163,407	685,166	848,573
Services	7,796,008	12,407,114	20,203,122	9,650,247	12,567,191	22,217,438
Transportation	5,562,437	2,620,948	8,183,385	4,454,247	1,915,990	6,370,237
Construction	1,192,243	2,874,714	4,066,957	935,864	2,382,536	3,318,400
Plantation	-	1,201,563	1,201,563	-	2,139,344	2,139,344
Others	5,493,449	7,183,355	12,676,804	5,755,602	5,634,050	11,389,652
	36,259,242	54,285,641	90,544,883	38,090,460	49,724,225	87,814,685

21 Insurance premium receivables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Insurance Premium receivables		464,165	321,398	-	-
(-) Allowance for impairment		(14,576)	(17,967)	-	-
		449,589	303,431	-	-

22 Inventories

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Raw materials		115,304	202,500	-	-
Work-in-progress		12,625	189,756	-	-
Finished goods and trading stocks		1,835,954	1,953,497	-	-
Input materials		30,500	23,642	-	-
Harvested crops					
- Tea		222,536	265,473	-	-
- Rubber		35,382	22,526	-	-
- Coconut		334	184	-	-
Consumables, maintenance and spares		31,974	24,621	-	-
Vehicle stocks		226,907	287,550	44,435	-
Food and beverages		91,176	8,039	-	-
Goods in transit		17,319	70,821	-	-
Carbon Emission Stock (CER)		937	969	-	-
Others		5,263	3,198	-	-
		2,626,211	3,052,776	44,435	-
(-) Allowance for slow moving inventories	22.1	(434,287)	(254,388)	-	-
		2,191,924	2,798,388	44,435	-

22.1 Allowance for slow moving inventories

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Balance at 01 April	254,388	40,970	-	-
Charged for the period	177,723	218,772	-	-
Write offs / (write backs)	2,176	(5,354)	-	-
	434,287	254,388	-	-

23 Current tax assets

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Income tax recoverable	79,127	524,674	-	-
Value Added Tax (VAT) recoverable	868,842	305,520	95,367	78,056
With-Holding Tax (WHT) recoverable	114,485	76,782	67,580	39,837
Economic Service Charge (ESC) recoverable	58,770	73,076	23,612	36,292
Nation Building Tax (NBT) recoverable	931	1,360	-	-
Other tax recoverable	400	485	-	-
	1,122,555	981,897	186,559	154,185

24 Trade and other current assets

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Financial Assets					
Trade receivables	24.1	2,678,443	3,253,939	-	-
Amount due from related parties	49.3.1	1,464,192	832,065	2,575,855	7,833,768
Loans given to employees	24.2	264,767	276,820	7,812	160,556
Refundable deposits	24.3	27,209	14,848	-	-
Other financial receivables		1,367,267	1,581,970	10,553	334,863
		5,801,878	5,959,642	2,594,220	8,329,187
Non-financial Assets					
Prepayments & advances		807,907	458,674	112,885	69,077
Prepaid staff costs		74,663	19,649	-	-
Non refundable deposits		19,683	13,467	-	-
Dividend receivables		206,163	-	119,507	-
Other non-financial receivables		321,695	212,561	-	-
		1,430,111	704,351	232,392	69,077
		7,231,989	6,663,993	2,826,612	8,398,264

24.1 Trade receivables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Trade receivables		3,109,424	3,678,343	-	-
(-) Allowance for impairment	24.1.1	(430,981)	(424,404)	-	-
		2,678,443	3,253,939	-	-

24.1.1 Allowance for impairment

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Specific allowance for impairment					
Balance as at 01 April		111,999	77,038	-	-
Impairment loss for the year					
Charge / (reversal) for the year		17,093	43,147	-	-
Recoveries		3,774	(668)	-	-
Written offs		(9,391)	(7,518)	-	
Balance as at 31 March		123,475	111,999	-	-
Collective allowance for impairment					
Balance as at 01 April		312,405	216,768	-	-
Charge for the year		(4,899)	95,637	-	-
Balance as at 31 March		307,506	312,405	-	-
Total allowances for impairment		430,981	424,404	-	-

24.2 Loans given to employees

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Balance at 01 April		276,820	237,026	160,556	144,455
Granted during the period		101,677	175,880	84,401	101,378
Recovered during the period		(101,557)	(136,086)	(43,979)	(85,277)
Adjustment of fair value of prepaid staff cost		(12,173)	-	-	-
Transfers		-	-	(193,166)	-
		264,767	276,820	7,812	160,556

24.3 Refundable deposits

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Balance at 01 April	14,848	8,944	-	-
Additions during the period	15,193	2,969	-	-
Interest accrued	-	269	-	-
Adjustment of fair value	-	(322)	-	-
Refunded during the period	(2,832)	2,988	-	-
	27,209	14,848	-	-

25 Prepaid lease rentals on leasehold properties

	Note	Group 2014 Rs. '000	Group 2013 Rs. '000
Capitalized value		394,378	387,725
(-) Accumulated amortization	25.1	(106,724)	(98,540)
		287,654	289,185

25.1 Accumulated amortization

Balance as at 01 April 2012	90,364
Amount amortized during 2012/13	8,176
Balance as at 31 March 2013	98,540
Amount amortized during 2013/14	8,184
Balance as at 31 March 2014	106,724

25.2 Maturata Plantations Limited and Pussellawa Plantations Limited

Lease agreements of all JEDB/SLSPC estates handed over to the company have been executed to date (31st March 2013). All of these leases are retroactive to 15th 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 15th 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 08th 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 15th June, 1992 Balance Sheet.

26 Investment properties

	Group		Company	
For the year ended 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Balance at the beginning of the year	6,339,688	5,155,894	412,500	412,500
Additions	600,732	-	-	-
Disposals	(126,110)	276,085	(556,000)	-
Transfers (to)/from Property Plant and Equipment	7,000	(2,100)	-	-
Change in fair value during the year	338,461	909,809	475,000	-
Balance at the end of the year	7,159,771	6,339,688	331,500	412,500

26.1 Investment property comprises of number of commercial properties that are leased / rented out to third parties. Each of the agreement contains an initial non-cancellable period of one year and 32 years for the Excel World property. Subsequent renewals are being negotiated with the lessee and on average renewal periods considered are three to five years.

26.2 Details of investment properties

	Group		Company	
As at 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Owned properties classified as investments properties	1,925,755	1,049,388	331,500	412,500
Properties held under operating lease classified as investment properties	5,234,016	5,290,300	-	-
	7,159,771	6,339,688	331,500	412,500

26.3 Valuation of Investment Properties

The investment properties of the Group were fair valued and the resultant gain was recognized in the comprehensive income. The valuations carried out by professionally qualified valuers.

27 Consumer biological assets

For the year ended 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000
Balance as at 01 April	2,871,193	2,773,435
Increase due to new planting	9,722	16,026
Decrease due to sales	(2,691)	(23,736)
Net increase due to births/deaths	(9,983)	3,263
Change in fair value less estimated costs to sell	182,542	102,205
Balance as at 31 March	3,050,783	2,871,193

27.1 The carrying value of timber as at the year end has been computed as follows;

As at 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000
Valuation of consumer biological assets	3,027,856	2,840,391
Cost of timber plant below three years of age, not considered for valuation	22,387	29,857
Growing Crop Nurseries	540	945
	3,050,783	2,871,193

27.2 The consumable Biological Assets as at 31st March 2014 of the Group was valued by Mr K.T D Tissera, an independent Chartered Valuation Surveyor as per the Valuation Report dated 06th May 2014 prepared on the physically verified timber statistics provided by the Group on a tree by tree basis. The timber trees were valued as at 31st March 2014 by the same Chartered valuation Surveyor on a tree by tree basis as per the timber statistics provided by the Group. The value of trees transferred after three years, from cost to fair value have been valued on field /block basis by discounting the value of expected timber content of trees at the time of harvest. It is expected that only 60% of the presently available trees will remain on the field at the time of final harvest.

The Group has valued the Consumable Biological Assets consist of trees above 4 years of age, which have been properly establish in the field at fair value less estimated point-of-sale-costs. The direct cost attributable to new/re-planting pertaining to trees having three years or less have been added to the Consumable Biological Assets.

27.3 Timber Trees namely Eucalyptus Torariyana, Albezzia, Graveelia, Eucalyptus Grandis, Astonia, Pinus, Toona, Mahogany, Teak, Jack, Turpentine, Nadun, Mango, Pellen, Hora, Lunumidella, Mara etc. available on the plantations have been taken into consideration in this valuation of Timber Trees.

27.4 In valuing the timber plantations, under-mentioned factors have been taken into consideration

1. The present age of trees
2. Maturity age of the tree - Maturity of the tree is based on the variety of the species of the tree.
3. Annual marginal increase in timber content
4. Number of years to harvest
5. Timber content of harvestable trees on maturity
6. Timber Plants having below three years of age have not been taken into the valuation
7. The timber content of immature trees at an estimated future harvestable year
8. The current price of species of timber per cubic foot at the relevant year

27.5 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 in the popular timber traders in Sri Lanka.

27.6 The fair value is determined on the basis of net present value of expected future cash flows using a discount rate of 14.5% per annum. The significant assumptions used in the valuation of Consumable Biological Assets are as follows:

1 Future cash flows are determined by references to current timber prices without considering the inflationary effect.

2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms.

3 Timber trees that have not come upto a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.

4 The present value of the trees is worked out based on the projected size and the estimated number of years it would take to reach the size. This is worked out on the basis of an annual marginal increase of timber content which normally ranges from 0.50 to 1.50 cm per year for trees of diameter girth over 10 cm.

5 The value of each matured species of timber is worked out on the price of a cubic foot of timber in the market of the species and the available cubic content of timber in the tree.

6 Due consideration has been given for cost of felling, transport, sawing, cost to sell including obtaining of approval for felling.

27.7 Managed trees include commercial timber plantations cultivated in estates. The cost of immature trees is treated at approximate fair value particularly on the ground of little biological transformation has taken place and impact of the biological transformation on price is not material. When such Plantations become mature, the additional investments since taken over to bring them to maturity are transferred from immature to mature.

27.8 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.

27.9 The valuations, as presented in the external valuation models based on net present values, takes 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.

27.10 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.

27.11 Sensitivity Analysis for biological assets

27.11.1 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-Mar-14	
	+10% Variance Rs.	-10% Variance Rs.
Consumer biological assets		
Managed Timber	289,715	(289,715)
Bearer biological assets		
Rubber	379,953	(379,953)
Coconut	2,069	(2,069)

27.11.2 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-Mar-14	
	+1% Variance Rs.	-1% Variance Rs.
Consumer biological assets		
Managed Timber	(107,177)	123,923
Bearer biological assets		
Rubber	(86,256)	94,873
Coconut	(581)	632

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. 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. 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.

28 Bearer biological assets

As at 31 March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000
At cost			
On Finance Lease	28.1.1	60,397	66,522
Investments after formation of the Company	28.1.2	756,472	699,025
Growing Crop Nurseries	28.1.3	8,714	7,694
		825,583	773,241
At fair value			
On Finance Lease	28.2.1	661,575	732,904
Investments after formation of the Company	28.2.2	2,144,476	2,107,493
Growing Crop Nurseries	28.2.3	2,015	4,351
		2,808,066	2,844,748
		3,633,649	3,617,989

At cost		On Finance Lease	Investments after formation of the Company	Growing Crop Nurseries	Total	31-Mar-13
	Note	28.1.1	28.1.2	28.1.3		
Cost		185,967	930,326	8,714	1,125,007	1,046,707
Accumulated Depreciation		(125,570)	(173,854)	-	(299,424	(273,466)
Carrying Amount		60,397	756,472	8,714	825,583	773,241

At fair value						
	Note	28.2.1	28.2.2	28.2.3		
Valuation		661,575	2,144,476	2,015	2,808,066	2,844,748
Carrying Amount		661,575	2,144,476	2,015	2,808,066	2,844,748

28.1 At cost

28.1.1 On Finance Lease

	Mature Plantations Tea	
	2013/14	2012/13
	Rs. '000	Rs. '000
Cost		
Balance as at 01 April	185,966	185,968
Balance as at 31 March	185,966	185,968
Accumulated Depreciation		
Balance as at 01 April	119,445	113,320
Charge for the year	6,125	6,125
Balance as at 31 March	125,570	119,445
Carrying Amount		
As at 31 March 2014	60,397	
As at 31 March 2013		66,522

28.1.2 Investments after formation of the Company

	Immature Plantations			Mature Plantations				
	Tea	Mixed Crops	Total	Tea	Mixed Crops	Total	2013/14 Total	2012/13 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation								
Balance as at 01 April	187,379	28,948	216,327	634,969	1,750	636,719	853,046	775,443
Additions	60,138	17,142	77,280	-	-	-	77,280	105,624
Disposals	-	-	-	-	-	-	-	-
Transfers	(30,707)	-	(30,707)	30,707	-	30,707	-	
(28,021)								
Balance as at 31 March	216,810	46,090	262,900	665,676	1,750	667,426	930,326	853,046
Accumulated Depreciation								
Balance as at 01 April				153,245	776	154,021	154,021	134,913
Charge for the year				19,798	35	19,833	19,833	19,108
Balance as at 31 March				173,043	811	173,854	173,854	154,021
Carrying Amount								
As at 31 March 2014	216,810	46,090	262,900	492,633	939	493,572	756,472	
As at 31 March 2013	187,379	28,948	216,327	481,724	974	482,698		699,025

28.1.3 Growing Crop Nurseries

	Immature Plantations Tea Rs. '000	Mixed Crops Rs. '000	2013/14 Total Rs. '000	2012/13 Total Rs. '000
Cost				
Balance as at 01 April	7,082	612	7,694	11,025
Additions	1,276	(127)	1,149	318
Transfers	-	(129)	(129)	(3,649)
Balance as at 31 March	8,358	356	8,714	7,694

28.1.4 Amortization for the period recognized for bearer biological assets

for the year ended 31 March	Note	Group 2014 Rs. '000	2013 Rs. '000
On Finance Lease	28.1.1	6,125	6,125
Investments after formation of the Company	28.1.2	19,833	19,108
Growing Crop Nurseries	28.1.3	-	-
		25,958	25,233

These are investments in Bearer Biological assets carried at Cost (Tea & 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 02 March 2012, by the Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has elected to measure the bearer biological assets (Tea & Mixed Crop) at cost using LKAS 16 - Property Plant & Equipment, due to the impracticability of carrying out proper fair valuation.

28.2 At Fair Value

28.2.1 On Finance Lease

	Group Rubber Rs. '000	Coconut Rs. '000	2013/14 Total Rs. '000	2012/13 Total Rs. '000
Valuation				
Balance as at 01 April	719,290	13,614	732,904	803,288
Fair value gain / loss	(68,447)	(2,152)	(70,599)	(23,116)
Disposals	(692)	(38)	(730)	(47,268)
Balance as at 31 March	650,151	11,424	661,575	732,904

28.2.2 Investments after formation of the Company

	Group			
	Rubber	Coconut	2013/14 Total	2012/13 Total
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation				
Balance as at 01 April	2,093,464	14,029	2,107,493	1,843,318
Additions	194,156	79	194,235	194,826
Fair value gain / loss	(148,572)	2,254	(146,318)	74,662
Disposals	-	-	-	(5,313)
Grants received	(10,934)	-	(10,934)	-
Balance as at 31 March	2,128,114	16,362	2,144,476	2,107,493

28.2.3 Growing Crop Nurseries

	Group	
	Total	2013/14 Total
	Rs. '000	Rs. '000
Cost/Valuation		
Balance as at 01 April	4,351	3,932
Additions	-	419
Disposals	(2,336)	-
Balance as at 31 March	2,015	4,351

28.2.4 Fair value gain / (loss) recognized for the bearer biological assets

for the year ended 31 March		Group	
		2014	2013
	Note	Rs. '000	Rs. '000
On Finance Lease	28.2.1	(70,599)	(23,116)
Investments after formation of the Company	28.2.2	(146,318)	74,662
Growing Crop Nurseries	28.2.3	-	-
		(216,917)	51,546

28.3 Borrowing Costs amounting to Rs 35,331,091 (2012/13 - Rs 32,849,457) incurred on borrowings obtained to meet expenses relating to immature plantations have been capitalized at rate of 10.79% p.a. (2012/13 - 13.04%) as part of the cost of immature plantations. Capitalization of borrowing costs will cease when the plantations are ready for bearing.

28.4 Bearer biological assets, namely Rubber and Coconut plantations are recognized at its fair value less cost to sell under LKAS 41 - Agriculture. However the Company measures Tea and Other bearer biological Assets at cost using LKAS 16 - Property Plant & Equipment in accordance with the new ruling issued by the Institute of Chartered Accountants of Sri Lanka dated 2nd March 2012, due to the impracticability of carrying out proper fair valuation.

28.5 Rubber and Coconut plantations as at 31st March 2014 of the Group was valued by Mr K.T.D. Tissera, an independent Chartered Valuation Surveyor as per the Valuation Report dated 06th May 2014 having separately valued latex/crop and timber components based on the physically verified statistics on a field by field basis.

28.6 The valuation has been prepared in respect of each estate separately for the latex/nuts and the timber component of the Rubber/ Coconut plantation. The Rubber and Coconut plants having up to six years of ages as at the reporting date have been taken at cost.

28.7 The valuer has valued the latex/nuts component of Rubber, and Coconut using the forecasted crop, Prices and Cost of production as at 31st March 2014 on the basis of net percent value of expected future cash flows using a discount rate of 13.5% per annum (i.e. 10.5% Risk Free Rate plus 3% Risk Premium). 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 percent value of expected future cash flows using a discount rate of 14.5% per annum (i.e. 10.5% Risk Free Rate plus 4% Risk Premium).

28.8 The company has considered a decrease of 1% in the risk premium used to value rubber and coconut as at 31st March 2014 compared to the valuation of rubber and coconut as at 31st March 2013. This change is mainly due to the following factors.

a) Rubber and Coconut are sold through a well established auction system where reliable information on current market is reflected. However the market prices of timber varies from location to location which is regulated by few institutions and mainly by individuals.

b) The costs associated with production of latex and nuts are systematically recorded and easily accessed, but the costs associated with timber harvesting is also varies from location to location depending on the institution or the individual who perform the harvesting operation.

c) In valuing the Rubber and Coconut plantations, under-mentioned factors have been taken into consideration.

1 The present age of trees and yields of each separate field.
2 Maturity age of the trees.
3 Number of years remaining to harvest.
4 Rubber/Coconut Plants having upto six years of age have not been taken into the valuation.
5 Twelve month (April 2013-March 2014) Net sales Average (NSA) and Cost of Production (COP) of latex and Coconut used to value the latex component of Rubber and Coconut crop, 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.
6 Field level cost to determine the cost of production of latex and Coconut.
7 Annual yield level is estimated and derived based on last year yield.

28.9 The significant assumptions used in the valuation of Rubber and Coconut plantations are as follows:

1 Future cash flows of timber component of Rubber and Coconut are determined by references to current timber prices without considering the inflationary effect.
2 The ongoing cost of growing trees which are deducted in determining the net cash flows are constant in real terms.
3 Rubber/Coconut Plants have been valued working out the period that would take for those trees to be harvested.
4 Due consideration has been given for cost of felling and transport.

29 Subsidiary companies

29.1 Company

As at 31 March

Subsidiary	2014 No. of Shares	2014 Holding %	2014 Cost Rs. '000	2013 No. of Shares	2013 Holding %	2013 Cost Rs. '000
LOLC Factors Limited	1	100.00%	700,000	1	100.00%	700,000
LOLC Land Holdings Limited	13,300,000	100.00%	133,000	13,300,000	100.00%	133,000
LOLC Realty Limited	1	100.00%	-	1	100.00%	-
LOLC Property Investments Limited	1	100.00%	71,957	1	100.00%	-
LOLC Securities Limited	10,000,000	100.00%	100,000	10,000,000	100.00%	100,000
LOLC Securities Limited - Preference Shares	2,500,000	100.00%	250,000	25,000,000	100.00%	250,000
LOLC Asset Holdings Limited	1	100.00%	-	1	100.00%	-
LOLC Estates Limited	1	100.00%	-	1	100.00%	-
LOLC Services Limited	10,300,000	100.00%	103,000			
LOLC Insurance Company Limited	65,000,000	100.00%	650,000	60,000,000	100.00%	600,000
Lanka ORIX Project Development Limited	5,200,000	100.00%	52,000	5,200,000	100.00%	52,000
LOLC Investments Limited	356,000,000	100.00%	3,945,000	6,000,000	100.00%	445,000
Lanka ORIX Information Technology Services Limited	1,700,000	100.00%	17,000	1,700,000	100.00%	17,000
Browns Investments PLC	14,344,100	0.77%	65,496	14,344,100	0.77%	65,496
Lanka ORIX Finance PLC	2,520,000,000	90.00%	11,663,428	2,520,000,000	90.00%	11,663,428
Commercial Leasing & Finance PLC	6,308,876,426	98.92%	10,599,809	5,778,750,809	90.61%	7,932,881
Commercial Factors Limited	1	100.00%	-	1	100.00%	-
LOLC Leisure Limited	-	-	-	944,416,200	70.00%	2,767,485
Sundaya Lanka (Private) Limited	624,490	51.00%	6,245	624,490	51.00%	6,245
LOLC Micro Credit Limited	52,800,000	100.00%	4,161,560	52,800,000	80.00%	4,161,560
LOLC Micro Investments Limited	1	100.00%	103,000	-	-	-
LOLC Motors Limited	15,000,000	100.00%	300,000	15,000,000	100.00%	300,000
LOLC Myanmar Micro Finance Company Limited	241,048	100.00%	32,255	-	-	-
LOLC Eco Solutions Limited	2,500,000	100.00%	25,000	2,500,000	100.00%	25,000
Galoya Holdings Limited	1,000,000	50.00%	13,000	1,000,000	50.00%	10,000
Brown and Company PLC	3,382,800	4.77%	532,474	3,382,800	4.77%	532,474
Allowance for Impairment (Note 29.2)			(796,245)			(68,245)
Total			32,624,979			29,796,324

29.2 Allowance for Impairment

As at 31 March	2014 Rs. '000	2013 Rs. '000
Lanka ORIX Project Development Limited	52,000	52,000
Sundaya Lanka (Private) Limited	6,245	6,245
Galoya Holdings Limited	13,000	10,000
LOLC Factors Limited	700,000	-
LOLC Eco Solutions Limited	25,000	-
	796,245	68,245

29.3 Group holdings in subsidiaries

Details of the Group's subsidiaries at the end of the reporting period are as follows;Proportion of ownership interest held by the Group.

As at 31 March				Proportion of ownership interest held by the Group			
				2014		2013	
	Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
1	Ajax Engineers (Private) Limited	Ajax	Construction	239,694	51.00%	239,694	51.00%
2	B G Air Services (Private) Limited	BG Air	Air ticketing and outbound tours	50,000	100.00%	50,000	100.00%
3	Bright View Limited	BVL	Pre-operational	1	100.00%	1	100.00%
4	Brown & Company PLC	BCL	Trading and manufacturing	70,875,000	54.54%	70,875,000	54.54%
5	Browns Capital (Private) Limited		Pre-operational	5,000,000	100.00%	-	-
6	Browns Global Farm (Private) Limited		Pre-operational	25,000	100.00%	-	-
7	Browns Group Industries (Private) Limited	BGIL	Providing marine solutions	2,800,000	100.00%	2,800,000	100.00%
8	Browns Group Motels Limited	BGML	Non-operational	379,859	75.97%	379,859	75.97%
9	Browns Health Care (Private) Limited	BHCL	Healthcare services	20,000,000	100.00%	20,000,000	100.00%
10	Browns Health Care North Colombo (Private) Limited Healthcare services	BNCNC	Healthcare services	1	100.00%	-	-
11	Browns Holdings Limited	TFML	Fund/ Investments Management	340,553,220	66.90%	340,553,220	66.90%
12	Browns Industrial Park (Private) Limited	BIPL	Renting of properties	15,405,137	100.00%	15,405,137	100.00%
13	Browns Investments PLC	BIL	Investing	978,627,813	52.61%	978,627,813	52.61%
14	Browns Motors (Private) Limited	BML	Non-operational	50,000	100.00%	50,000	100.00%
15	Browns Real Estate (Private) Limited	BREL	Pre-operational	5,000,000	100.00%	5,000,000	100.00%
16	Browns Thermal Engineering (Private) Limited	BTEL	Importing and manufacturing Radiators	1,499,997	100.00%	1,499,997	100.00%
17	Browns Tours (Private) Limited	BTL	GSA for Austrian airlines and inbound tour operations	2,030,000	100.00%	2,030,000	100.00%
18	Central Services Limited	CSL	Non-operational	802	100.00%	802	100.00%

As at 31 March			Proportion of ownership interest held by the Group			
			2014		2013	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
19 CFT Engineering Limited	CFT	Non-operational	3,450	95.04%	3,450	95.04%
20 Commercial Factors Limited	CFL	Non-operational	1	100.00%	1	100.00%
21 Commercial Leasing & Finance PLC	CLC	Financial services	6,348,876,426	99.55%	5,778,750,809	91.25%
22 Dikwella Resort Limited	DRS	Hotelier	481,314	100.00%	481,314	100.00%
23 Diriya Investments (Private) Limited - Note 29.5	Diriya	Investing	216,106,704	100.00%	108,053,352	50.00%
24 Distant Horizons Limited		Pre-operational	1	100.00%	-	-
25 E.S.L Trading (Private) Limited	ESLT	Pre-operational	1	100.00%	-	-
26 Eden Hotels Lanka PLC - Note 29.4	Eden	Hotelier	24,398,472	46.21%	24,398,472	46.21%
27 Engineering Services (Private) Limited	ESL	Selling Generators & Related Services	147,502	100.00%	147,502	100.00%
28 Excel Global Holding Limited	EGHL	Investments holding	53,448,329	100.00%	53,448,329	100.00%
29 Excel Restaurant (Private) Limited	ERL	Operating restaurant	10,004	100.00%	10,004	100.00%
30 Fairview Lands Limited	FVLL	Pre-operational	1	100.00%	1	100.00%
31 Fernwood Lanka Limited (Note 29.7)	FLL	Sales of Porcelain table ware	-	-	800,000	100.00%
32 Fortune Fields Limited	FFL	Pre-operational	1	100.00%	1	100.00%
33 Galoya Holdings (Private) Limited	GHL	Management company - Sugar plantation	2,600,000	99.99%	2,600,000	99.99%
34 Green Paradise Resorts (Private) Limited - Note 29.6	GPR	Hotelier	2,550,006	51.00%	-	-
35 I.G. Browns Rubber Industries (Private) Limited - Note 29.7	IGBR	Non-operational	-	-	442,500	98.33%
36 Invest Land Limited	ILL	Pre-operational	1	100.00%	1	100.00%
37 Klevernberg (Private) Limited	KPL	Trading	11,856,000	76.00%	11,856,000	76.00%
38 Lanka Decals (Private) Limited - Note 29.7	LDL	Manufacturing decals for porcelain table ware	-	-	14,000,000	100.00%
39 Lanka ORIX Finance PLC	LOFC	Financial services	2,520,000,000	90.00%	2,520,000,000	90.00%
40 Lanka ORIX Information Technology Services Limited	LOITS	Software design development and distribution	1,700,000	100.00%	1,700,000	100.00%
41 Lanka ORIX Project Development (Private) Limited	LOPD	Non-operational	5,200,000	100.00%	5,200,000	100.00%
42 LOLC Asset Holdings Limited	LAH	Real estate	1	100.00%	1	100.00%
43 LOLC Eco Solutions Limited	LOLC Eco	Investments holding	2,500,000	100.00%	2,500,000	100.00%
44 LOLC Estates Limited	LEL	Real estate	1	100.00%	1	100.00%
45 LOLC Factors Limited	LOFAC	Factoring services	1	100.00%	1	100.00%
46 LOLC General Insurance Limited	LGEN	Pre-operational	10,000,000	100.00%	10,000,000	100.00%
47 LOLC Insurance Company Limited	LOIC	Insurance	60,000,000	100.00%	30,000,000	100.00%
48 LOLC Investments Limited	LOIV	Investments holding	356,000,000	100.00%	6,000,000	100.00%
49 LOLC Land Holdings Limited	LLHL	Real estate	13,300,000	100.00%	13,300,000	100.00%
50 LOLC Leisure Limited	Leisure	Management of hotels	849,166,000	100.00%	1,349,166,000	100.00%

As at 31 March			Proportion of ownership interest held by the Group			
			2014		2013	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
51 LOLC Life Insurance Limited	LLIFE	Pre-operational	29,000,000	100.00%	29,000,000	100.00%
52 LOLC Logistics (Private) Limited	LLG	Pre-operational	1	100.00%	-	-
53 LOLC Micro Credit Limited	LOMC	Financial Services (Agro and micro financing)	62,959,191	80.00%	62,959,191	80.00%
54 LOLC Micro Investments Limited	LMIL	Pre-operational	1	100.00%	1	100.00%
55 LOLC Motors Limited	LOMO	Vehicle trading & repair services	30,000,000	100.00%	15,000,000	100.00%
56 LOLC Myanmar Micro-Finance Company Limited	LMML	Financial services	241,048	100.00%	-	-
57 LOLC Property Investments Limited	LPIL	Real estate	1	100.00%	1	100.00%
58 LOLC Realty Limited	LRL	Real estate	1	100.00%	1	100.00%
59 LOLC Securities Limited	LOSEC	Stock trading	10,000,000	100.00%	10,000,000	100.00%
60 LOLC Services Limited	LOSEV	Real estate	-	-	10,300,000	100.00%
61 LOLC Technologies Limited	LOTEC	IT services	1	100.00%	1	100.00%
62 Masons Mixture Limited	MML	Non-operational	4,226,390	98.19%	4,226,390	98.19%
63 Millennium Development Limited	MDL	Recreational activities	44,390,823	100.00%	44,390,823	100.00%
64 Mutugalla Estates (Private) Limited	MEL	Fund/ Investment management	960	80.00%	960	80.00%
65 Orient Academy Limited	OAL	Educational services	1,500,000	100.00%	1,500,000	100.00%
66 Orient Global Technology Limited	OGTL	Pre-operational	1	100.00%	1	100.00%
67 Palm Garden Hotels PLC	Palm	Hotelier	7,722,968	71.40%	7,722,968	71.40%
68 Pathregalla Estates (Private) Limited	PEL	Fund/ Investment management	3,831	91.21%	3,831	91.21%
69 Pleasure Landscape Limited	PLL	Pre-operational	1	100.00%	1	100.00%
70 Riverina Resort (Private) Limited	RRL	Pre-operational	50,000	100.00%	50,000	100.00%
71 Royal Fernwood Porcelain Limited - Note 29.7	RFPL	Manufacturing of Porcelain table ware	-	-	305,358,880	76.31%
72 S.F.L. Services (Private) Limited	SFL	Lending to related companies	1,350,000	100.00%	2,700,000	100.00%
73 Sifang Lanka (Private) Limited	Sifang	Importing ,Assembling & Selling of agro equipment	2,000,000	100.00%	2,000,000	100.00%
74 Sifang Lanka Trading (Private) Limited	SFTL	Non-operational	2,997,750	100.00%	2,997,750	100.00%
75 Snowcem Products Lanka (Private) Limited	SPLL	Non-operational	40,000	100.00%	40,000	100.00%
76 Southern Cleaners Limited	SCL	Non-operational	201,267	100.00%	201,267	100.00%

As at 31 March			Proportion of ownership interest held by the Group 2014		2013	
Subsidiary		Principal Activities	No. of Shares	Control Holding %	No. of Shares	Control Holding %
77 Speed Italia Limited	SIL	Vehicle trading	100,000	100.00%	100,000	100.00%
78 Sumudra Beach Resorts (Private) Limited	Sumudra	Hotelier - pre-operational	33,127,500	100.00%	1,000,000	100.00%
79 Sundaya Lanka (Private) Limited	Sundaya	Non-operational	624,490	51.00%	624,490	51.00%
80 Taprobane Capital (Private) Limited - Note 29.7	TCL	Investments holding	-	-	18,200,002	100.00%
81 The Hatton Transport & Agency Company (Private) Limited	HTAC	Non-operational	111,300	100.00%	111,300	99.38%
82 Thurushakthi (Private) Limited		Pre operational	1	100.00%	1	100.00%
83 Tropical Villas (Private) Limited	TVL	Hotelier	10,344,300	100.00%	10,344,300	100.00%
84 United Dendro Energy (Private) Limited	UDE	Power generation - Pre operational	750	75.00%	750	75.00%
85 United Dendro Energy Ambalantota (Private) Limited	UDEA	Power generation - Pre operational	1	100.00%	1	100.00%
86 United Dendro Energy Kawantissapura (Private) Limited	UDEK	Power generation - Pre operational	1	100.00%	1	100.00%
87 United Dendro Energy Puttalam (Private) Limited	UDEP	Power generation - Pre operational	1	100.00%	1	100.00%
88 United Dendro Energy Walawewatte (Private) Limited	UDEW	Power generation	1	100.00%	1	100.00%
89 Walker & Greig (Private) Limited	WGL	Non-operational	1	100.00%	1	100.00%

29.4 Eden Hotels Lanka PLC - (Eden)

The Group considers Eden as a subsidiary by virtue of de facto control though the Group owns less than half of the Eden (46.21%) voting shares. It is able to govern the financial and operating policies of Eden and on the basis that the remaining voting rights in the investee are widely dispersed and that there is no indication that all other shareholders exercising their votes collectively. Consequently, the Group concludes Eden as a subsidiary and consolidates.

29.5 Diriya Investments (Private) Limited - (Diriya)

During the financial year 2012/13, LOLC Investments Limited (LOIV), a wholly owned subsidiary of the Group entered in to a shareholder agreement with the remaining shareholder who held 50% of the voting rights of Diriya to purchase the 50% holding at a future date subsequent to the financial year end 2012/13. As per the agreement, total consideration of Rs. 1.32 Bn agreed to be paid in three instalments out of which two were made during 2012/13 amounted to Rs. 1.065 Bn. The remaining instalment amounts to Rs. 255 Mn was paid in July 2013. Upon the payment of the full consideration, the remaining interest of Diriya were transferred to LOIV.

The transaction was considered as a forward contract to acquire the residual 50% non controlling interest of Diriya. The value of the future payment was recognized up front at its present value since it gave rise to a financial liability. The changes in the carrying amount of the liability was recognized in equity. Consequently the value of the total contract which comprises of the advanced payment and the present value of the future payment was debited in equity.

29.5.1 The value of the total contract

The value of the total contract is determined as follows;

		As at 31 March 2013	
		Consideration	Present Value
	Note	Rs. '000	Rs. '000
Value of the total advance payments		1,065,000	1,040,585
Value of the future payment	29.5.2	255,000	225,182
		1,320,000	1,265,767

29.5.2 Present value of the liability recognized

	As at 31 March 2013	
	Consideration	Present Value
	Rs. '000	Rs. '000
Initial present value recognized	660,000	605,768
Accumulation of interest cost recognized in equity	-	45,153
Payments made during the period	(405,000)	(405,000)
Value of the future payment as at 31 March 2013	255,000	245,921
Present value difference transferred to Retained earnings		9,079

29.5.3 Effect upon the completion of the transaction

Upon the completion of the final tranche, Diriya become a wholly owned subsidiary of LOIV and the impact to the consolidated equity is as follows;

Sub group	Note	Increase in effective holding %	NCI Acquired Rs. '000
Browns Group		15.10%	987,208
LOLC Leisure (BI holding)		1.75%	56,799
Browns Investments Group		5.84%	360,144
Free Lanka Group		2.92%	87,191
NCI acquired			1,491,342
(-) Present value of the total contract	29.5.1		(1,265,767)
Gain on acquisition of Diriya – recognized in Equity			225,575
(-) Present value difference of the final tranche	29.5.2		(9,079)
Effect on Retained earnings			216,496

29.6 Acquisition of subsidiaries - Green Paradise Resort (Private) Limited (GPR)

In April 2013, Browns Investments PLC (BI) , one of the investments arms of the Group acquired 51% voting rights of GPR for a consideration of Rs. 500 Mn.

GPR owns and operates a 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.

For the year ended 31 March 2014, GPR contributed revenue of Rs. 125.6 Mn and gross profit of Rs. 86.7 Mn to the Group's results.

The following summarizes the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

29.6.1 Consideration Transferred

For the year ended 31 March	Note	Group 2014 Rs. '000
Cash and cash equivalents paid		502,500
(-) Acquisition-related costs	29.6.2	(2,500)
Fair value of the consideration paid		500,000

29.6.2 Acquisition-related costs

The Group incurred acquisition-related costs of Rs. 2.5 Mn as share transfer levies. These costs have been included in other expenses in the consolidated statement of comprehensive income.

29.6.3 Identifiable assets acquired and liabilities assumed

	Note	Group Rs. '000
Assets		
Property, plant and equipment	34	1,325,339
Trade and other current assets		10,385
Inventories		2,874
Cash and cash equivalents		1,106
Total assets		1,339,704
Liabilities		
Trade and other payables		46,714
Current tax payables		8,436
Bank overdrafts		6,387
Total liabilities		61,537
Net assets acquired		1,278,167

29.6.4 Goodwill on acquisition / (Gain on bargain purchase)

Goodwill on acquisition / (Gain on bargain purchase) is recognized as a result of the acquisitions as follows;

For the year ended 31 March	Note	Group 2014 Rs. '000
Total consideration transferred	29.6.1	500,000
Non-controlling interests, based on their proportionate interest in the recognized amounts of the assets and liabilities of GPR		626,300
Fair value of identifiable net assets	29.6.3	(1,278,167)
Goodwill on acquisition / (Gain on bargain purchase)		(151,867)

29.6.5 Net cash used in acquisition

For the year ended 31 March	Note		Group 2014 Rs. '000
Purchase consideration paid	29.6.1		
Fair value of the consideration paid		500,000	-
Acquisition-related costs		2,500	502,500
(-)Cash & cash equivalents acquired	29.6.3		
Positive cash balances		1,106	
Bank overdrafts		(6,387)	5,281
Net cash used in acquisition			507,781

29.7 Loss of control on Subsidiaries

During the financial period, the group has divested its holding in the following subsidiaries, thus loss of control on them.

1. **Royal Fernwood Porcelain Group - RFPL**

   The Group effectively held 76% holding over RFPL. RFPL is a globally reputed producer of high quality porcelain tableware in Sri Lanka. RFPL group comprises of the following companies;

   i. Taprobane Capital (Private) Limited (Holding company of RFPL)
   ii. Royal Fernwood Porcelain Limited
   iii. Lanka Decals (Private) Limited
   iv. Fernwood Lanka Limited

   RFPL divestment was made to rationalize the group strategic positioning intended by the management and as a return, the Group has obtained Rs. 300 Mn worth of properties from the buying party.

2. **I.G. Browns Rubber (Private) Limited - IGBR**

   IGBR was a non-operational company wholly owned by Browns Group and held a property.

29.7.1 Consideration Received

	Note	RFPL Rs. '000	IGBR Rs. '000	Total Rs. '000
Land	34	300,000	-	300,000
Cash and cash equivalents		-	75,000	75,000
Fair value of the consideration received		300,000	75,000	375,000

29.7.2 Identifiable assets and liabilities disposed

	Note	Group Rs. '000
Assets		
Property, plant and equipment	34	837,209
Inventories		218,095
Trade and other current assets		238,092
Cash and cash equivalents		4,093
Total assets		1,297,489
Liabilities		
Bank overdrafts		24,698
Interest bearing borrowings	37.3	356,420
Current tax payables		69,028
Trade and other payables		449,958
Total liabilities		900,104
Net assets disposed		397,385

29.7.3 Gain on disposal of subsidiaries

	Note	Group Rs. '000
Total consideration received	29.7.1	375,000
De-recognition of non-controlling interests		102,230
Fair value of net assets disposed	29.7.2	(397,385)
Gain on disposal of subsidiaries		79,845

29.7.4 Net cash received from disposal

	Note		Group 2014 Rs. '000
Cash and cash equivalents received	29.7.1		75,000
(-)Cash & cash equivalents disposed	29.7.2		
Positive cash balances		4,093	
Bank overdrafts		(24,698)	20,605
Net cash received from disposal			95,605

29.8 Acquisition of non-controlling interests - Commercial Leasing and Finance PLC - CLC

During the financial year, the Group acquired an additional 8.30% interest in CLC for Rs. 2,667 Mn in cash, increasing its ownership from 91.25%% to 99.55%.

	Group 2014 Rs. '000
Consideration paid	2,666,928
Effect of reduction in non-controlling interests	(515,607)
Effect on retained earnings	2,151,321

29.9 Changes in ownership interests in subsidiaries that do not result in a change in control

Changes in ownership interests in subsidiaries took place due to the restructure of following subsidiaries

1. Dickwella Resort Limited - DRS
   DRS was a wholly owned subsidiary of LOLC Leisure and transferred to Eden Hotels Lanka PLC

2. LOLC Leisure Limited - LOLCL
   LOLC had 70% direct ownership in LOLCL which was transferred to Browns Investments PLC (a subsidiary)

30 Joint venture companies

Company

As at 31 March

	2014		2013	
	No. of Shares	Cost Rs. '000	No. of Shares	Cost Rs. '000
F L C Hydro Power PLC	976,700	14,298	976,700	14,298
Total		14,298		14,298

30.1 F L C Joint Venture Company (Private) Limited and its subsidiaries- FLCJV

FLCJV, is a joint venture in which the Group participates through one of its subsidiaries, Browns Investments PLC (BI) with Perpetual Holdings (Private) Limited. In 2010/11, BI invested Rs. 50 Mn representing 50% of stated capital of FLC. FLC is principally engaged in plantations and 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.

30.2 The following subsidiaries of FLC have been accounted for as joint ventures of the Group.

1	Ceylon Tea Estate (Private) Limited	CTE	10	F L P C Management (Private) Limited	FLPC
2	Dolekanda Power (Private) Limited	FLP2	11	Halgranoya Hydro Power (Private) Limited	FLP1
3	Enselwatte Power (Private) Limited	FLP3	12	F L C Hydro Power PLC	HPFLP
4	F L C Estates Bungalows (Private) Limited	FLEB	13	Maturata Plantation Limited	MPL
5	F L C Holding PLC	FLCH	14	Melfort Green Tea Limited	MGTL
6	F L C Joint Venture Company (Private) Limited	FLCJV	15	Pussellawa Plantations Limited	PPL
7	F L C Power Holding Limited	FLPH	16	Stellenberg Hydro Power (Private) Limited	HPFL3
8	F L C Properties Limited	FLCPL	17	Tea Leaf Resort Limited	TLRL
9	F L M C Plantations (Private) Limited	FLMC	18	Thebuwana Hydro Power (Private) Limited	HPFL2

30.3 The summarized financial information of joint ventures for the year ended 31 March 2014 not adjusted for the joint control ownership held by the Group are as follows;

Entity	Principal Activities	Total Assets	Total Liabilities	Equity	Income	Expenses	Comprehensive income	Other comprehensive income
AHL	Non operational	33,600	1,276	32,324	-	-	-	-
CTE	Marketing and distribution of teas	96,562	24,912	71,650	110,989	(116,617)	(5,628)	59
FLP2	Hydro Power Generation	10,155	865	9,290	-	(151)	(151)	-
FLP3	Hydro Power Generation	13,004	3,996	9,008	-	(176)	(176)	-
FLEB	Leisure	765	142	623	-	(151)	(151)	-
FLCH	Investing in ventures	2,901,633	92,228	2,809,405	197,921	(59,895)	138,026	-
FLCJV	Investing in ventures	894,737	790,006	104,731	456	(2,796)	(2,340)	-
FLPH	Investing in ventures	115,155	79	115,076	6	(206)	(200)	-
FLCPL	Real estate business	1,013,165	329,737	683,428	-	6,996	6,996	-
FLMC	Plantation management	907,034	20,456	886,578	160,088	(21,293)	138,795	-
FLPC	Plantation management	976,479	18,288	958,191	-	(3,371)	(3,371)	-
FLP1	Hydro Power Generation	12,945	3,978	8,967	22	(185)	(163)	-
HPFLP	Hydro Power Generation	823,135	46,974	776,161	89,044	(74,279)	14,765	1,719
MPL	Plantations	5,175,075	3,098,810	2,076,265	2,497,533	(2,670,629)	(173,096)	(52,465)
MGTL	Manufacturing Green Tea	80,737	31,524	49,213	193,995	(158,282)	35,713	(260)
PPL	Plantations	11,515,766	3,056,701	8,459,065	3,814,586	(3,824,182)	(9,596)	(22,765)
HPFL3	Hydro Power Generation	263,871	125,335	138,536	457	(8,693)	(8,236)	3
TLRL	Leisure	7,206	7,476	(270)	180	(846)	(666)	-
HPFL2	Hydro Power Generation	205,791	60,637	145,154	-	(1,973)	(1,973)	-
		25,046,815	7,713,420	17,333,395	7,065,277	(6,936,729)	128,548	(73,709)

30.4 Adoption of SLFRS 11 - Joint Arrangements in 2014/15 - Free Lanka Group

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 main changes from LKAS 31 to SLFRS 11

There was an option given by ICASL, for jointly controlled entities, between proportionate consolidation and the equity method. The new standard is on the basis that proportionate consolidation is not appropriate in the absence of rights/obligations directly to/for the underlying assets/obligations of the arrangement.

Based on the new standard, accounting for joint ventures should be changed from proportionate consolidation which was allowed in LKAS 31 to equity accounting.

Current method applied at LOLC Group

From the point of acquisition, LOLC accounted for Free Lanka Group using proportionate consolidation as allowed by LKAS 31. Proportionate consolidation allowed to account the proportion of assets, liabilities, income and expense of the joint venture in the investor's financial statements.

New treatment

As per the SLFRS 11, the method of accounting should be changed to equity method where only the net assets movement of Joint venture are recorded in the investor's financial statements. The change in accounting method will affect the respective line items of the statement of financial position and the statement of comprehensive income (profit or loss).

In the Statement of financial position the respective assets and liabilities of the joint ventures are eliminated from the consolidated financial statements and clustered though equity accounted investees where there will be no impact on the net assets of the consolidated financial statements. In the profit or loss, income and expenses of joint ventures are eliminated from the consolidated and the share of comprehensive income of the joint venture will be accounted as the share of profit of equity accounted investees.

The full effect of the change in current method of accounting using proportionate consolidation and future equity method of accounting as follows;

	Group As at 31 March 2014		
Statement of Financial Position	Proportionate consolidation Rs.' 000	SLFRS 11 adjustment Rs.' 000	Equity Method Rs.' 000
Assets			
Cash in hand and favourable bank balances	5,362,900	(189,404)	5,173,496
Trading assets - fair value through profit or loss	1,017,080	(131,278)	885,802
Investment securities	16,288,214	(115,268)	16,172,946
Finance lease receivables, hire purchases and operating leases	36,259,242	-	36,259,242
Advances and other loans	54,285,641	-	54,285,641
Insurance premium receivables	449,589	-	449,589
Inventories	2,191,924	(323,298)	1,868,626
Current tax assets	1,122,555	(19,134)	1,103,421
Trade and other current assets	7,231,989	(872,169)	6,359,820
Prepaid lease rentals on leasehold properties	287,654	(236,566)	51,088
Investment properties	7,159,771	(504,281)	6,655,490
Real estate stocks	-	-	-
Biological assets;			
Consumer biological assets	3,050,783	(3,050,783)	-
Bearer biological assets	3,633,649	(3,633,649)	-
Investments in group of companies;			
Subsidiary companies	-	-	-
Joint venture companies	-	6,402,897	6,402,897
Equity accounted investees - Associates	13,472,318	-	13,472,318
Deferred tax assets	390,619	(77,448)	313,171
Intangible assets	739,386	(16,837)	722,549
Property, plant and equipment	22,599,854	(1,089,491)	21,510,362
Total assets	175,543,168	(3,856,710)	171,686,458

Statement of Financial Position	Group As at 31 March 2014 Proportionate consolidation Rs.' 000	SLFRS 11 adjustment Rs.' 000	Equity Method Rs.' 000
Liabilities and equity			
Liabilities			
Bank overdrafts	2,934,398	(115,096)	2,819,302
Trading liabilities - fair value through profit or loss	405,434	-	405,434
Deposits liabilities	49,614,880	-	49,614,880
Interest bearing borrowings	66,286,716	(737,828)	65,548,888
Insurance provision - life	271,792	-	271,792
Insurance provision - general	1,248,685	-	1,248,685
Current tax payables	1,082,927	(24,202)	1,058,725
Trade and other payables	4,670,380	(1,393,311)	3,277,069
Deferred tax liabilities	2,762,477	(541,641)	2,220,836
Deferred income	259,285	(247,897)	11,388
Retirement benefit obligations	1,151,932	(796,735)	355,197
Total liabilities	130,688,906	(3,856,710)	126,832,196
Equity			
Stated capital	475,200	-	475,200
Reserves	5,357,905	-	5,357,905
Retained earnings	17,069,012	-	17,069,012
Equity attributable to shareholders of the Company	22,902,117	-	22,902,117
Non-controlling interests	21,952,145	-	21,952,145
Total equity	44,854,262	-	44,854,262
Total liabilities & equity	175,543,168	(3,856,710)	171,686,458

Statement of comprehensive income	Group Year ended 31 March 2014 Proportionate consolidation Rs.' 000	SLFRS 11 adjustment Rs.' 000	Equity Method Rs.' 000
Gross income	45,007,778	(3,350,494)	41,657,284
Revenue	14,081,434	(3,298,138)	10,783,296
Less: cost of sales	(8,245,684)	814,894	(7,430,790)
Gross profit	5,835,750	(2,483,244)	3,352,506
Income	27,571,520	(46,675)	27,524,845
Other income/(expenses)	3,354,824	(5,681)	3,349,143
Net finance costs	(16,408,947)	107,206	(16,301,741)
Profit before operating expenses	20,353,147	(2,428,394)	17,924,753
Operating expenses			
Direct expenses excluding finance costs	(2,236,834)	-	(2,236,834)
Personnel costs	(5,649,326)	2,170,879	(3,478,447)
Net impairment loss on financial assets	(3,490,519)	-	(3,490,519)
Depreciation and amortization	(972,249)	105,534	(866,715)
Other operating expenses	(5,560,032)	115,781	(5,444,251)
Results from operating activities	2,444,187	(36,200)	2,407,987
Gain on disposal of subsidiaries	79,845	-	79,845
Share of profits of equity accounted investees	1,497,381	(4,004)	1,493,377
Gains on bargain purchases (negative goodwill)	493,586	-	493,586
Profit before income tax expense	4,514,999	(40,204)	4,474,795
Income tax expense	(1,407,093)	40,204	(1,366,889)
Profit for the year	3,107,906	-	3,107,906

31 Equity accounted investees - Associates

31.1 Company

As at 31 March	2014 No. of Shares	2014 Cost Rs. '000	2013 No. of Shares	2013 Cost Rs. '000
Agstar Fertilizers PLC	60,213,500	390,184	60,213,500	390,184
Galoya Plantations (Private) Limited	22,309,412	247,882	22,309,412	247,882
PRASAC Micro Finance Institution Limited	889,994	3,502,376	889,994	3,502,376
Seylan Bank PLC	58,604,924	2,068,807	51,326,608	1,806,347
Sierra Construction (Private) Limited	12,488,250	600,000	12,488,250	600,000
Sierra Holding (Private) Limited	4,494,492	200,000	4,494,492	200,000
		7,009,249		6,746,789

31.2 Group holdings in equity accounted investees

Details of the Group's equity accounted investees at the end of the reporting period are as follows;

As at 31 March			Proportion of ownership interest held by the Group 2014		2013	
	Investee	Investor	No. of Shares	Holding %	No. of Shares	Holding %
1	Associated Battery Manufacturers (Ceylon) Limited (ABM)	SFL	2,439,355	38.50%	2,439,355	38.50%
2	Agstar Fertilizer PLC (AFPLC) - Group	LOLC	60,213,500	19.58%	60,213,500	19.58%
		BIL	39,270,061	12.77%	39,270,061	12.77%
		Ajax	1,250,000	0.41%	1,250,000	0.41%
		Total AFPLC	100,733,561	32.76%	100,733,561	32.76%
3	Beira Parawood Products (Private) Limited (Biera)	LOIV	1,456,852	26.25%	-	-
4	BRAC Lanka Finance PLC (BRAC)	LMIL	37,029,733	35.02%	-	-
5	Commercial Insurance Brokers (Private) Limited (CIB)	CLC	240,000	40.00%	240,000	40.00%
6	Galoya Plantations (Private) Limited (GPL)	LOLC	22,309,412	22.05%	22,309,412	22.05%
		BCL	22,309,412	22.05%	22,309,412	22.05%
		Total GPL	44,618,824	44.10%	44,618,824	44.10%
7	PRASAC Micro Finance Institution Limited (PRASAC)	LOLC	889,994	22.25%	889,994	22.25%
8	Seylan Bank PLC - Group	LOLC	58,604,835	34.68%(NV)	51,326,520	31.15%
	V - Voting shares	LOLC	89	0.00%(V)	88	0.00%
	NV - Non-voting shares	LOIV	16,808,502	9.55%(V)	16,555,954	9.55%

As at 31 March		2014		2013	
Investee	Investor	No. of Shares	Holding %	No. of Shares	Holding %
	BCL	24,416,750	13.87%(V)	24,049,889	13.87%
	BIL	11,998,208	7.10%(NV)	11,667,068	7.08%
	Ajax	133,333	0.08%(NV)	133,333	0.08%
	CLC	74,261	0.04%(NV)	-	-
	Total V - Seylan	41,225,341	23.43%(V)	40,605,931	23.43%
	Total NV - Seylan	70,810,637	41.90%(NV)	63,126,921	38.32%
9 Sierra Construction (Private) Limited (SCPL) - Group	LOLC	12,488,250	9.99%	12,488,250	9.99%
	BIL	12,488,250	9.99%	12,488,250	9.99%
	Total SCPL	24,976,500	19.99%	24,976,500	19.99%
10 Sierra Holdings Limited (SHL) - Group	LOLC	4,494,492	9.99%	4,494,492	9.99%
	BIL	4,494,492	9.99%	4,494,492	9.99%
	Total SHL	8,988,984	19.99%	8,988,984	19.99%
11 Taprobane Holdings PLC	BIL	200,587,305	20.00%	-	-
12 Taprobane Plantation Limited (TPL)	BIL	22,500	44.94%	22,500	44.94%
13 Virginia International Limited (VIL)	BIL	800,000	40.00%	800,000	40.00%

31.3 The summarized financial information of equity accounted investees for the year ended 31 March 2014 not adjusted for the percentage of ownership held by the Group;

Component	Principal Activities	Total Assets Rs. '000	Total Liabilities Rs. '000	Equity Rs. '000	Income Rs. '000	Expenses Rs. '000	compreh- -ensive income period Rs. '000	Other compreh- -ensive income period Rs. '000
ABM	Battery manufacturing	1,015,919	432,278	583,641	1,820,616	(1,742,834)	77,782	-
AFPLC	Fertilizer manufacturing	4,569,805	2,471,015	2,098,790	1,725,717	(1,696,488)	29,229	(532)
Beira	Brush manufacturing	1,758,328	618,533	1,139,795	1,773,283	(1,573,119)	200,164	-
BRAC	Financial services	1,947,577	1,359,149	588,428	108,531	(94,615)	13,916	333
CIB	Insurance broking	211,037	32,986	178,051	188,635	(174,491)	14,144	73
GPL	Sugar plantations	1,931,161	2,889,004	(957,843)	973,883	(1,529,457)	(555,574)	999
PRASAC	Micro finance	64,016,778	56,450,328	7,566,540	10,248,545	(7,650,830)	2,597,715	-
SBPLC	Banking	222,759,435	198,720,064	24,039,371	28,163,143	(25,820,104)	2,343,039	1,208,400
SCPL	Construction	14,459,605	10,875,239	3,584,366	11,982,530	(11,834,886)	147,644	24,747
SHL	Investing	22,339,260	16,106,691	6,232,569	16,459,383	(16,772,187)	(312,804)	189,926
THL	Investing	15,881,849	6,821,643	9,060,206	780,575	(619,403)	161,172	-
TPL	Management of real estates	9,015	19,292	(10,276)	105,160	(119,187)	(14,027)	-
VIL	Non-operational	9,704	-	9,704	-	-	-	-
		350,909,474	296,796,132	54,113,342	74,330,001	(69,627,601)	4,702,400	1,423,946

31.4 Equity value of investment in equity accounted investees to the Group

For the year ended 31 March 2014

		Note	Balance as at 01 April 2013 Rs. '000	Acquisitions Rs. '000	Reclassifications/ transfers Rs. '000	Share of comprehensive income Rs. '000	Share of Other comprehensive income Rs. '000	Dividend received Rs. '000	Foreign currency translations Rs. '000	Gain on bargain purchase / (Negative translations goodwill) Rs. '000	Balance as at 31 March 2014 Rs. '000
1	ABM		214,271	-	-	29,946	-	(19,515)	-	-	224,702
2	AFPLC		868,842	-	-	13,990	-	(11,432)	-	-	871,400
3	Beira	31.7	-	-	210,000	16,409	-	-	-	72,785	299,194
4	BRAC	31.6	-	333,267	-	1,393	5,260	-	-	-	339,920
5	CIB		65,771	-	-	8,853	29	(3,240)	-	-	71,413
6	GPL	31.4.1	116,358	-	-	(116,798)	440	-	-	-	-
7	PRASAC		1,134,256	-	-	664,840	-	-	41,969	-	1,841,065
8	SBPLC		6,031,124	276,735	-	906,290	437,952	(366,803)	-	117,329	7,402,627
9	SCPL		1,208,245	-	-	28,301	4,518	-	-	-	1,241,064
10	SHL		462,374	-	-	(70,285)	30,753	-	-	-	422,842
11	THL	31.8	-	190,200	397,843	14,441	-	-	-	151,605	754,089
12	TPL		-	-	-	-	-	-	-	-	-
13	VIL		4,000	-	-	-	-	-	-	-	4,000
			10,105,241	800,202	607,843	1,497,381	478,953	(400,990)	41,969	341,719	13,472,318

For the year ended 31 March 2013

		Balance as at 01 April 2012 Rs. '000	Acquisitions Rs. '000	Reclassifications/ transfers Rs. '000	Share of comprehensive income Rs. '000	Share of Other comprehensive income Rs. '000	Dividend received Rs. '000	Foreign currency translations Rs. '000	Gain on bargain purchase / (Negative translations goodwill) Rs. '000	Balance as at 31 March 2013 Rs. '000
1	ABM	198,441	-	-	41,443	-	(25,613)	-	-	214,271
2	AFPLC	774,755	9,303	-	68,288	21,819	(5,323)	-	-	868,842
3	CIB	59,571	-	-	7,889	(249)	(1,440)	-	-	65,771
4	GPL	316,192	-	-	(199,834)	-	-	-	-	116,358
5	PRASAC	557,878	201,932	-	287,490	-	-	86,956	-	1,134,256
6	SBPLC	-	161,397	4,319,865	-	49,362	-	-	1,500,500	6,031,124
7	SCPL	1,198,052	-	-	35,351	(25,158)	-	-	-	1,208,245
8	SHL	427,547	-	-	9,878	24,949	-	-	-	462,374
9	TPL	4,376	-	-	(4,376)	-	-	-	-	-
10	VIL	4,000	-	-	-	-	-	-	-	4,000
		3,540,812	372,632	4,319,865	246,129	70,723	(32,376)	86,956	1,500,500	10,105,241

31.4.1 Galoya Plantations (Private) Limited - GPL

GPL is the private public partnership entered into by the Group where a total of 49% of the Company is held by LOLC Group. The Government of Sri Lanka holds 51% of the Company.

GPL which had been closed for a period of over 15 years was refurbished over a period and the plantations which had been abandoned cultivated with sugar cane. The company commenced production in May 2012 and the area under cultivation and output of sugar has increased on an yearly basis. The company is also investing on an Ethanol plant which will further increase profitability.

The unabsorbed loss of GPL for the year is Rs. 159 Mn

31.5 Acquisition of Equity Accounted Investees

During 2013/14, The Group has established significant influence stake over the following entities.

	Note
1 BRAC Lanka Finance PLC	31.6
2 Beira Parawood (Private) Limited	31.7
3 Taporobane Holdings PLC	31.8

31.6 BRAC Lanka Finance PLC

In June 2013, the Group established "significant influence" over BRAC Lanka Finance PLC (BRAC) by acquiring 33.4% of the voting rights of the NIFL for a consideration of Rs. 305,940,781

BRAC is a licensed financial institution listed on the Diri Savi board of the Colombo Stock Exchange (CSE).

The summarized acquisition results are shown as follows;

For the year ended 31 March	Note	Group 2014 Rs. '000
Fair value of the total consideration (net of transaction cost)	31.4	333,267
Fair value of the net assets acquired		179,849
Goodwill accounted in the carrying amount		153,418

31.7 Beira Parawood (Private) Limited - Beira

In November 2013, LOLC Investments PLC (LOIV) , one of the subsidiaries of the LOLC Group acquired 26.25% of the voting rights of Beira whose principal activity is manufacturing wooden equipment. The acquisition has been accounted for using the equity method.

The summarized acquisition results are shown as follows;

For the year ended 31 March	Note	Group 2014 Rs. '000
Reclassification of previously held interests at fair value	31.4	210,000
Fair value of the additional investments made		-
Fair value of the total consideration		210,000
Fair value of the net assets acquired		282,785
Gain on bargain purchase		72,785

31.8 Taprobane Holdings PLC - THL

In January 2014, Browns Investments PLC (BIL) , one of the subsidiaries of the LOLC Group acquired a further stake of 6.32% of the voting rights of THL which resulted in gaining significant influence over THL by having 20% of voting rights. The acquisition has been accounted for using the equity method.

The summarized acquisition results are shown as follows;

For the year ended 31 March	Note	Group 2014 Rs. '000
Reclassification of previously held interests at fair value	31.4	397,843
Fair value of the additional investments made (net of transaction cost)	31.4	190,200
Fair value of the total consideration		588,043
Fair value of the net assets acquired		739,648
Gain on bargain purchase		151,605

32 Deferred tax assets and liabilities

32.1 Recognised deferred tax assets

Deferred Tax Assets are attributable to the origination of following temporary differences:

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Property, Plant & Equipment	(159,054)	(514,140)	-	(396,630)
Lease receivables	-	(674,191)	-	(674,191)
Unutilised tax Losses	1,300,366	2,774,618	-	1,201,388
Provision for inventories	-	(4,805)	-	-
Employee benefits	436,197	184,112	-	102,210
General provisions	12,951	(668)	-	-
Provision for loan loss impairment	-	14,812	-	-
Net Deductible Temporary Difference	1,590,460	1,779,738	-	232,777
Total Recognized Deferred Tax Assets	390,619	508,992	-	65,178

32.2 Movement in recognised deferred tax assets

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Balance as at the beginning of the period		508,992	355,925	65,178	98,896
Origination / Reversal to the Income Statement		(101,164)	127,195	5,218	(33,718)
Acquisition of subsidiaries		-	-	-	-
Directly charged to the Equity	32.8	(3,385)	3,519	-	-
Recognition of previously Un recognized Deferred tax	32.7	-	58,888	-	-
Other adjustments / transfers		(13,824)	(36,535)	(70,396)	-
Balance as at the end of the period		390,619	508,992	-	65,178

32.3 Recognised deferred tax liabilities

Deferred Tax liabilities are attributable to the origination of following temporary differences:

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Property, Plant & Equipment	2,047,307	1,882,861	599,637	-
Revaluation of properties	961,734	592,414	316,265	-
Lease receivables	7,013,058	6,620,409	301,476	-
Unutilised tax losses	(2,682,075)	(1,486,415)	(1,042,257)	-
Employee benefits	(270,525)	(112,114)	(149,112)	-
Forward exchange contracts assets	1,531	(37,896)	-	-
Consumer Biological Assets	1,769,930	1,598,109	-	-
Bearer Biological Assets	3,213,742	2,918,068	-	-
Net taxable temporary difference	12,054,702	11,975,436	26,009	-
Total Recognized Deferred Tax Liabilities	2,762,477	2,155,855	7,282	-

32.4 Movement in Recognised Deferred Tax Liabilities

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Balance as at the Beginning of the period		2,155,855	1,633,311	-	-
Originations / Reversal to the Income Statement		510,395	507,526	-	-
Directly Charged to the Equity	32.8	100,673	61,867	77,678	-
Other adjustments / transfers		(4,446)	(46,849)	(70,396)	-
Balance as at the end of the period		2,762,477	2,155,855	7,282	-

32.5 Deferred Tax Expense

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Deferred Tax Assets	32.2				
Originations / Reversal During the period		101,164	(127,195)	(5,218)	33,718
Recognition of Previously Un recognized Deferred Tax		-	(58,888)	-	-
Deferred Tax Liabilities	32.4				
Originations / Reversal During the period		510,395	507,526	-	-
		611,559	321,443	(5,218)	33,718

32.6 Unrecognised Deferred Tax Assets for deferred taxation

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

		Group		Company	
As at 31 March		2014	2013	2014	2013
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unutilised Tax losses		3,295,549	4,993,316	-	-
		3,295,549	4,993,316	-	-

32.7 Previously unrecognised tax losses

In 2012/13 the Group has recognized the 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		2014	2013	2014	2013
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Unutilised Tax losses		-	210,315	-	-
		-	210,315	-	-

32.8 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.

		Group		Company	
As at 31 March		2014	2013	2014	2013
	Note	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Charged / reversed from					
Deferred Tax Assets		3,385	(3,519)	-	-
Deferred Tax Liabilities		100,673	61,867	77,678	-
	14.8	104,058	58,348	77,678	-

33 Intangible assets

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Goodwill on acquisition	33.1	362,628	421,628	-	-
Other intangible assets	33.4				
Computer Softwares		274,395	227,691	136,438	87,658
License and Fees		30,665	34,015	5,838	7,775
Brand Value		56,871	66,350	-	-
Customer Base		14,827	19,769	-	-
Total		739,386	769,453	142,276	95,433

33.1 Goodwill on acquisition

For the year ended 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000
Cost recognized at the point of acquisition	33.2	421,628	421,628
Allowance for impairment	33.3	(59,000)	-
		362,628	421,628

33.2 Goodwill is attributable to the acquisition of following subsidiaries;

As at 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000
Commercial Leasing and Finance Company PLC	151,415	151,415
Palm Garden Hotels PLC	180,299	180,299
Speed Italia Limited	59,000	59,000
Excel Restaurant (Private) Limited	20,524	20,524
Ajax Engineers (Private) Limited	10,390	10,390
	421,628	421,628

Goodwill as at the reporting date has been tested for impairment.

33.3 Impairment testing for cash generating units containing goodwill - Speed Italia (Private) Limited (SI)

The recoverable amount of SI as a Cash Generating Unit (CGU) were based on the realizable values of the respective assets after paying all of its liabilities. The realizable values determined by the fair values based on the market evidence. The carrying amount of the CGU was determined to be higher than its recoverable amount and an impairment loss of Rs. 59 Mn was recognized.

The impairment loss was allocated fully to the goodwill and included in other expenses in the statement of comprehensive income.

33.4 Other intangible assets

Group	Computer Softwares Rs. '000	License and Fees Rs. '000 33.5	Brand Value Rs. '000 33.6	Customer Base Rs. '000 33.6	Total Rs. '000	Total 2013 Rs. '000
Cost/Valuation						
Balance as at 01 April 2013	387,402	37,930	94,785	49,422	569,539	358,354
Additions	152,919	-	-	-	152,919	216,291
Disposals/Transfers	-	-	-	-	-	(5,106)
Balance as at 31 March 2014	540,321	37,930	94,785	49,422	722,458	569,539
Accumulated Amortization and Impairment losses						
Balance as at 01 April 2013	159,711	3,915	28,435	29,653	221,714	135,460
Amortisation during the year	106,215	3,350	9,479	4,942	123,986	87,870
Disposals/Transfers	-	-	-	-	-	(1,616)
Balance as at 31 March 2014	265,926	7,265	37,914	34,595	345,700	221,714
Carrying Amount						
As at 31 March 2014	274,395	30,665	56,871	14,827	376,758	
As at 31 March 2013	227,691	34,015	66,350	19,769		347,825

33.5 License and Fees

This includes the license obtained by LOLC Securities Limited (LOSEC) to operate as a registered stock broker in the Colombo Stock Exchange (CSE) in 2010/11 financial period. The useful life was decided as 20 years and amortization determined accordingly. The cost of the license amounted to Rs. 28,242,784/- and the remaining carrying amount as at 31 March 2014 is Rs. 24,828,185 (31 March 2013 - Rs. 26,240,324)

33.6 Brand value and customer base

These intangible assets were recognized 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
Brand Value	10 Yrs	6 Yrs
Customer Base	5 Yrs	1 Yr

Company	Computer Rs. '000	License and Softwares Rs. '000	Total Fees Rs. '000	Total Rs. '000
Cost/Valuation				
Balance as at 01 April 2013	188,477	9,687	198,164	121,132
Additions	92,829	-	92,829	77,032
Balance as at 31 March 2014	281,306	9,687	290,993	198,164
Accumulated Amortization and Impairment losses				
Balance as at 01 April 2013	100,819	1,912	102,731	73,454
Amortisation during the year	44,049	1,937	45,986	29,277
Balance as at 31 March 2014	144,868	3,849	148,717	102,731
Carrying Amount				
As at 31 March 2014	136,438	5,838	142,276	
As at 31 March 2013	87,658	7,775		95,433

34. Property, plant and equipment

Group	Note	Freehold Lands Rs. '000	Leasehold Lands Rs. '000	Freehold Buildings Rs. '000	Leasehold Buildings Rs. '000	Freehold Motor Vehicles Rs. '000	Leasehold Motor Vehicles Rs. '000
Cost/Valuation							
Balance as at 01 April		9,905,581	3,318	5,281,619	316,741	2,087,592	570,139
Additions		12,867	-	253,037	14,295	221,761	325,512
Revaluations		2,052,258	-	11,552	-	-	-
Acquisition of subsidiaries		90,064	-	955,920	-	1,305	-
Disposal of subsidiaries		(868)	-	(442,977)	-	-	-
Consideration on disposal of subsidiaries	29.7.1	300,000	-	-	-	-	-
Disposals / transfers		(277,804)	41,576	144,419	(1,275)	11,589	(7,999)
Balance as at 31 March		12,082,098	44,894	6,203,570	329,761	2,322,247	887,652
Accumulated Depreciation and impairment losses							
Balance as at 01 April			722	1,760,483	93,343	1,190,507	38,459
Charge for the year			1,850	125,858	25,127	142,559	52,019
Depreciation on revaluations			-	-	-	-	-
Acquisition of subsidiaries			-	14,339	-	196	-
Disposal of subsidiaries			-	(11,047)	-	-	-
Depreciation on disposals / transfers			33,458	(45,154)	3,598	(21,096)	(8,433)
Balance as at 31 March			36,030	1,844,479	122,068	1,312,166	82,045
Carrying Amount							
As at 31 March 2014		12,082,098	8,864	4,359,091	207,693	1,010,081	805,607
As at 31 March 2013		9,905,581	2,596	3,521,136	223,398	897,085	531,680

Furniture & Fittings	Office Equipment	Computers	Freehold Plant & Machinery	Leasehold Machinery	Assets on Operating Leases	Other Tangible Assets	Immovable (JEDB/SLSPC) Assets on Finance Lease (Other than Bare land)	Capital Work-in-Progress (CWIP)	Total 2013/14	2012/13
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
676,332	726,900	571,946	1,598,271	7,785	568,591	339,406	85,795	1,021,776	23,761,792	21,018,690
379,643	(82,030)	81,810	25,387	107,250	75,874	61,685	-	939,987	2,417,078	2,600,094
-	-	-	-	-	-	-	-	-	2,063,810	937,497
162,153	5,023	-	133,049	-	-	22,500	-	-	1,370,014	-
(9,473)	(16,441)	(2,868)	(452,271)	-	-	-	-	-	(924,898)	-
-	-	-	-	-	-	-	-	-	300,000	-
(17,500)	8,600	(2,934)	-	(7,185)	(287,372)	(55,226)	-	(170,202)	(621,313)	(794,489)
1,191,155	642,052	647,954	1,304,436	107,850	357,093	368,365	85,795	1,791,561	28,366,483	23,761,792
427,951	376,575	290,487	594,576	2,291	360,831	111,200	73,999		5,321,424	3,795,454
115,498	81,431	91,036	110,222	5,363	41,179	19,431	2,548		814,121	1,858,494
-	-	-	-	-	-	-	-		-	-
12,161	472	-	15,819	-	-	1,688	-		44,675	-
(1,317)	(3,522)	(595)	(71,208)	-	-	-	-		(87,689)	-
48,798	(75,690)	(6,586)	(40,055)	14,358	(199,787)	(29,313)	-		(325,902)	(332,524)
603,091	379,266	374,342	609,354	22,012	202,223	103,006	76,547		5,766,629	5,321,424
588,064	262,786	273,612	695,082	85,838	154,870	265,359	9,248	1,791,561	22,599,854	
248,381	350,325	281,459	1,003,695	5,494	207,760	228,206	11,796	1,021,776		18,440,368

34.1 Other Tangible Assets

Group	Water Sanitation & Others Rs. '000	Roads & Bridges Rs. '000	Penstock Pipe Line Rs. '000	Security Fences Rs. '000	Cutlery, Crockery & Glassware Rs. '000	Linen & Furnishing Rs. '000	Swimming Pool Rs. '000	Others Rs. '000	Total Rs. '000
Cost/Valuation									
Balance as at 01 April 2013	27,123	72,972	76,656	1,548	16,386	52,012	27,774	64,935	339,406
Additions	281	740	-	491	3,344	16,731	25,000	15,098	61,685
Acquisition of subsidiaries	-	-	-	-	-	-	22,500	-	22,500
Disposals/Transfers	(4,808)	(437)	(26,108)	-	-	-	(10,474)	(13,399)	(55,226)
Balance as at 31 March 2014	22,596	73,275	50,548	2,039	19,730	68,743	64,800	66,634	368,365
Accumulated Depreciation									
Balance as at 01 April 2013	16,972	6,557	11,444	1,390	13,455	36,677	7,774	16,931	111,200
Charge for the year	1,327	1,478	574	36	1,029	6,224	4,950	3,813	19,431
Acquisition of subsidiaries	-	-	-	-	-	-	1,688	-	1,688
Depreciation on disposals	(4,813)	(437)	(11,444)	-	-	-	(10,474)	(2,145)	(29,313)
Balance as at 31 March 2014	13,486	7,598	574	1,426	14,484	42,901	3,938	18,599	103,006
Carrying Amount									
As at 31 March 2014	9,110	65,677	49,974	613	5,246	25,842	60,862	48,035	265,359
As at 31 March 2013	10,151	66,415	65,212	158	2,931	15,335	20,000	48,004	228,206

34.2 Immovable (JEDB/SLSPC) estate assets on Finance Lease (other than bare land)

	Improvements to lands	Buildings	Machinery	Water sanitation	Permanent land	Other vested development	Total assets
		Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Capitalized value							
Balance as at 31 March 2013	3,866	56,683	13,936	8,192	889	2,229	85,795
Balance as at 31 March 2014	3,866	56,683	13,936	8,192	889	2,229	85,795
Accumulated amoritzation							
Balance as at 31 March 2013	2,650	47,015	13,936	8,118	535	1,745	73,999
Charged for the period	129	2,267	-	74	26	52	2,548
Balance as at 31 March 2014	2,779	49,282	13,936	8,192	561	1,797	76,547
Carrying value							
Balance as at 31 March 2014	1,087	7,401	-	-	328	432	9,248
Balance as at 31 March 2013	1,216	9,668	-	74	354	484	11,796

As more fully explained in note 25.2, 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 15th June, 1992. For this purpose, the Board decided at its meeting on 8th 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 15th June, 1992 and depreciated as above.

34 Property, plant and equipment

Company	Freehold Lands	Freehold Buildings	Freehold Motor Vehicles	Leasehold Motor Vehicles
	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Cost/Valuation				
Balance as at 01 April	1,165,040	253,283	1,496,285	45,699
Additions	-	-	75,507	79,673
Revaluations	448,191	285,428	-	-
Disposals	(6,399)	-	(54,409)	-
Transfers	18,427	-	186,691	-
Balance as at 31 March 2014	1,625,289	538,711	1,704,074	125,372
Accumulated Depreciation and impairment losses				
Balance as at 01 April		13,213	822,853	14,922
Charge for the year		6,315	58,375	13,441
Depreciation on disposals		-	(44,978)	-
Depreciation on transfers/ Other adjustments		(19,528)	107,489	-
Balance as at 31 March 2014		-	943,739	28,363
Carrying Amount				
As at 31 March 2014	1,625,289	538,711	760,335	97,009
As at 31 March 2013	1,165,040	240,070	673,432	30,777

Furniture & Fittings	Office Equipment	Computers	Assets on Operating Leases	Capital Work-in-Progress (CWIP)	Total 2013/14	Total 2012/13
Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000	Rs. '000
277,631	314,397	380,334	492,749	11,807	4,437,226	4,264,703
48,393	40,818	53,357	-	16,326	314,074	441,057
-	-	-	-	-	733,619	-
(6,304)	(2,844)	(3,072)	(92,185)	-	(165,213)	(268,534)
-	-	-	(186,691)	4,825	13,632	-
319,720	352,371	430,619	213,873	23,308	5,333,338	4,437,226
182,419	166,883	178,942	308,395		1,687,628	1,317,588
36,036	49,834	66,566	31,876		262,443	530,577
(6,239)	(2,609)	(2,997)	(86,626)		(143,449)	(178,819)
-	-	-	(107,490)		(19,529)	18,282
212,216	214,108	242,511	146,156		1,787,093	1,687,628
107,504	138,263	188,108	67,718	23,308	3,546,245	
95,212	147,514	201,392	184,354	11,807		2,749,598

34.3 Property, plant & equipment includes fully depreciated assets that are still in use having a gross amount of Rs. 593.11 Mn as at 31st March 2014 (31 March 2013 - Rs. 449.82 Mn).

34.4 The fair value of the revalued properties were determined by Mr. P W Senaratne, independent valuer who holds recognized and relevant professional qualification and have recent experience in the location and category of the revalued properties.

Date of the revaluation	31-03-2014
Method of determining fair value	sales comparison

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

As at 31 March	2014	2013
Cost	986,168	986,168
Accumulated depreciation and impairment	(49,920)	(41,809)
	936,248	944,359

34.5 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 2013-2014 and impact on change in economic life will be considered from 1st April 2013 onwards.

	2013/14	2014/15	2015/16	2016/17	Later
Effect of change to depreciation	82,000,000	82,000,000	82,000,000	82,000,000	-

35 Trading liabilities - fair value through profit or loss

	Group		Company	
As at 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Derivative liabilities				
Forward rate agreements	405,434	627,652	6,443	125,204
	405,434	627,652	6,443	125,204

36 Deposits liabilities

	Group		Company	
As at 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
36.1 Deposits from customers				
Fixed deposits	46,862,628	34,452,346	-	-
Term deposits	2,752,252	944,798	-	-
Total	49,614,880	35,397,144	-	-

37 Interest bearing borrowings

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Commercial papers & Promissory Notes		4,817,569	2,436,039	3,879,181	2,061,133
Short-term loans and others		11,883,664	23,951,596	3,039,363	6,164,522
Debentures	37.1	4,250,000	4,241,553	4,250,000	4,241,553
Finance lease liabilities	37.2	638,895	578,833	339,815	321,917
Long-term borrowings	37.3	44,696,588	34,862,963	2,345,561	5,573,499
		66,286,716	66,070,984	13,853,920	18,362,624

37.1 Information on Company's listed debentures

37.1.1 Interest rate of comparable government security

Buying and Selling prices of Treasury Bonds at the auction held on 26 March 2014

	Buying Price	Buying Yield	Selling Price	Selling Yield
4 Year Bond	100.58	7.70%	100.82	7.58%
5 Year Bond	98.49	8.94%	98.78	8.85%

37.1.2 Market prices and yield during the year (ex interest)

	Market Yield	Market Price
4 Year Bond	6.73%	Not traded during the period
5 Year Bond	6.75%	

37.2 Finance Lease Liabilities

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Net Liability to Lessor of JEDB/SLSPC Estates	37.2.1	142,516	150,114	-	-
Other Lease Liabilities	37.2.2	496,379	428,719	339,815	321,917
Total Lease Liabilities		638,895	578,833	339,815	321,917

37.2.1 Net Liability to Lessor of JEDB/SLSPC Estates

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross Liability				
Balance as at 1st April	269,671	278,043	-	-
Repayments	(11,700)	(8,372)	-	-
Balance as at 31st March	257,971	269,671	-	-
Finance Costs allocated to Future Years	(115,455)	(119,557)	-	-
Net Liability	142,516	150,114	-	-
Payable within One Year				
Gross Liability	8,372	8,372	-	-
Finance Costs allocated to Future Years	(5,589)	(6,097)	-	-
Net liability transferred to current liabilities.	2,783	2,275	-	-

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Payable within Two to Five Years				
Gross Liability	33,488	33,488	-	-
Finance Costs allocated to Future Years	(21,489)	(24,203)	-	-
Net liability	11,999	9,285	-	-
Payable after Five Years				
Gross Liability	216,111	227,811	-	-
Finance Costs allocated to Future Years	(88,377)	(89,257)	-	-
Net liability	127,734	138,554	-	-

Pussellawa Plantations Limited and Maturata Plantations Limited

The lease agreement of estates was amended with effect from 22nd 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 2002/2003 and expired on 21 st June 2008. As per the letter received from the Secretary, Ministry of Plantation Industries dated 12 th May 2010, the application of the contingent lease rental was made effective and accordingly the annual lease rental revised with retrospective effect from 2008/2009. The Escalated Lease rentals for the Years 2008/2009, 2009/2010, 2010/2011 & 2011/2012 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 Group in the income Statement for the year amounted to Rs.8.2 Mn. The Future liability on annual lease payments of the Group would continue till year 2045.

37.2.2 Other Lease Liabilities

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross lease rentals payable as at 01 April	547,026	486,749	397,314	467,009
Leases obtained during the year	175,995	156,312	158,598	-
Lease rentals paid during the year	(148,708)	(96,035)	(139,647)	(69,694)
Gross lease rentals payable as at 31 March	574,313	547,026	416,265	397,315
Less: Unamortized finance cost	(77,934)	(118,307)	(76,450)	(75,398)
Net lease liability	496,379	428,719	339,815	321,917
Repayable within one year				
Gross lease rentals payable	139,267	153,956	135,143	115,571
Less: Unamortized finance cost	(37,053)	(50,679)	(36,220)	(35,068)
Net lease liability	102,214	103,277	98,923	80,503
Repayable after one year before five years				
Gross lease rentals payable	435,046	393,070	281,122	281,744
Less: Unamortized finance cost	(40,881)	(67,628)	(40,230)	(40,330)
Net lease liability	394,165	325,442	240,892	241,414

37.3 Long-Term Borrowings

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Gross Balance as at 01 April	35,071,350	36,577,632	5,612,181	9,943,951
Received during the year	26,674,236	11,023,624	1,251,297	-
Disposal of subsidiaries	(356,420)	-	-	-
Repaid during the year	(16,467,727)	(12,529,906)	(4,511,631)	(4,331,770)
Gross borrowings as at 31 March	44,921,439	35,071,350	2,351,847	5,612,181
Less: Unamortized finance cost	(224,851)	(208,387)	(6,286)	(38,682)
Balance as at 31 March	44,696,588	34,862,963	2,345,561	5,573,499
Long-term borrowings - current	13,717,810	13,338,388	1,016,091	3,561,101
Long-term borrowings - non-current	30,978,778	21,524,575	1,329,470	2,012,398
Total	44,696,588	34,862,963	2,345,561	5,573,499
Analysis of non-current portion of long-term borrowings				
Repayable within 3 years	24,598,415	19,466,204	1,157,769	1,454,350
Repayable after 3 years	6,380,363	2,058,371	171,701	558,048
Total	30,978,778	21,524,575	1,329,470	2,012,398

38 Insurance contract liabilities

As at 31 March	Note	Group 2014 Rs. '000	Group 2013 Rs. '000
Life insurance contracts	38.1	271,792	116,139
Non-life insurance contracts	38.2	1,248,685	928,051
Total insurance contract liabilities		1,520,477	1,044,190

The company has satisfied liability adequacy test in both life & general insurance businesses.

38.1 Life insurance contract liabilities

	2013			2014		
	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	48,679	(1,109)	47,570	121,167	(5,722)	115,445
Premiums received	106,238	(5,934)	100,304	384,580	(14,657)	369,923
Claims incurred	(3,664)	645	(3,019)	(25,703)	1,893	(23,810)
Fees deducted	(142)	676	534	(37,056)	1,669	(35,387)
Investment return	9,026	-	9,026	26,005	-	26,005
Expenses	(38,970)	-	(38,970)	(230,576)	-	(230,576)
Gratuity - actuarial gain/(loss)	-	-	-	(17)	-	(17)
Net gain / (loss) on available-for-sale assets Life Policyholders		-	-	10,484	-	10,484
Life deficit transfer	-	-	-	39,725	-	39,725
	121,168	(5,722)	115,446	238,417	(16,817)	271,792
Claims outstanding	693	(277)	416	5,164	(608)	4,556
	121,861	(5,999)	115,862	243,581	(17,425)	276,348

38.2 Non-life insurance contract liabilities

	Note	2013 Insurance Contract liabilities Rs. '000	2013 Reinsurance of liabilities Rs. '000	2013 Net Rs. '000	2014 Insurance Contract liabilities Rs. '000	2014 Reinsurance of liabilities Rs. '000	2014 Net Rs. '000
At 01 April							
Provision for reported claims	38.3	192,306	(31,864)	160,442	274,434	(27,784)	246,650
IBNR		55,124	-	55,124	91,134	-	91,134
Outstanding claims provision		247,430	(31,864)	215,566	365,568	(27,784)	337,784
Provision for unearned premiums	38.4	696,994	(16,373)	680,621	951,550	(68,433)	883,117
Total non-life contract liabilities		944,424	(48,236)	896,187	1,317,118	(96,217)	1,220,901

38.3 Outstanding claims provision

	2013			2014		
	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	22,231	128	22,103	192,306	31,864	160,442
Claims incurred in the current accident year	563,831	36,856	526,975	872,635	31,972	840,663
Claims paid during the year	(393,756)	(5,120)	(388,636)	(790,507)	(36,052)	(754,455)
Total non-life contract liabilities	192,306	31,864	160,442	274,434	27,784	246,650

38.4 Provision for unearned premiums

	2013			2014		
	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000	Insurance Contract liabilities Rs. '000	Reinsurance of liabilities Rs. '000	Net Rs. '000
At 01 April	300,370	-	300,370	696,994	(16,373)	680,621
Premiums written in the year	1,314,097	(31,992)	1,282,105	2,096,094	(209,825)	1,886,269
Premiums earned during the year	(917,473)	15,619	(901,854)	(1,841,538)	157,765	(1,683,773)
At 31 March	696,994	(16,373)	680,621	951,550	(68,433)	883,117

39 Current tax payables

		Group		Company	
As at 31 March	Note	2014	2013	2014	2013
		Rs.'000	Rs.'000	Rs.'000	Rs.'000
Income tax payables		765,429	674,142	-	-
VAT payables		234,498	245,265	167,274	133,453
WHT payables		8,457	19,857	1,309	267
ESC payables		1,319	6,697	-	-
NBT payables		10,605	8,522	-	-
Other tax payables		62,619	29,493	10,603	(1,323)
		1,082,927	983,976	179,186	132,397

40 Trade and other payables

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Financial liabilities					
Trade payables		2,155,752	2,244,950	103,204	86,536
Creditors for leased equipment		1,232,374	1,452,740	-	-
Amount due to related companies	49.3.2	87,981	187,380	158,350	15,364
Insurance Premium Payable		66,065	34,402	37	172
Liability recognized on Diriya	29.5.2	-	245,921	-	-
Other financial liabilities		192,604	166,480	240,112	263,294
		3,734,776	4,331,873	501,703	365,366
Non-financial liabilities					
Unclaimed dividends		82,868	168,873	1,819	40,490
Accrued expenses		568,025	529,519	2,765	3,555
Other non-financial liabilities		284,711	133,786	22,951	17,277
		935,604	832,178	27,535	61,322
		4,670,380	5,164,051	529,238	426,688

41 Deferred income

Group	Capital grants 41.1 Rs. '000	Operating lease receivables PHDT 41.2 Rs. '000	Transfer of shares 41.3 Rs. '000	Total Rs. '000	Total 2013 Rs. '000
Gross Deferred Income					
Balance as at 01 April 2013	347,769	5,367	31,997	385,133	352,610
Deferred Income received	3,436	-	-	3,436	32,523
Balance as at 31 March 2014	351,205	5,367	31,997	388,569	385,133
Accumulated Amortization					
Balance as at 01 April 2013	88,352	2,052	2,012	92,416	83,839
Amortized to profit & loss	35,669	268	931	36,868	8,577
Balance as at 31 March 2014	124,021	2,320	2,943	129,284	92,416
Carrying Amount					
As at 31 March 2014	227,184	3,047	29,054	259,285	
As at 31 March 2013	250,971	3,315	29,985		292,717

41.1 Capital grants

The above capital grants represent the following:

1. Funds received from the Plantation Housing and Human Development Trust (PHDT), MTIP, MPI for the development of workers welfare facilities and improvements to institutional facilities.

2. Funds received from the Plantation Reform Project for the development of Forestry Plantations.

The amounts spent is capitalized under the relevant classification of Property, Plant and Equipment. The corresponding grant component is reflected under Deferred Income and is being amortized over the useful life span of the related asset.

41.2 Operating lease receivables - PHDT

Premises at St.Andrew's Drive in Nuwara Eliya has been leased out to Plantation Human Development Trust for a period of 20 years commencing from August'2005 at a total lease rental of Rs. 5,367,348/=.

Lease Rentals received are deferred and amortized over the lease period commencing from August'2005.

The timing of future operating lease rentals are as follows;

		Group	
As at 31 March		2014	2013
	Note	Rs. '000	Rs. '000
Less than one year		268	268
Between one and five years		1,073	1,073
More than five years		1,706	1,974
		3,047	3,315

41.3 Deferred income in respect of transfer of shares- Maturata Plantations PLC

This represents the value of 6,399,375 nos. of Ordinary Shares received by Maturata 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 amortized over the unexpired balance lease period.

42 Retirement benefit obligations

For the year ended 31 March		Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Movement in the present value of the defined benefit obligations					
Balance as the beginning of the period		996,729	951,963	96,841	85,997
Benefits paid by the plan		(104,408)	(135,869)	(10,692)	(3,879)
Expenditure recognized in the income statement	42.1	168,406	149,502	24,121	14,723
Actuarial (Gain) / Loss recognized in OCI		91,205	31,133	38,842	-
Balance as at the end of the period		1,151,932	996,729	149,112	96,841

42.1 Expense recognised in the income statement

For the year ended 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Current service costs	81,901	76,143	11,604	9,514
Interest Costs	86,505	73,359	12,517	5,209
	168,406	149,502	24,121	14,723

42.2 Actuarial assumptions

Principal actuarial assumptions at the reporting date;

For the year ended 31 March		Group 2014	Group 2013	Company 2014	Company 2013
Discount rate	%	10% - 11%	11% - 12%	10.00%	11.77%
Future salary increases	%	5% - 10%	5% - 10%	9%	9%
Staff Turnover Factor	%	5% - 10%	5% - 10%	2.5% -15%	2.5% -15%
Retirement Age	Yrs	55-60	55-60	55	55

42.3 Sensitivity of the actuarial assumptions

Assumption	Rate change	Group Financial Position - Liability Rs. '000	Group Comprehensive Income - (Charge)/ Credit for the year Rs. '000	Company Financial Position - Liability Rs. '000	Company Comprehensive Income - (Charge)/ Credit for the year Rs. '000
Discount rate	+1	(128,772)	128,772	(10,483)	10,483
	-1	131,151	(131,151)	11,910	(11,910)
Future salary increases	+1	129,354	(129,354)	11,581	(11,581)
	-1	(127,354)	127,354	(10,394)	10,394

43 Stated capital

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Issued and Fully Paid	43.1	475,200	475,200	475,200	475,200
No. of Shares	43.2	475,200	475,200	475,200	475,200

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

43.1 Movement in stated Capital

	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200
43.2 Movement in no. of shares				
Balance at the beginning of the period	475,200	475,200	475,200	475,200
Movement during the period	-	-	-	-
Balance at the end of the period	475,200	475,200	475,200	475,200

44 Reserves

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Revaluation Reserve	44.1	2,752,543	1,047,927	1,300,116	600,887
Cash Flow Hedge Reserve	44.2	28,394	48,355	4,146	25,962
Fair Value Reserve on AFS	44.3	167,018	(694,007)	-	(63,897)
Translation Reserve	44.4	161,493	118,772	-	-
Future Taxation Reserve	44.5	205,000	205,000	205,000	205,000
Statutory Reserve Fund	44.6	1,290,782	1,035,296	-	-
Investment Fund	44.7	752,675	507,435	-	-
		5,357,905	2,268,778	1,509,262	767,952

Nature and purpose of reserves

44.1 Revaluation Reserve

The revaluation reserve relates to the revaluation surplus of Property, Plant and Equipment . Once the respective revalued items have been disposed, the relevant portion of revaluation surplus if any is transferred to retained earnings.

44.2 Cash Flow Hedge Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in fair value hedges pending subsequent recognition of the hedged cash flows.

44.3 Fair Value Reserve on AFS

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognised or impaired.

44.4 Translation Reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

44.5 Future Taxation Reserve

This reserve was created in order to accommodate unexpected future tax liabilities that might arise at a future date.

44.6 Statutory Reserve Fund

The statutory reserve fund of the LOLC Micro Credit Limited involved in leasing business was created according to the Direction No. 05 of 2006 issued by the Central Bank of Sri Lanka under the Section 34 of the Finance Leasing Act No. 56 of 2000 which requires the Companies to transfer 5% of their annual profits to this reserve until the sum equals to Share Capital of those Companies.

The Statutory reserves of Lanka ORIX Finance PLC and Commercial Leasing and Finance PLC were created in accordance with the Finance Companies (Capital Funds) Direction No. 01 of 2003 issued under the Finance Business Act No. 42 of 2011 (which supercedes the Finance Companies Act No. 78 of 1988) which requires the Company to transfer 20% of its annual profit to this reserve.

44.7 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 29th 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 1st January 2011.

45 Retained earnings

The carrying amount of the retained earnings represents the undistributed earnings held by the Group and the Company. This could be used to absorb future losses and dividend declaration.

46 Commitments and contingencies

46.1 Contingent liabilities

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Guarantees issued to banks and other institutions		4,057,251	1,603,016	109,648	43,579
Corporate guarantees given to foreign funding agencies to grant loans to micro finance clients		-	601,194	-	601,194
Corporate guarantees given to subsidiary companies to obtain loans		6,084,250	6,084,250	6,084,250	6,084,250
Stumpage payables	46.1.1	50,800	50,800	-	-
		10,192,301	8,339,260	6,193,898	6,729,023

46.1.1 Stumpage payables - Pussellawa Plantations Limited

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 re-consider 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 judgment. Therefore, the amount of liability and the date of liability are uncertain and will depend on the response of the Forest Department.

46.2 Commitments

As at 31 March	Note	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
Forward exchange contracts	46.2.1	27,399,381	20,381,880	308,287	3,215,296
Capital commitments	46.2.2	10,269,024	4,161,161	-	-
Letter of credits opened		12,839	53,235	12,839	53,235
Facility limits not utilized		4,061,636	2,171,782	-	-
Associate portion of commitments and contingencies		12,608,042	10,175,938	-	-
		54,350,922	36,943,996	321,126	3,268,531

46.2.1 On the commitment for forward exchange contracts, the Group will receive USD 165,761,398, Euro 25,952,446, GBP 1,295,000, AUD 4,220,000 and the Company will receive USD 1,550,000 and Euro 585,000 on the conversion.

46.2.2 Capital commitments

The Group of Companies entered to following capital commitments as at the Balance Sheet Date.

Samudra Beach Resorts (Private) Limited

Samudra Beach Resorts (Pvt) Ltd. has entered into an agreement for a contract with Sierra Civil Engineering (Pvt) Ltd. as a designing and building contractor to construct a 4-Star Hotel at Kosgoda. The total cost was estimated to be Rs.1,720 Mn. out of which Rs.1,196 Mn already incurred.

Riverina Resorts (Private) Limited

Riverina Resorts (Private) Limited is in the process of putting up a 475 key, 5 star, 20 Acre Resort situated in Golden Mile Bentota. The total cost was estimated to be Rs.7,200 Mn. out of which Rs.517 Mn already incurred.

Browns Healthcare (Private) Limited

Browns Healthcare (Private) Limited has entered into an agreement for a contract with Sierra Civil Engineering (Pvt) Ltd to construct a state of art medical facility centre in Ragama. The total cost was estimated to be Rs. 365 Mn. out of which Rs.103 Mn already incurred.

Tea Leaf Resort (Private) Limited (TLRHL)

TLRHL has entered into an agreement with Sierra Construction (Pvt) Ltd. For Rs. 850 Mn for the construction of two boutique style hotels. As per the existing agreement the cost of constructions are as follows.

	Giragama Estate Rs. '000	Ayr Estate Rs. '000
Commitment on Construction	494,000	356,000

F L C Hydro Power PLC

The Company has entered into various contracts to construct following Mini Hydro Power Projects

	Thebuwana Rs. '000	Stellenberg Rs. '000
Commitment on Construction	85,214,153	48,810,744

46.3 Contractual Commitments

Maturata Plantations Limited

The Company has entered into an agreement with Ms. Whight & Company Ceylon (Private) Limited (WCCL) for a period from 01st 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 Maturata 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.

47 Subsequent events

1 Browns Investments PLC (BIL)- Announcement of right issue

Subsequent to the reporting date, the Board of Directors of BIL resolved to issue 1,860 Mn no. of shares by way of right issue in the proportion of 1:1 at Rs. 1.25 per share subject to the Colombo Stock Exchange approving in principle the issue and listing of shares and obtaining shareholders' approval at a general meeting.

Proceeds of the issue will be used for payment of debts.

2. LOLC Leisure Limited - LOLCL

Subsequent to the reporting date, LOLCL changed its name as, "Browns Hotels and Resorts Limited.

48 Assets pledged

		Group		Company	
		2014	2013	2014	2013
Nature of assets	Nature of liability	Rs. '000	Rs. '000	Rs. '000	Rs. '000
Foreign currency term deposits	Interest bearing loans and borrowings	991,663	67,579	65,340	63,356
lease, hire purchase and loans receivable	Term loan/bank drafts/short -term loan/field and processing developments	14,208,856	13,971,614	589,713	704,187
Marketables shares and loans and buildings	Bank overdrafts/term loans/investments in field development	6,838,238	3,243,012	2,420,885	2,681,468
Leasehold right	Finance lease	502,511	157,697	-	-
Leasehold property and vehicles	Term loan	99,155	4,191,769	97,009	30,777
		22,640,423	21,631,671	3,172,947	3,479,788

49 Related party disclosures

49.1 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 holding designations of Deputy General Manager and above positions and their immediate family members have been classified as Key Management Personnel of the Company and Group.

The immediate family members are 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.

	Group		Company	
For the year ended 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Key management personnel compensation				
49.1.1 Short term Employment benefits				
Includes:				
Directors' emoluments	80,954	68,410	26,369	24,987
Other KMP emoluments and other short term benefits	245,415	241,746	145,184	153,008
	326,369	310,156	171,553	177,995

49.1.2 Long term employment benefits ;

There are no long-term employment benefits paid to the Key Management Personnel during the year.

49.1.3 Other transactions with key management personnel

	Group		Company	
For the year ended 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Operating lease facilities granted	-	-	-	-
Rentals paid	(5,082)	(5,084)	(5,082)	(5,084)
Balance rentals outstanding	8,047	13,129	8,047	13,129
Deposits balance	700,078	202,989	-	-
Interest paid	171,652	22,390	-	-

49.2 Transactions with Related Parties

The Company carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 "Related Party Disclosures".

49.2.1 Transactions with subsidiaries, associates and joint-ventures

	Company	
For the year ended 31 March	2014	2013
Subsidiaries	Rs. '000	Rs. '000
Fund transfers in	120,942,492	72,111,097
Fund transfers out	113,748,493	63,915,890
Expenses shared	2,388,489	3,069,623
Asset hire income	138,170	92,085
Interest received on fund transfer	1,278,722	1,904,817
Debenture interest received	-	40,894
Treasury handling changes	331,451	302,387
Transfer of finance portfolio	-	752,654
Royalty income	158,289	35,942
Franchise fees	125,654	-
Advisory services for handling	125,000	-
Guarantee fee income	46,479	-
Investments in subsidiaries	3,604,211	850,000
Investments	-	82,561
Assets purchased from subsidiaries	-	7,625
Interest received on facilities granted	-	1,623
Sale of investments & properties	4,931,000	-
Transfer of loans	634,667	-
Transfer of staff loans	193,166	-
Restructuring fees	578,000	-
Assets transferred	1,399	-
Rendering of services received	6,000	-
Loan obtained	303,694	-

For the year ended 31 March	Company 2014 Rs. '000	Company 2013 Rs. '000
Associates		
Repayment of finance leases and loans granted	59,640,186	124,908
Loans granted	59,416,936	-
Interest received	198,952	270,862
Dividends income	184,455	-
Joint ventures		
Repayment of finance leases and loans granted	30,169	12,366
Interest received	13,199	10,165
Commercial paper issued to (loans obtained)	2,474,393	-
Settlement of Commercial papers	2,457,310	-

Balance Outstanding on facilities granted to related parties as at 31 March		Company 2014 Rs. '000	Company 2013 Rs. '000
Subsidiaries	Finance leases and loans granted	20,611	70,178
Associates	Finance leases and loans granted	518,760	706,211
Joint Ventures	Finance leases and loans granted	49,660	95,198
		589,031	871,586

Notes 49.3 shows other balances with related parties.

For the year ended 31 March	Group 2014 Rs. '000	Group 2013 Rs. '000
Associates		
Insurance commission received	38,271	17,180
Term Deposits	65,693	-
Trading transactions		
- Sales	-	2,336,797
- Purchases	1,812,730	310,046
Interest paid	190,347	295,754
Fund transfers	40,625	18,146,441
Loans granted	-	382,857
Repayment of loans and finance leases obtained	1,216,853	7,348
Expenses shares	37,984	32,709
Deposits made	-	36,945
Swaps entered	-	8,222,500
Joint ventures		
Loans, advances and promissory notes obtained	-	332,581
Interest paid	119,030	399,864
Repayment of finance leases and loans obtained	133,973	20,877
Trading transactions		
- Sales	-	13,881
- Purchases	-	1,431
Term and savings deposits and Commercial papers	2,200	700,000
Deposits interest income	38,790	107,316
Dividend Income	56,306	-
Other operating expenses	-	747

49.2.2 Transactions 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 were as follows;

	Group		Company	
For the year ended 31 March	2014	2013	2014	2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Loans obtained	1,600,000	3,150,000	500,000	-
Settlement of loans obtained	(1,750,998)	(2,316,039)	(500,000)	-
Interest paid on loans	1,015,452	1,135,491	12,945	-
Lease vehicles and fixed assets purchased	-	23,062	-	-
Short term investments made	-	900,000	-	-
Short term investments realized	-	(900,000)	-	-
Interest paid on short term investments	-	9,173	-	-
Loans given	-	511,579	-	210,000
Repayment of loans given	(1,336,796)	(301,579)	-	-
Interest received on loans given	-	315,021	-	-
Interest paid on debentures	560,110	566,031	560,110	566,031
Commercial paper invested	645,000	973,972	-	-
Commercial paper matured	(338,130)	(635,842)	-	-
Interest paid on commercial papers	69,824	9,860	-	-
Stock brokering income	-	200	-	-
Balances payable on;				
- Loans obtained	6,058,493	6,209,491	-	-
- Debentures	3,000,000	3,000,000	3,000,000	3,000,000
- Commercial papers	645,000	338,130	-	-
Balances receivables on loans granted	-	1,336,796	-	-

49.3 Balances with Related Parties

As at 31 March	Group 2014 Rs.'000	Group 2013 Rs.'000	Company 2014 Rs.'000	Company 2013 Rs.'000
49.3.1 Amounts due from related parties				
Brown and Company PLC	-	-	2,676	-
Browns Investments PLC	-	-	387	77
Central Services (Private) Limited	-	-	-	2
Commercial Leasing & Finance PLC	-	-	269,748	552,592
Dickwella Resort Limited	-	-	-	8,262
Diriya Investments (Private) Limited	-	-	131	-
Eden Hotels Lanka PLC	-	-	25,482	9,926
Lanka ORIX Finance PLC	-	-	646,099	128,965
Lanka ORIX Information Technology Services Limited	-	-	38,732	
LOLC Assets Holding Limited	-	-	1,138	1,138
LOLC Factors Limited	-	-	-	3,097,747
LOLC Insurance Company Limited	-	-	75,662	131,926
LOLC Investments Limited	-	-	161,489	2,388,386
LOLC Land Holdings Limited	-	-	-	120
LOLC Leisure Limited	-	-	18,986	64,912
LOLC Micro Credit Limited	-	-	66,291	59,388
LOLC Micro Investments Limited	-	-	6,827	-
LOLC Motors Limited	-	-	461,645	480,185
LOLC Myanmar Micro-Finance Company Limited	-	-	112,602	-
LOLC Property Investments Limited	-	-	-	64,266
LOLC Realty Limited	-	-	225,181	203,465
LOLC Securities Limited	-	-	46,557	24,826
LOLC Services Limited	-	-	-	225,207
LOLC Technologies Limited	-	-	12,598	15,799
PALM Garden Hotels PLC	-	-	102,865	46,100
Riverina Resort (Private) Limited	-	-	171,299	-
Speed Italia Limited	-	-	78,332	67,164
Tropical Villas (Private) Limited	-	-	25,677	19,377
United Dendro Energy (Private) Limited	-	-	451,231	243,938
Agstar Fertilizers PLC	-	2	-	-
Associates Battery Manufactures (Ceylon) Limited	24,277	25,829	-	-
Galoya Plantations Limited	1,230,645	649,228	-	-
Rain Forest Eco Lodge (Private) Limited	-	119	-	-
Sierra Construction (Private) Limited	202,100	156,887	-	-
Taporbane Plantations (Private) Limited	7,170	-	-	-
(-) Allowance for impairment	-	-	(425,780)	-
	1,464,192	832,065	2,575,855	7,833,768

49.3.2 Amounts due to related parties

As at 31 March	Group 2014	Group 2013	Company 2014	Company 2013
	Rs.'000	Rs.'000	Rs.'000	Rs.'000
Central Services (Private) Limited	-	-	5	-
Dickwella Resort (Private) Limited	-	-	12,143	-
Lanka ORIX Information Technology Services Limited	-	-	-	10,607
LOLC Eco Solutions Limited	-	-	4,678	4,757
LOLC Estates Limited	-	-	14,001	-
LOLC Factors Limited	-	-	126,242	-
LOLC Land Holdings Limited	-	-	97	-
LOLC Property Investments Limited	-	-	1,184	-
Agstar Fertilizers PLC	10,108	-	-	-
Associates Battery Manufactures (Ceylon) Limited	49,222	116,386	-	-
Galoya Plantations Limited	20,090	53,078	-	-
Sierra Construction (Private) Limited	1,750	-	-	-
Taprobane Plantations (Private) Limited	6,811	17,916	-	-
	87,981	187,380	158,350	15,364

50 Valuation of Financial Instruments

50.1 Fair Value Hierarchy

The Group's accounting policy on fair value measurements is discussed in accounting policy 3.3.3.6.

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 2014	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Trading assets - fair value through profit or loss					
Unit trusts	17.1	131,278	-	-	131,278
Government securities	17.2	-	1,115	-	1,115
Equity Securities	17.3	854,682	-	-	854,682
Derivative assets held for risk management	17.4	-	30,005	-	30,005
		985,960	31,120	-	1,017,080
Investment securities					
Available-for-sale investment securities					
Government securities	18.1.1	-	6,429,013	-	6,429,013
Designated available-for-sale investment securities	18.1.2	464,980	-	-	464,980
Equity securities with readily determinable fair values	18.1.3	58,075	-	-	58,075
Unquoted equity securities	18.1.4	-	79,499	-	79,499
		523,055	6,508,512	-	7,031,567
		1,509,015	6,539,632	-	8,048,647

Group As at 31 March 2013	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Trading assets - fair value through profit or loss					
Unit trusts	17.1	129,131	-	-	129,131
Government securities	17.2	-	-	-	-
Equity Securities	17.3	1,579,886	-	-	1,579,886
Derivative assets held for risk management	17.4	-	28,813	-	28,813
		1,709,017	28,813	-	1,737,830
Investment securities					
Available-for-sale investment securities					
Government securities	18.1.1	-	3,555,069	-	3,555,069
Designated available-for-sale investment securities	18.1.2	4,095,298	-	-	4,095,298
Equity securities with readily determinable fair values	18.1.3	159,269	-	-	159,269
Unquoted equity securities	18.1.4	-	29,946	-	29,946
		4,254,567	3,585,015	-	7,839,582
		5,963,584	3,613,828	-	9,577,412

Company As at 31 March 2014	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Trading assets - fair value through profit or loss					
Equity Securities	17.3	536,325	-	-	536,325
Derivative assets held for risk management	17.4	-	-	-	-
		536,325	-	-	536,325
Investment securities					
Available-for-sale investment securities					
Equity securities with readily determinable fair values	18.1.2	315,502	-	-	315,502
Unquoted equity securities	18.1.4	-	-	-	-
		315,502	-	-	315,502
		851,827	-	-	851,827

Company As at 31 March 2013	Note	Level 1 Rs. '000	Level 2 Rs. '000	Level 3 Rs. '000	Total Rs. '000
Trading assets - fair value through profit or loss					
Equity Securities	17.3	805,024	-	-	805,024
Derivative assets held for risk management	17.4	-	7,217	-	7,217
		805,024	7,217	-	812,241
Investment securities					
Available-for-sale investment securities					
Government securities	18.1.1	-	-	-	-
Equity securities with readily determinable fair values	18.1.2	388,310	-	-	388,310
Unquoted equity securities	18.1.4	-	-	-	-
		388,310	-	-	388,310
		1,193,334	7,217	-	1,200,551

50.2 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level in the fair value hierarchy into which each fair value measurement is categorised.

Group	Carrying amount Rs. '000	Fair Value Rs. '000
Assets		
Loans & receivables	9,256,647	9,268,314
Finance lease receivables, hire purchases and operating leases	36,259,242	36,307,478
Advances and other loans	54,285,641	54,362,698
Trade and other current assets - Financial assets	5,801,878	5,801,878
	105,603,408	105,740,368
Liabilities		
Deposits liabilities	49,614,880	49,693,278
Interest bearing borrowings	66,286,716	66,379,362
Trade and other payables - Financial liabilities	3,734,776	3,734,776
	119,636,372	119,807,416
Company		
Assets		
Loans & receivables	67,231	67,231
Finance lease receivables, hire purchases and operating leases	1,069	1,069
Advances and other loans	1,513,662	1,514,652
Trade and other current assets - Financial assets	2,594,220	2,594,220
	4,176,182	4,177,172
Liabilities		
Interest bearing borrowings	13,853,920	13,860,363
Trade and other payables - Financial liabilities	501,703	501,703
	14,355,623	14,362,066

For the short term receivables and payables, the fair value reasonably approximates its costs.

51 Maturity analysis of financial liabilities

51.1 Group

	Note	Carrying amount Rs. '000	less than one month Rs. '000	1-3 months Rs. '000	4-12 months Rs. '000	13-60 months Rs. '000	> 60 months Rs. '000
2014							
Non-derivative liabilities							
Bank overdrafts	16.2	2,934,398	1,623,628	1,310,770	-	-	-
Deposits liabilities							
Deposits from customers	36.1	49,614,880	1,235,157	15,378,114	20,276,889	12,724,720	-
Interest bearing borrowings							
Commercial papers & Promissory Notes	37	4,817,569	5,691	4,811,878	-	-	-
Short-term loans and others	37	11,883,664	3,737,500	3,303,393	4,842,771	-	-
Debentures	37	4,250,000	-	-	-	4,250,000	-
Finance lease liabilities	37.2	638,895	78	19,603	85,316	406,164	127,734
Long-term borrowings	37.3	44,696,588	1,294,570	5,600,541	9,993,598	27,807,879	-
Other current liabilities	40	3,734,776	1,413,433	2,321,343	-	-	-
Derivative liabilities	35	405,434	2,912	103,349	299,173	-	-
		122,976,204	9,312,969	32,848,991	35,497,747	45,188,763	127,734
2013							
Non-derivative liabilities							
Bank overdrafts	16.2	6,875,475	5,271,598	1,603,877	-	-	-
Deposits liabilities							
Deposits from customers	36.1	35,397,144	6,987,011	8,892,920	14,527,248	4,989,965	-
Interest bearing borrowings							
Commercial papers & Promissory Notes		2,436,039	649,113	1,487,684	299,242	-	-
Short-term loans and others		23,951,596	15,274,204	1,479,634	7,197,758	-	-
Debentures		4,241,553	-	-	-	4,241,553	-
Finance lease liabilities	37.2	578,833	6,351	22,231	76,970	334,727	138,554
Long-term borrowings	37.3	34,862,963	2,773,079	1,578,168	8,987,141	21,524,575	-
Other current liabilities	40	4,331,873	1,500,634	1,501,124	1,330,115	-	-
Derivative liabilities	35	627,652	110,162	217,975	299,515	-	-
		113,303,128	32,572,152	16,783,613	32,717,989	31,090,820	138,554

51.2 Company

	Note	Carrying amount Rs. '000	less than one month Rs. '000	1-3 months Rs. '000	4-12 months Rs. '000	13-60 months Rs. '000	> 60 months Rs. '000
2014							
Non-derivative liabilities							
Bank overdrafts	16.2	399,689	399,689	-	-	-	-
Commercial papers & Promissory Notes	37	3,879,181	-	3,897,181	-	-	-
Short-term loans and others	37	3,039,363	3,039,363	-	-	-	-
Debentures	37	4,250,000	-	-	-	4,250,000	-
Finance lease liabilities	37.2	339,815	-	17,130	81,793	240,892	-
Long-term borrowings	37.3	2,345,561	-	199,964	775,704	1,369,893	-
Other current liabilities	40	501,703	-	501,703	-	-	-
Derivative liabilities	35	6,443	2,912	3,337	194	-	-
		14,761,755	3,441,964	4,601,315	857,691	5,860,785	-
2013							
Non-derivative liabilities							
Bank overdrafts	16.2	1,374,998	1,374,998	-	-	-	-
Interest bearing borrowings							
Commercial papers & Promissory Notes	37	2,061,133	299,709	1,487,684	223,500	50,240	-
Short-term loans and others	37	6,164,522	-	6,164,522	-	-	-
Debentures	37	4,241,553	-	-	-	4,241,553	-
Finance lease liabilities	37.2	321,917	6,351	19,444	54,708	241,414	-
Long-term borrowings	37.3	5,573,499	-	165,600	2,220,166	3,085,822	101,911
Other current liabilities	40	365,366	-	365,366	-	-	-
Derivative liabilities	35	125,204	-	106,220	18,984	-	-
		20,228,192	1,681,058	8,308,836	2,517,358	7,619,029	101,911

52 Operating Segments

	Financial Services Rs. '000	Insurance Rs. '000	Trading Rs. '000	Leisure Rs. '000	Plantation Rs. '000	Power & Energy Rs. '000	Others / Adj Rs. '000	Total Rs. '000
2013/14								
Gross income	30,319,104	2,246,279	11,826,671	1,333,855	3,388,595	38,642	(4,145,368)	45,007,778
Net Interest Cost	(15,513,011)	(19,506)	(1,101,657)	(350,906)	(126,911)	(62,823)	765,867	(16,408,947)
Cost of Sales	-	-	(7,251,424)	(217,876)	(810,840)	(5,344)	39,800	(8,245,684)
Profit before Operating Expenses	14,806,093	2,226,773	3,473,590	765,073	2,450,844	(29,525)	(3,339,701)	20,353,147
Operating Expenses	(10,672,834)	(2,144,415)	(2,931,870)	(1,100,034)	(2,437,768)	(129,635)	1,507,596	(17,908,960)
Results from Operating Expenses	4,133,259	82,358	541,720	(334,961)	13,076	(159,160)	(1,832,105)	2,444,187
Gain on disposal of subsidiaries	-	-	-	-	-	-	79,845	79,845
Share of Profit from Associate Companies	-	-	-	-	-	-	1,497,381	1,497,381
Gains on bargain purchases	-	-	-	-	-	-	493,586	493,586
Profit Before Taxation	4,133,259	82,358	541,720	(334,961)	13,076	(159,160)	238,707	4,514,999
2012/13								
Gross income	26,145,084	1,181,800	13,745,710	1,349,411	3,508,743	45,737	(3,585,310)	42,391,175
Net Interest Cost	(14,624,969)	-	(1,236,472)	(231,654)	(109,594)	(43,212)	1,718,243	(14,527,658)
Cost of Sales	-	-	(10,202,737)	(215,740)	(729,828)	(7,236)	433,625	(10,721,916)
Profit before Operating Expenses	11,520,115	1,181,800	2,306,501	902,017	2,669,321	(4,711)	(1,433,442)	17,141,601
Operating Expenses	(8,121,128)	(1,155,009)	(2,158,656)	(1,805,862)	(2,203,015)	(142,814)	403,982	(15,182,502)
Results from Operating Expenses	3,398,987	26,791	147,845	(903,845)	466,306	(147,525)	(1,029,460)	1,959,099
Share of Profit from Associate Companies	-	-	-	-	-	-	246,129	246,129
Gains on bargain purchases	-	-	-	-	-	-	1,500,943	1,500,943
Profit Before Taxation	3,398,987	26,791	147,845	(903,845)	466,306	(147,525)	717,612	3,706,171
2013/14								
Depreciation and Amortization	374,252	29,276	186,993	188,615	88,106	41,347	63,660	972,249
Net impairment loss on financial assets	3,494,439	-	(3,920)	-	-	-	-	3,490,519
2012/13								
Depreciation and Amortization	623,364	11,062	237,318	964,991	85,371	49,330	8,337	1,979,773
Net impairment loss on financial assets	2,033,888	-	13,058	-	-	-	43,436	2,090,382
As at 31 March 2014								
Total Assets	146,386,740	2,508,779	20,690,139	20,562,490	9,375,827	905,934	(24,886,741)	175,543,168
Total Liabilities	114,230,297	1,762,193	8,999,447	6,296,755	3,125,346	666,031	(4,391,163)	130,688,906
As at 31 March 2013								
Total Assets	137,568,611	1,930,328	28,762,849	16,565,576	9,177,230	888,292	(31,911,355)	162,981,531
Total Liabilities	118,658,957	1,343,972	14,255,792	3,130,938	2,817,362	407,913	(21,006,161)	119,608,773

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 counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers.

The Group exposure to the credit risk is mainly derived from financial sector companies as the sector engage primarily in providing financing facilities to its customers. The Credit risk is managed by evaluating the credit worthiness and by periodical review on the credit granted.

Management of credit risk

The Board of Directors of each financial sector Company has delegated responsibility for the oversight of credit risk to its Credit Committee. A separate Credit department, reporting to each Credit Committees, is responsible for management of the Financial sector Companies' credit risk, including:

1. Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.

2. Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit Credit Officers. Larger facilities require approval by Group Credit, Head of Group Credit, Credit Committee or the board of directors as appropriate.

3. Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subjected to the same review process.

4. Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports on the credit quality of local portfolios are provided to Group Credit who may require appropriate corrective action to be taken.

5. Providing advice, guidance and specialist skills to business units to promote best practice throughout the financial sector in the management of credit risk.

Impaired facilities and loans

Individually impaired loans and securities are loans and advances for which each financial sector Company determines that there is objective evidence of impairment and it does not expect to collect all principal and interest due according to the contractual terms of the loan/investment security agreement(s).

Past due but not impaired loans and investment debt securities

Past due but not impaired loans and investment debt securities, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but each financial sector Company believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to each Company.

The following table shows the overdue amounts for the financial assets categories.

	Group		Company	
	Neither past due nor impaired	Overdue	Neither past due nor impaired	Overdue
Cash in hand and favourable bank balances	5,362,900	-	94,205	-
Trading assets - fair value through profit or loss	1,017,080	-	536,325	-
Investment securities	16,288,214	-	382,733	-
Loan portfolio	57,409,933	33,134,950	1,514,731	102,947
Trade and other current assets	5,801,878	-	2,594,220	-

Impairment losses related to each of the above asset classes are shown in note 9 to these financial statements.

The following table shows the maximum exposure and net exposure to credit quality by class of financial assets.

	Group		Company	
	Gross exposure Rs. '000	Net exposure Rs. '000	Gross exposure Rs. '000	Net exposure Rs. '000
Cash in hand and favourable bank balances	5,362,900	5,362,900	94,205	94,205
Trading assets - fair value through profit or loss	1,017,080	1,017,080	536,325	536,325
Investment securities	16,288,214	10,799,739	382,733	382,733
Loan portfolio	90,544,883	51,855,108	1,514,731	319,019
Trade and other current assets	5,801,878	5,801,878	2,594,220	2,594,220

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 amortized 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 amortized 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 standardized loans, write-off decisions generally are based on a product-specific past due status.

Each financial sector Company holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

Trade & Other Receivables

Each group of Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for each group of Company's similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics of the portfolio.

2 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's entities.

For the financial sector companies, a Central Treasury manages the liquidity risk for financial sector. Central Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. Central Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to customers and other inter-group facilities, to ensure that sufficient liquidity is maintained within the financial sector as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Central Treasury to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

When a financial sector subsidiary is subject to a liquidity limit imposed by its local regulator, the subsidiary is responsible for managing its overall liquidity within the regulatory limit in co-ordination with central Treasury.

The financial sector relies on deposits from customers and issued debt securities and borrowings as its primary sources of funding. While the Group's debt securities have maturities of over one year, deposits from customers generally have shorter maturities and a large proportion of them are repayable on demand. The short-term nature of these deposits increases the financial sector's liquidity risk and the sector actively manages this risk through maintaining competitive pricing and constant monitoring of market trends.

Maturity analysis for financial liabilities

Note 51 to these financial statements shows the discounted cash flows on the Company's non-derivative financial liabilities on the basis of their earliest possible contractual maturity.

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents and investment securities for which there an active and liquid market is available.

3 Market Risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Overall non-trading interest rate risk positions are managed by Financial sector's Central Treasury, which uses investment securities, advances to customers, deposits from customers and derivative instruments to manage the overall position arising from the Group's market based activities.

The management of interest rate risk against interest rate gap limits is supplemented by monitoring the sensitivity of the Company's financial assets and liabilities to various standard and non-standard interest rate scenarios. An analysis of the Company's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, is as follows;

Sensitivity of projected	net interest income		reported equity	
Group	1% parallel increase Rs. '000	1% parallel decrease Rs. '000	1% parallel increase Rs. '000	1% parallel decrease Rs. '000
For the year ended 31 March 2014	265,041	(265,041)	206,732	(206,732)

Sensitivity of projected	net interest income		reported equity	
Company	1% parallel increase Rs. '000	1% parallel decrease Rs. '000	1% parallel increase Rs. '000	1% parallel decrease Rs. '000
For the year ended 31 March 2014	91,656	(91,656)	71,492	(71,492)

54 Change in classification

The Group reclassified certain prior year figures in the statement of comprehensive income and the statement of financial position as described below;

Statement of financial position		Group			Company		
As at 31 March 2013		Prior classification	Re-classification	2013 Re-classified	Prior classification	Re-classification	2013 Re-classified
Assets							
Trading assets - fair value through profit or loss	54.1	1,709,016	28,814	1,737,830	805,024	(7,217)	812,241
Investment securities		13,174,024	(28,814)	13,145,210	494,336	7,217	487,119
Total assets		14,883,040	-	14,883,040	1,299,360	-	1,299,360
Liabilities and equity							
Liabilities							
Deposits liabilities	54.2	34,277,706	1,119,438	35,397,144	-	-	-
Interest bearing borrowings	54.2	65,341,521	729,463	66,070,984	18,006,102	356,522	18,362,624
Current tax payables	54.3	925,103	58,873	983,976	73,524	58,873	132,397
Trade and other payables		7,071,825	(1,907,774)	5,164,051	842,083	(415,395)	426,688
Total liabilities		107,616,155	-	107,616,155	18,921,709	-	18,921,709

54.1 Reclassification of derivative assets to trading assets category from investment securities.

54.2 Reclassification of interest payable on borrowing and deposits to their respective categories as required by amortized cost.

54.3 Reclassification of current tax payable, previously classified under trade and other payables.

Statement of comprehensive income		Group		
For the year ended 31 March2013	Note	Prior classification Rs.'000	Re-classification Rs.'000	2013 Re-classified Rs.'000
Other income/(expenses)	54.4	1,602,341	909,809	2,512,150
Change in fair value of investment properties		909,809	(909,809)	-
Results from operating activities		2,512,150	-	2,512,150

54.4 Reclassification on fair value gain on investment properties, which was previously shown as a separate item in the profit or loss.

Supplementary Information

Property Details of the Company

Details of Land & Building of Company

	Address	Land Extent	Building Extent	Cost		Accumulated Depreciation	Last Valuation		Carrying Amount	
				Land	Building		Land	Building	2014	2013
		A-R-P	Sq. Ft.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1	No. 100/1, Sri Jayawardenapura Mawatha, Rajagiriya	1A-0R-04.86P	57,250	535,795	149,205	11,201	741,870	409,130	1,151,000	677,530
2	No. 100 A, Sri Jayawardenapura Mawatha, Rajagiriya	0A-2R-20.00P	-	245,000	-	-	375,000	-	375,000	245,000
3	No. 25/7, Wimalawatta Road, Mirihana, Nugegoda	0A-0R-33.40P	-	20,000	-	-	30,000	-	30,000	20,000
4	No. 103, Sri Jayawardenapura Mawatha, Rajagiriya	0A-1R-12.50P	-	166,399	-	-	236,000	-	236,000	166,399
5	No. 28A, Badulla Road, Nuwara Eliya	0A-0R-21.03P	5,426	56,974	57,425	4,999	33,648	41,352	75,000	110,836
6	No. 62/40, Stanly Road, Jaffna	0A-0R-37.31P	-	64,630	-	-	112,000	-	112,000	64,630
7	No. 241 A, Maithreepala Senanayake Mawatha, Anuradhapua	0A-0R-13.01P	-	18,130	-	-	26,000	-	26,000	18,130
8	No. 240, Moragahayata, Colombo Road, Ratnapura	0A-0R-15.80P	10,173	20,919	8,400	715	20,540	36,460	57,000	28,814
9	No. 1163/A, Cotta Road, Rajagiriya	0A-0R-08.70P	8,750	34,546	38,253	2,631	35,000	52,000	87,000	71,124
10	Boralukanda, Athabendiwewa Road, Thalakiriyagama	2A-3R-15P	440	2,647	-	-	12,877	2,123	15,000	2,647
11	No.156, Kolonnawa Road, Gothatuwa	1A-1R-33.71P	39,940	60,000	-	-	210,339	107,661	318,000	-
12	No.246/56, Kandy Road, Eldeniya, Kadawatha	0A-0R-23.37P	1,830	7,292	-	-	9,932	3,568	13,500	-
				1,232,332	253,283	19,545	1,843,206	652,294	2,495,500	1,405,109

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.

Ten Year Summary

For the year ended 31st March (Rs. '000)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Group										
Operating Results										
Revenue	-	-	-	-	3,495,607	3,571,367	15,531,630	16,849,174	16,988,149	14,081,434
Cost of sales	-	-	-	-	(2,993,076)	(2,869,272)	(9,911,222)	(10,958,288)	(10,721,916)	(8,245,684)
Income	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	27,571,520
Other income/(expenses)	121,410	55,571	207,675	313,376	282,660	1,388,560	5,003,070	662,714	2,512,150	3,354,824
Interest costs	(617,597)	(895,570)	(1,787,751)	(3,403,965)	(6,441,182)	(6,178,137)	(6,504,682)	(9,345,806)	(14,527,658)	(16,408,947)
Profit before operating expenses	1,433,832	1,746,503	2,370,675	2,844,183	4,187,463	5,854,422	16,090,066	15,228,660	17,141,601	20,353,147
Other operating expenses	(855,600)	(1,037,153)	(1,372,936)	(1,880,700)	(3,080,622)	(4,386,721)	(8,373,770)	(11,345,046)	(15,182,502)	(17,908,960)
Results from operating activities	578,232	709,350	997,739	963,483	1,106,841	1,467,701	7,716,296	3,883,615	1,959,099	2,444,187
Negative goodwill	(6,429)	-	-	131,293	-	1,423,837	271,911	2,914,536	1,500,943	493,586
Profit/(loss) on disposal of subsidiaries and associates	-	-	-	-	-	(167,088)	-	-	-	79,845
Share of profit of associate companies	-	-	-	88,277	140,458	116,337	178,522	269,649	246,129	1,497,381
Profit before tax	571,803	709,350	997,739	1,183,053	1,247,299	2,840,787	8,166,729	7,067,801	3,706,171	4,514,999
Income tax expense	3,553	(20,762)	52,443	160,443	(192,122)	(455,382)	(1,259,279)	(1,364,033)	(1,153,884)	(1,407,093)
Net profit after tax	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	3,107,906
As at 31 March										
Assets										
Net lending portfolio	7,173,915	11,123,245	16,103,706	21,434,958	32,697,993	35,084,686	58,416,332	79,353,502	88,118,116	90,994,472
Total assets	10,706,443	16,226,692	24,483,950	32,994,258	46,287,066	75,371,319	113,070,643	145,204,176	162,981,531	175,543,168
Liabilities										
Total liabilities	8,342,029	13,295,525	20,659,031	27,816,389	40,195,588	55,631,672	78,255,809	101,990,824	119,608,773	130,688,906
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	1,863,134	2,424,847	3,309,657	4,649,019	5,536,270	7,428,554	12,581,747	19,093,875	20,413,040	22,426,917
Minority interest	26,080	31,120	40,062	53,650	80,008	11,553,927	21,757,886	23,644,277	22,484,518	21,952,145
Shareholders' funds	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	44,854,262
Investor Ratios										
Return on assets (%)	6	5	5	5	3	4	8	4	2	2
Return on equity (%)	27	26	31	30	19	26	37	39	6	7
Other Information										
No. of branches	12	16	18	22	26	48	73	80	80	87
No. of LIOC/mini branches	-	-	-	10	14	13	22	25	25	36
No. of service centres	-	-	-	-	11	36	81	87	87	11
No. of subsidiary companies	7	8	8	9	9	41	48	66	84	69
No. of associate companies	-	-	-	2	2	7	7	9	10	13
No. of joint ventures	-	-	-	1	1	15	18	18	19	18

Ten Year Summary

For the year ended 31st March (Rs. '000)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Company										
Gross income	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	2,111,378
Other income/(expenses)	145,294	93,449	291,840	261,254	71,445	1,022,138	2,832,627	4,544,494	1,141,958	3,349,180
Interest costs	(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)	(2,720,484)
Profit before operating expenses	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	2,740,074
Other operating expenses	(617,719)	(621,628)	(972,865)	(1,408,840)	(1,910,159)	(2,162,578)	(2,062,356)	(1,917,994)	(1,151,579)	(2,051,032)
Results from operating activities	562,229	676,713	910,204	841,336	582,120	491,127	1,897,989	3,071,718	67,902	689,042
Profit before tax	562,229	676,713	910,204	841,336	582,120	491,127	1,897,989	3,071,718	67,902	689,042
Income tax expense	-	(12,701)	76,390	217,901	(76,532)	(164,187)	(374,646)	(94,464)	(33,718)	5,218
Net profit after tax	562,229	664,012	986,594	1,059,237	505,588	326,940	1,523,343	2,977,254	34,184	694,260
As at 31 March										
Assets										
Total assets	8,746,741	13,297,988	20,888,694	28,996,068	31,335,180	29,737,969	54,212,952	58,028,455	53,239,340	49,254,147
Liabilities										
Total liabilities	6,438,611	10,447,735	17,194,407	24,233,931	26,233,467	24,309,315	23,602,917	24,776,791	20,518,752	15,124,870
Shareholders' Funds										
Share capital & reserves										
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	1,832,930	2,375,053	3,219,087	4,286,937	4,626,513	4,953,454	30,134,835	32,776,464	32,245,388	33,654,077
Shareholders' funds	2,308,130	2,850,253	3,694,287	4,762,137	5,101,713	5,428,654	30,610,035	33,251,664	32,720,588	34,129,277
Investor Ratios										
Gross dividends	110,009	142,560	71,280	106,920	133,056	-	-	-	237,600	-
Total assets to shareholders' funds (times)	4	5	6	6	6	5	2	2	2	1
Return on assets (%)	7	6	6	4	2	1	4	5	0.06	1.35
Return on equity (%)	27	26	30	25	10	6	24	9	0.10	2.08
Other Information										
No. of employees	269	346	414	521	664	787	848	948	1007	1075

Summarised Quarterly Statistics

	2013/14				2012/13			
Company								
Income Statement (Rs.'000)								
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Gross income	538,242	616,579	493,606	462,951	615,599	436,459	309,947	2,179,665
Other income/(expenses)	417,522	219,531	839,929	1,872,198	547,391	721,762	409,317	(536,512)
Interest costs	(800,816)	(636,996)	(661,981)	(620,691)	(802,479)	(861,367)	(834,537)	(965,764)
Profit before operating expenses	154,948	199,114	671,554	1,714,458	360,511	296,854	(115,273)	677,389
Other operating expenses	(140,268)	(175,336)	(137,364)	(1,598,064)	(248,044)	(214,945)	(360,262)	(328,328)
Results from operating activities	14,680	23,778	534,190	116,394	112,467	81,909	(475,535)	349,061
Income tax expense	-	-	(34,510)	39,728	(16,657)	(21,520)	91,272	(86,813)
Net profit after tax	14,680	23,778	499,680	156,122	95,810	60,389	(384,263)	262,248
Balance Sheets (Rs.'000)								
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Assets	55,674,392	54,340,463	52,986,009	49,254,147	59,168,350	57,364,285	56,488,762	53,239,341
Liabilities	22,938,216	21,717,629	19,761,451	15,124,870	25,616,766	24,044,766	23,812,424	20,518,753
Net assets	32,736,176	32,622,834	33,224,558	34,129,277	33,551,584	33,319,519	32,676,338	32,720,587
Share capital & reserves	32,736,176	32,622,834	33,224,558	34,129,277	33,551,584	33,319,519	32,676,338	32,720,587
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	32,260,976	32,147,634	32,749,358	33,654,077	33,076,384	32,844,319	32,201,138	32,245,387
Group								
Income Statement (Rs.'000)								
For the 3 months ended	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Revenue	3,767,649	4,309,355	3,627,170	2,377,260	4,366,353	4,582,481	5,146,156	2,893,159
Cost of sales	(2,731,132)	(2,524,453)	(2,075,538)	(914,561)	(3,148,193)	(3,097,157)	(3,376,849)	(1,099,717)
Income	6,381,828	6,038,901	6,513,520	8,637,271	5,188,933	4,700,632	5,111,706	7,889,605
Other income/(expenses)	957,242	694,092	228,661	1,474,829	90,322	1,672,863	(397,323)	1,146,288
Interest costs	(4,244,654)	(4,010,862)	(4,203,343)	(3,950,088)	(3,015,834)	(3,495,306)	(4,016,892)	(3,999,626)
Profit before operating expenses	4,130,933	4,507,033	4,090,470	7,624,711	3,481,581	4,363,513	2,466,798	6,829,709
Other operating expenses	(3,436,728)	(4,203,433)	(3,048,227)	(7,220,572)	(2,661,674)	(2,799,304)	(3,827,374)	(5,894,150)
Results from operating activities	694,205	303,600	1,042,243	404,139	819,907	1,564,209	(1,360,576)	935,559
Negative goodwill	50,343	82,345	72,785	288,113	-	-	1,330,061	170,882
Profit/(Loss) on disposal of subsidiaries and associates	-	-	6,649	73,196	-	-	-	-
Share of profit of associate companies	189,883	389,144	217,036	701,318	66,070	48,780	56,154	75,125
Profit before tax	934,431	775,089	1,338,713	1,466,766	885,977	1,612,989	25,639	1,181,566
Income tax expense	(240,492)	(436,174)	(384,684)	(345,743)	(345,756)	(388,183)	(186,214)	(233,731)
Net profit after tax	693,939	338,915	954,029	1,121,023	540,221	1,224,806	(160,575)	947,835
Balance Sheets (Rs.'000)								
As at	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	31-Mar
Assets	170,576,167	173,519,549	174,008,741	175,543,168	147,757,701	149,910,300	159,333,444	162,981,531
Liabilities	127,092,270	130,173,985	132,266,848	130,688,906	104,300,623	105,651,370	115,759,463	119,608,773
Net assets	43,483,897	43,345,564	41,741,893	44,854,262	43,457,078	44,258,930	43,573,981	43,372,758
Share capital,reserves & minority interest	43,483,897	43,345,564	41,741,893	44,854,262	43,457,078	44,258,930	43,573,981	43,372,758
Share capital	475,200	475,200	475,200	475,200	475,200	475,200	475,200	475,200
Reserves	20,259,550	20,744,557	19,465,210	22,426,917	19,623,983	20,374,736	19,929,770	20,413,040
Minority interest	22,749,147	22,125,807	21,801,483	21,952,145	23,357,895	23,408,994	23,169,011	22,484,518

Value Addition

	2013/14 (Rs.)	(%)	2012/13 (Rs.)	(%)
GROUP				
Value added				
Income	33,407,270		29,157,110	
Other income	3,354,824		1,602,341	
Cost of borrowing and services	(31,186,851)		(24,012,459)	
Provisions	3,490,519		2,090,382	
Goodwill on consolidation	493,586		1,500,945	
Gain on disposal of subsidiaries	79,845		-	
Share of profits of associate companies	1,497,381		246,129	
Value added tax	1,761,725		820,870	
	12,898,299		11,405,317	
Distribution of Value added				
To Employees	**5,649,326**	**44**	**4,898,502**	**43**
Remuneration and other benefits	5,649,326		4,898,502	
To Government	3,168,818	25	1,974,754	17
Indirect taxes	1,761,725		820,870	
Direct taxes	1,407,093		1,153,884	
To Providers of Capital	1,592,139	12	893,869	9
Dividends to shareholders	-		237,600	
Minority interest	1,592,139		656,269	
Reserves	-		-	
To Expansion and Growth	2,488,016	19	3,638,192	32
Retained profits	1,515,767		1,658,418	
Depreciation and amortisation	972,249		1,979,774	
	12,898,299	100	11,405,317	100

	2013/14 (Rs.)	(%)	2012/13 (Rs.)	(%)
COMPANY				
Value added				
Income	2,111,378		3,541,670	
Other income	3,349,180		1,141,958	
Cost of borrowing and services	(4,261,384)		(3,968,605)	
Provisions	(72,392)		54,256	
Value added tax	259,500		143,688	
	1,386,282		912,967	
Distribution of Value added				
To Employees	129,311	9	141,523	16
Remuneration and other benefits	129,311		141,523	
To Government	254,282	18	177,406	19
Indirect taxes	259,500		143,688	
Direct taxes	(5,218)		33,718	
To Providers of Capital	-	-	-	-
Dividends to shareholders	-		-	
Reserves	-		-	
To Expansion and Growth	1,002,689	72	594,038	65
Retained profits	694,260		34,184	
Depreciation and amortisation	308,429		559,854	
	1,386,282	100	912,967	100

Milestones

1992

- Launched its first subsidiary - LOFAC

1995

- First branch office opened in Kandy
- Negotiated the first long-term Rupee loan from FMO

1996

- The first to extend Dollar denominated leases to BOI companies

1997

- The first to introduce export factoring through LOFAC
- Branch office opened in Matara

1998

- Branch offices opened in Badulla and Ratnapura

1999

- LOFAC enters into strategic alliance with Dunn and Bradstreet
- Branch office opened in Anuradhapura
- Launched its insurance subsidiary, LOIB

2000

- Negotiated the second tranche of long-term Rupee loan from FMO
- Branch office opened in Kochchikade

2001

- Launched its finance subsidiary - LOFC
- Branch offices opened in Kurunegala and Kalutara

2002

- The first leasing company to be recognised as a Participating Financial Institution for the Indian Line of Credit
- Branch office opened in Galle

2003

- Received the first US Dollar long-term Loan from OPEC Fund
- The first to win the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka
- Negotiated the third tranche of longterm Rupee loan from FMO
- Branch offices opened in NuwaraEliya and Kiribathgoda

2004

- Entered into stock broking through LOSEC
- Launched LOITS, the Information Technology arm
- The first to win the 'Non-Banking Sector Award' at the South Asian Federation of Accountants (SAFA) for Best Presented Accounts Competition
- Branch office opened in Gampaha

2005

- The first Leasing Company to be ranked among the Top 10 Brands by Sting Consultants Brand Power Index
- Launched LOPD, the project development subsidiary
- LOLC cricket team emerged Mercantile 'C' Division Champions
- Negotiated the second tranche of longterm US Dollar Loan from OPEC Fund
- Negotiated the fourth tranche of long-term Rupee loan from FMO
- Negotiated the long-term US Dollar Loan from Praparco
- Branch offices opened in Kegalle, Embilipitiya and Polonnaruwa

2006

- Negotiated the long-term US Dollar Loan from DEG
- Negotiated the long-term US Dollar Loan from OPEC Fund
- Branch office opened in Wattala
- The first Regional Expansion to Cambodia through 18% holding of PRASAC
- First to introduce a branded product 'Guardian' range from an insurance broker through LOIB
- Won the Leasing Category 'Award for Excellence in Annual Reports and Accounts' conducted by The Institute of Chartered Accountants of Sri Lanka for 2005/06

2007

- Branch offices opened in Chilaw and Mahiyangana
- Ranked among the Top 50 brands by Super Brands
- Launched the New Strategic Plan for the Company and its Subsidiaries
- Opened the first Hospital Savings Centre in Oasis
- Opened the first Student Savings Centre at Royal College - Polonnaruwa
- LOFC operations expanded to Wattala, Kegalle, Mahiyangana, Mount Lavinia and Chilaw

- LOPD received Cabinet sub-committee approval for the project on Off-Shore Sand Mining, Washing, Sieving and Grading to supply construction and related industries
- Signed up with LIOC to establish LOLC sub-branches at LIOC filling stations
- LIOC Centres opened in Morawaka and Trincomalee
- Set up the Islamic BU with an in-house Shari'ah Supervisory Board
- Dairy farmer loans, cultivation loans, business set up loans and skills enable loans were introduced
- Partnered with GTZ for capacity building of the microfinance staff, setting up low cost branch network and development of a microbanking system

2008

- Launched a lottery for customers with a house as the prize
- Launched Western Union Money transfer services at LOLC branches
- Entered into a joint venture agreement with Agri Tec for manufacture of precipitated silica and allied products using rice husk ash
- LIOC Centres opened in Pilimathalawa, Seeduwa, Aluthgama, Kadawata, Ambalangoda, Debarawewa, Beliatta and Talawakelle
- Won Bronze Award at Effie Awards 2008 in the Financial Services/ Products Category
- Spin-off of Micro Finance Business Unit as LOLC Micro Credit Ltd. (LOMC) together with FMO
- LOLC Micro Credit Ltd. was appointed as the only representative from the private sector to the Micro Finance Steering Committee appointed by the Department of Development Finance attached to Ministry of Finance and Planning
- Won the International Assets and Liability Management competition held by FMO and DEG
- Joined with Sri Lanka Post to open up Isuru Diriya Centres at post offices and sub-post offices

2009

- Opened 40 Service Centres in Post Offices around the country consequent to the agreement with Sri Lanka Post to offer products of LOLC Micro Credit Ltd. to the rural community
- Opened branches in Jaffna, Ampara, Batticaloa, Vavuniya and Trincomalee, thereby making our services available to the Northern and Eastern Regions of the country
- Opened the first dedicated Shari'ah finance branches in Kathankudi, Oddamavadi and Kalmunai.
- Selected as the Winner of the Specialised Banking and Finance Category at the National Business Excellence Awards
- Received BOI status for Lanka ORIX Information Technology Services Ltd. (LOITS - the IT arm)
- IT arm, Lanka ORIX Information Technology Services Ltd. earns 'ISO/ IEC 27001:2005' certification for its enterprise data and software development functions
- Ranked amongst the Top 20 Brands in Sri Lanka by Brand Finance Lanka
- Won Best Annual Report Award and a Merit Award for Best Website from ADFIAP (Association of Development Finance Institutions in Asia and the Pacific)
- Won the Silver Award at the Sri Lankan HR Awards 2010 organised by the Association of HR Professionals Sri Lanka together with the Hewitt Associates, India Milestones
- LOLC Micro Credit Ltd. (LOMC) received a total of $14 Mn from Symbiotics and Three Triodos Funds to expand Microfinance Operations in Sri Lanka
- Lanka ORIX Finance Company Ltd. started to transact in international financial markets via SWIFT
- Received a USD 5.0 Mn guarantee facility from USAID
- Invested in United Dendro Energy (Pvt) Ltd. through LOLC Eco Solutions Ltd.

2010

- Opened 29 Service Centres in Post Offices around the country
- Opened branches in Avissawella, Pettah, Moneragala, Trincomalee, Matugama, Homagama, Nawalapitiya, Kohuwala, Hatton, Ambalangoda and Elpitiya
- Acquisition of Confifi Hotel Holdings PLC, Riverina Hotels PLC and Tropical Villas (Pvt) Ltd.
- National Business Excellence Awards 2010 - conducted by the National Chamber of Commerce, Sri Lanka - Gold Award for 'Diversified Group of Companies Sector', Silver Award for Best 'Capacity Builder' and Bronze Award for 'Extra Large Sector'. LOLC Leisure Ltd. was awarded Silver for 'Hospitality' for Eden Resorts and Spa.

- IT arm - Lanka ORIX Information Technology Services Ltd. (LOITS) earns re-certification for its conformance with the ISO/IEC 27001:2005, covering 'The Management of Information Security for Providing IT Services at Enterprise Data Center'
- LOITS was the only winner in the category of programme and application security at the ISACA Security Awards last year
- Investments made in Sierra Holdings, Sierra Constructions and Agstar Fertilizers
- Received a long-term loan from Symbiotics
- Received a long-term loan from Triple Jump
- Received a long-term loan from Minlam
- Received a long-term loan from Praparco
- Received a long-term loan from Triodos
- Most Outstanding Financial Performer 2010/11 in the Global ORIX Network
- Top 20 Most Valuable Stocks in the Colombo Bourse

2011

- Excellent Performance in the Overseas Operations Category for FY 2012 in the Global ORIX Network
- LOLC won the Achievement Award for Governance, Risk Management and Compliance (GRC) from the Open Compliance and Ethics Group (OCEG), USA
- First Money Exchange Outlet opened in Matara
- Launch of eZ pay services
- LOLC Micro Credit (LOMC) became the largest agriculture implement financier in Sri Lanka with an excess of over 100,000 customer base
- Commencement of operations of LOLC Insurance Co. Ltd.
- Formation of LOLC Securities Ltd.
- Formation of LOLC Motors and authorised distributors for FIAT in Sri Lanka
- The LOLC team won the Mercantile Basketball Championship in their respective division
- The LOLC Badminton team were placed second at the Mercantile Badminton Team Championships for 2011
- LOLC obtained the consent of the Central Bank of Sri Lanka (CBSL) to relinquish its leasing license from April 2011 and LOLC consolidated its position as a Holding Company
- LOFC obtained CBSL approval to list on the CSE and was renamed as Lanka ORIX Finance PLC
- LOLC Leisure acquires 100% ownership of Dickwella Resort & Spa
- LOFC became one of the largest deposit base holders in the Registered Finance Company sector
- LOLC was awarded the Most Outstanding Financial Performer 2010/11 in the global ORIX network, by the ORIX Corporation of Japan
- LOLC Annual Report 2010/11 won Gold at the ARC Awards 2011 and won the Grand Prize in its category
- LOLC Annual Report 2010/11 won Gold at the League of American Communications Professionals (LACP) Vision Awards 2010 in the 'Conglomerates and Holding Companies' category
- LOLC Annual Report 2010/11 wins the ADFIAP Awards 2012 for 'Best Annual Report' in the Special Awards category
- 2010 Annual Report of Al-Falaah - the Islamic Business Unit of LOFC, won Bronze at the League of American Communications Professionals (LACP) Vision Awards 2011
- LOLC becomes the Overall Silver Winner; Winner for Best 'Capacity Builder'; First Runner-up for 'Extra Large Sector' and Runners-up for 'Diversified Group of Companies' and 'Excellence in Business & Financial Performance' at the National Business Excellence Awards 2010/11
- Eden Resort & Spa of LOLC Leisure Ltd. was awarded Runners-up in the 'Hospitality' category at the National Business Excellence Awards 2010/11
- Eden Resort & Spa won an overall 36 medals at the 14th Culinary Art 2011 organised by the Chefs Guild of Sri Lanka and was also placed 7th in the overall ranking amongst 211 hotels and other catering establishments in Sri Lanka
- Eden Resort & Spa received the ISO 9001:2008+HACCP certificate for an additional period of 3 years, effective from January 2012
- LOLC was ranked among Business Today's Top 20 Corporates of Sri Lanka 2011

- LOLC's Brand was listed among the Most Valuable Brands of 2011 by Brand Finance Lanka
- LOLC was ranked among LMD's Top 50 Listed Companies of Sri Lanka
- LOLC became the Top 20 Most Valuable Stocks/Companies in the Colombo Bourse 2011
- LOLC was placed among the Top 20 Most Respected Entities in Sri Lanka 2010/11
- During the FY, a total of 36 service points were opened across the island
- LOLC records highest ever profits of Rs. 10.3Bn PBT

2012

- LOLC, Lanka ORIX Finance and Commercial Leasing & Finance were independently assigned Issuer Rating of '[SL] A-'with stable outlook by ICRA Lanka Ltd.
- LOLC Micro Credit secures the largest micro finance syndicated loan of USD 55.5Mn in Sri Lanka
- LOLC was awarded the Best Financial Services Provider at SLIM – Nielsen Peoples Awards 2013
- LOLC ranks 5th top corporate at Business Today Top 25 Awards 2012
- LOLC amongst LMD's top 100 leading listed companies of Sri Lanka
- LOLC amongst Sri Lanka's Leading Brands for 2012 by Brands Finance
- ICRA Lanka assigns [SL]A- with stable outlook to the Rs 1.25 Bn unsecured debenture programmes of LOLC
- Newly constructed LOLC CARE Child Development Centre was opened.
- Eden Resort & Spa emerged Runners-up (Large Category) at the National Business Excellence Awards 2012
- Eden Resort & Spa becomes the only leisure brand honoured with a National Level Merit Award (National Level Extra Large category -Services sector) at the CNCI Achiever Award 2012 organized by The Ceylon National Chamber of Industries.
- Eden Resort & Spa wins Gold for Sri Lanka at the World Culinary Olympics 2012, wins Travelers' Choice 2013 award and receives Certificate of Excellence by Tripadvisor for 2012
- Al-Falaah opens first Shari'ah Compliant Student Savings Centre in Sri Lanka
- Al-Falaah opens 5th branch in Akkaraipattu.
- Al-Falaah renews identity of Al-Falaah Junior Minor Savings Account
- Al-Falaah wins Gold for 'Financial services – General' Summary Annual Review Category at the 2012 ARC International Annual Report Awards and wins 2 bronze awards for 'Written Text and Printing & Production", and 2 Honors awards for 'Cover / Photo Design and Interior Design' for the 2010/11 Annual review 'Values Generate Value'.
- Al-Falaah wins Silver Award in the "Financials – Diversified Services" category at the 2011 League of American Communications Professionals (LACP) Vision Awards and is placed among the Top 25 Sri Lankan Annual Reports for the year in review.
- Lanka ORIX Finance expands foot print to North & East with new branches opened in Mannar, Mullaitivu, Nelliady, Chunnakam and Chavakachcheri.
- Branches were also opened in Dehiattakandiya, Medawachchiya, Aralaganwila, Nikaweratiya, JaEla, Balangoda, Kekirawa and Tissamaharama.

2013

- Al-Falaah Ladies launch "Empress" the first ever discount card for ladies.
- LOLC lays foundation stone for new regional office in Anuradhapura.
- LOLC Micro Credit becomes the first ever Sri Lankan Micro Finance Institute to receive certification on Client Protection.
- LOLC Technologies achieves ISO/IEC 20000: 2011 certification.
- LOFC introduces product extensions and benefits for "Speed Draft".
- LOLC wins the first ever Gold at SLITAD People Development Award.
- LOLC Insurance launches new life products.
- LOLC wins accolades at the SLIBFI Awards 2013.
- Al-Falaah's Annual Report "Choice" wins Gold.
- Eden Resort & Spa wins awards at CNCI Achiever Awards 2013.
- LOLC, LOMC & CLC among the Top 5 Best Companies to work in Sri Lanka.
- Al-Falaah Ladies launched.
- BRAC & LOLC acquires Nanda Investments.
- LOLC ranked among Business Today's Top 25 Corporates for the year 2013.
- LOFC & CLC ranked among LMD's 100 Leading Listed Companies of Sri Lanka.
- LOLC & CLC among the Brand Annual's most valuable brands.
- New branches were opened in Ambalantota and Matale.

Group Companies/Directors

Company Name	Directors
LOLC Micro Credit Ltd	I C Nanayakkara, W D K Jayawardena, Mrs. K U Amarasinghe (also alternate to Mr. I C Nanayakkara), R D Tissera, I Wijesiriwardena, P Kooi
LOLC Insurance Co. Ltd	W D K Jayawardena, Mrs K U Amarasinghe, J M Swaminathan
LOLC Life Insurance Ltd	W D K Jayawardena, K A K P Gunawardena, P D G Jayasena
LOLC General Insurance Ltd	W D K Jayawardena, K A K P Gunawardena, P D G Jayasena
BRAC Lanka Finance PLC	M A Ali, S N Kairy, S A H Uddin, S Ahmad, S Abed, I C Nanayakkara, W D K Jayawardena, R D Tissera
Lanka ORIX Information Technology Services Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
Orient Academy Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
LOLC Technologies Ltd	F K C P N Dias, K A K P Gunawardena, J B W Kelegama
Sundaya Lanka (Pvt) Ltd	M R Adema, R D Tissera, K A K P Gunawardena, J B W Kelegama
LOLC Motors Ltd	K A K P Gunawardena, P D G Jayasena, Mrs V G S S Kotakadeniya
Speed Italia (Pvt) Ltd	W D K Jayawardena, K A K P Gunawardena, P D G Jayasena
Lanka ORIX Project Development Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Lanka ORIX Leasing Co. PLC	Mrs. R L Nanayakkara, I C Nanayakkara (also alternate to R M Nanayakkara), W D K Jayawardena, Mrs. K U Amarasinghe, Deshamanya M D D Pieris, R M Nanayakkara, R A Fernando, H Yamaguchi, H Nishio, S Yamana(alternate to H Yamaguchi), Mrs. K Mori (Alternate to H Nishio)
LOLC Factors Ltd	K A K P Gunawardena, J B W Kelegama, F G A Lawrence
LOLC Securities Ltd	W D K Jayawardena, S Gurusinghe, K A K P Gunawardena
Commercial Factors (Pvt) Ltd	K A K P Gunawardena, D M D K Tilakeratne, J B W Kelegama
LOLC Investments Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
LOLC Micro Investments Ltd	K A K P Gunawardena, R D Tissera, J B W Kelegama
LOLC Corporate Services (Pvt) Ltd	K A K P Gunawardena, Miss C S Emmanuel, Mrs. R T Seneviratne, Mrs J K Vaas
Browns Hotels and Resorts Ltd	K A K P Gunawardena, Mrs V G S S Kotakadeniya, J B W Kelegama, D S K Amarasekera, P R Saldin
Eden Hotels Lanka PLC	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, M T A Furkhan, S Furkhan, J M Swaminathan
Palm Garden Hotels PLC	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, J M Swaminathan, P R Saldin
Southern Cleaners (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, J B W Kelegama
Central Services (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, J B W Kelegama
Dickwella Resorts (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Tropical Villas (Pvt) Ltd	D S K Amarasekera, K A K P Gunawardena, J B W Kelegama
Riverina Resorts (Pvt) Ltd	W D K Jayawardena, Mrs. K U Amarasinghe, D S K Amarasekera, K A K P Gunawardena, P R Saldin
LOLC Logistics (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena

Company Name	Directors
Distant Horizons (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Fortune Fields (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Invest Land (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Golden Vistas (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Fairview Lands Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Pleasant Landscapes (Pvt) Ltd	K A K P Gunawardena, J B W Kelegama, P D G Jayasena
Lanka ORIX Finance PLC	W D K Jayawardena, I C Nanayakkara, Mrs K U Amarasinghe, Dr Harsha Cabral, Mrs D P Pieris, Justice R K S Suresh Chandra, B C G de Zylva
Commercial Leasing & Finance PLC	W D K Jayawardena, I C Nanayakkara, Mrs K U Amarasinghe, Dr Harsha Cabral, P D J Fernando, D M D K Thilakaratne
LOLC Eco Solutions Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
United Dendro Energy (Pvt) Ltd	W D K Jayawardena, Mrs K U Amarasinghe, K A K P Gunawardena, P D G Jayasena, H Karunanayake, D T Karunanayake
United Dendro Energy Puttalam (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, H Karunanayake
United Dendro Energy Kawantissapura (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, H Karunanayake
United Dendro Energy Walawewatte (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, H Karunanayake
United Dendro Energy Ambalantota (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, H Karunanayake
Thurushakthi (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, H Karunanayake
LOLC Land Holdings (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
LOLC Realty (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green Orchard Property Investments (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green City Estates(Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Green Valley Asset Holdings (Pvt) Ltd	K A K P Gunawardena, P D G Jayasena, J B W Kelegama
Ceylon Tea Estate (Private) Limited	G A Aloysius, G J Aloysius, A Wickramasuriya
F L C Joint Venture Co. (Private) Limited	G A Aloysius, G J Aloysius, P R Saldin, J M S de Mel, D S K Amarasekera, R P Sugathadasa
F L C Holdings PLC	G A Aloysius, G J Aloysius, D S K Amarasekera, D C Wimalasena, J M S de Mel, I C Nanayakkara, P R Saldin, A I Fernando
F L C Properties (Private) Limited	G A Aloysius, G J Aloysius, P R Saldin, J M S de Mel, D S K Amarasekera
F L C Estates Bungalows (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
F L P C Management (Pvt) Ltd	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
F L M C Plantations (Pvt) Ltd	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera, G D Seaton, C J Chaytor, A J Chaytor, H Ramasamy
Halgranoya Hydro Power (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
Dolekanda Power (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
Enselwatte Power (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
F L C Power Holding (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
Thebuwana Hydro Power (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera

Company Name	Directors
Stellenberg Hydro Power (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera
F L C Hydro Power PLC	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera, Dr. T Senthilverl, U H Palihakkara
Maturata Plantation Limited	G A Aloysius, J M S de Mel, D S K Amarasekera, M J R Puviraj
Melfort Green Teas (Pvt) Ltd	G A Aloysius, H D A D Perera, L T D Peiris, J M S De Mel, Mrs. R V Perera
Pussellawa Plantations Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera, Ms. M A K P Wijewantha, G D Seaton
Tea Leaf Resort (Private) Limited	G A Aloysius, G J Aloysius, J M S de Mel, D S K Amarasekera, N M Prakash, W A P Perera, D S Panditha
Agstar Fertilizers PLC	N G R Karunaratne, A P Weerasekera, P R Saldin, W A P Perera, D N N Lokuge, I C Nanayakkara, D S K Amarasekera, A G Weerasinghe, H P J de Silva, Mrs. S Wickramasinghe
Sierra Construction (Private) Limited	W A P Perera, F A W Irugalbandara, D N N Lokuge, E A T D B Perera, J H P Rathnayeke, E M M Boayagoda, I C Nanayakkara, D S K Amarasekera, A C P Irugalbandara (alternate to F A W Irugalbandara), K A Suraweera (alternate to E A T D B Perera)
Sierra Holding (Private) Limited	W A P Perera, F A W Irugalbandara, D N N Lokuge, E A T D B Perera, D S K Amarasekera, K A Suraweera (alternate to E A T D B Perera)
Commercial Insurance Brokers (Private) Limited	M P Jayawardena, R A M Seneviratne, D M D K Thilakaratne, P D J Fernando, I Tillakawardana, S P S Ranatunga
PRASAC Micro Finance Institution Limited	R Fernando, H Halbertsma, J Hoess, I C Nanayakkara, O S Oeun, P Touch
Seylan Bank PLC	N M Jayamanne PC, I C Nanayakkara, Rear Admiral B A J G Peiris, S P S Ranatunga, W D K Jayawardena, P L S K Perera, Ms. M C Pietersz, H I Balapatabendi
LOLC Myanmar Micro-Finance Company Limited	I C Nanayakkara, R D Tissera, K A K A P Gunawardena
Rainforest Ecolodge (Private) Limited	G A Aloysius, N J H Cooray, E P A Cooray, D C Fernando, S M Hapugoda, J E P Kehelpannala, D T R De Silva, D R Nordmann, M P Jayawardena, S Amalean, N A N Jayasundera, A N Esufally (Alternate to D T R De Silva)
Ajax Engineers (Private) Limited	S Karunarathne, J Sheriff, A P Weerasekera, D S K Amarasekera, R P Sugathadasa, P R Saldin
Associates Battery Manufactures (Ceylon) Limited	G Chattergy, I C Nanayakkara, S V Somasunderam, W Wong, A K Mukherjee, K Ganeshan, S Arnab, P Weerasinghe
B G Air Services (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), P Weerasinghe, P R Saldin, D S K Amarasekera
Browns & Company PLC	I C Nanayakkara, S V Somasunderam, H P J De Silva, W D K Jayawardena, Mrs. K U Amarasinghe, R M Nanayakkara
Browns Global Farm (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, C Ediriwickrema, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Browns Group Industries (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), K Joseph

Group Companies/Directors

Company Name	Directors
Browns Group Motels Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Browns Health Care (Private) Limited	Mrs. R L Nanayakkara, Dr. K S Narangoda, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Browns Health Care North Colombo (Private) Limited	Mrs. R L Nanayakkara, Dr. K S Narangoda, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Browns Holdings Limited	R M Nanayakkara, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara & R M Nanayakkara), S V Somasunderam
Browns Industrial Park Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Browns Investments PLC	I C Nanayakkara, P R Saldin, R P Sugathadasa, D S K Amarasekera, S Furkhan, Mrs. K U Amarasinghe, W D K Jayawardena, S V Somasunderam, Dr. H Cabral
Browns Motors (Private) Limited	R M Nanayakkara, Mrs. I Nanayakkara, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Browns Real Estate (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), P Weerasinghe
Browns Thermal Engineering (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, D Fernando, A K D Munidasa
Browns Tours (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, R B Seneviratne, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), T Selviah, P R Saldin, D S K Amarasekera
C.F.T. Engineering Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Diriya Investments (Private) Limited	R M Nanayakkara, Mrs. R N A Nanayakkara
E.S.L Trading (Private) Limited	Mrs. R L Nanayakkara, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Engineering Services (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara, R M Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara & R M Nanayakkara), K A K P Goonawardena
Excel Global Holdings (Pvt) Limited	D S K Amarasekera, P R Saldin, T Selviah(alternate Director to D S K Amarasekera)
Excel Restaurants (Private) Limited	T Selviah, P R Saldin, D S K Amarasekera
Galoya Holdings (Private) Limited	W G L Dharmakeerthi, N T K A Adikarama, P R Saldin, R M G K B Ratnayake, Ms. M A Nandani, K A K P Goonawardena, C Ediriwickrema
Galoya Plantations (Private) Limited	W G L Dharmakeerthi, N T K A Adikarama, P R Saldin, S G Senarathna, K A K P Goonawardena, Ms. M A Nandani, T P G N De Alwis
Green Paradise Resorts (Private) Limited	M Edo, P Graziano, E Cianciullo, P R Saldin, D S K Amarasekera, K A K P Gunawardena, E M Biancato (Alternate Director to M Edo)
Klevernberg (Private) Limited	M Balasubramaniam, P Balasubramaniam, S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), P Weerasinghe
Masons Mixture Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , R M Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara & R M Nanayakkara), K A K P Goonawardena

Company Name	Directors
Millennium Development (Private) Limited	P R Saldin, D S K Amarasekera, T Selviah
Mutugalla Estates (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , R M Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara & R M Nanayakkara), K A K P Goonawardena
Pathregalla Estates (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , R M Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara & R M Nanayakkara), K A K P Goonawardena
S.F.L. Services (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. N. Nanayakkara)
Sifang Lanka (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), C Ediriwickrema, Z Haifeng, H Yilin
Sifang Lanka Trading (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara), C Ediriwickrema
Snowcem Products Lanka (Private) Limited	S V Somasunderam, Mrs. R N A Nanayakkara, I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Sumudra Beach Resorts (Private) Limited	Mrs. R L Nanayakkara, D S K Amarasekera, P R Saldin, R P Sugathadasa, S V Somasunderam
Sun & Fun Resort (Private) Limited	M Chakravarthy, T Rusiripala, S D S Gunasekera, V K Vemuru
Taprobane Plantations (Private) Limited	D A B Dassanayake, R P Sugathadasa, R R Anthony, A G Weerasinghe
The Hatton Transport and Agency Company (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)
Virginia International Limited	A R Gunawardena, D S K Amarasekera, E M M Boyagoda, T N M Peiris, E K I De Zoysa
Walker &Greig (Private) Limited	Mrs. R L Nanayakkara, S V Somasunderam, Mrs. R N A Nanayakkara , I C Nanayakkara (alternate to Mrs. R N A Nanayakkara)

Share Information

1. Share Distribution

1.1 Shareholding as at 31st March

Range	2014 No. of Shareholders	2014 No. of Shares	2014 %	2013 No. of Shareholders	2013 No. of Shares	2013 %
1 - 1,000	2,078	820,076	0.17	2,542	1,057,653	0.22
1,001 - 10,000	891	3,316,243	0.70	1,181	4,358,660	0.92
10,001 - 100,000	305	9,621,161	2.03	382	12,029,055	2.53
100,001 - 1,000,000	41	11,458,336	2.41	56	14,235,307	3.00
Over 1,000,000	16	449,984,184	94.69	15	443,519,325	93.33
	3,331	475,200,000	100.00	4,176	475,200,000	100.00
Categories of Shareholders						
Local Individuals	3,076	284,532,489	59.88	3,836	288,260,551	60.66
Local Institutions	202	26,886,837	5.66	274	29,940,549	6.30
Foreign Individuals	43	1,262,880	0.26	55	693,050	0.15
Foreign Institutions	10	162,517,794	34.20	11	156,305,850	32.89
	3,331	475,200,000	100.00	4,176	475,200,000	100.00

1.2 Share Prices for the year

	As at 31/03/2014 (Rs.)	As at 31/03/2013 (Rs.)
Market price per share		
Highest during the year	80.50	71.90
Lowest during the year	49.50	26.50
As at end of the year	75.00	57.00

PUBLIC HOLDING

The percentage of shares held by the public 15.50% (2013 – 15.50%)

1.3 Twenty Major Shareholders of the Company as at 31st March

	Name of the Shareholder	2014 No. of Shares	2014 % of Issued Capital	2013 No. of Shares	2013 % of Issued Capital
1	Mr. R M Nanayakkara	172,492,292	36.30	141,433,220	29.76
2	ORIX Corporation	142,560,000	30.00	142,560,000	30.00
3	Mr. I C Nanayakkara	59,895,500	12.60	59,895,500	12.60
4	Mrs. K U Amarasinghe	23,760,000	5.00	52,432,000	11.03
5	Employees Provident Fund	15,182,259	3.19	15,061,442	3.17
6	HSBC INTL Nom Ltd - BBH - Matthews International Funds-Matthews Asia Growth Fund	12,121,473	2.55	10,216,236	2.15
7	HSBC INTL Nom Ltd - State Street Luxembourg C/O Ssbt-Abn Amro Multi-Manager Funds	6,937,775	1.46	3,013,237	0.63
8	Dr R R De Silva	3,506,480	0.74	-	-
9	Employees Trust Fund Board	3,407,737	0.72	3,749,950	0.79
10	Mrs I Nanayakkara	2,827,948	0.60	5,215,020	1.10
11	Bank Of Ceylon - No. 2 A/C	1,546,000	0.33	1,546,000	0.33
12	Estate Of Late Mariapillai Radhakrishnan (Deceased)	1,500,000	0.32	1,500,000	0.32
13	HSBC/Mr. Romesh Charitha De Silva	1,150,000	0.24	1,800,000	0.38
14	Mr.G G Ponnambalam	1,044,960	0.22	2,089,920	0.44
15	Dr M. Ponnambalam	1,044,960	0.22	-	-
16	Swastika Mills Ltd	1,006,800	0.21	1,006,800	0.21
17	Mr R C De Silva	1,000,000	0.21	239,260	0.05
18	Mrs S.N. Fernando	818,440	0.17	818,440	0.17
19	Mr S Nadesan	660,000	0.14	660,000	0.14
20	Mr N Maalouf	650,000	0.14	-	-
		453,112,624	95.35	443,237,025	93.27
	Others	22,087,376	4.65	31,962,975	6.73
	Total	475,200,000	100.00	475,200,000	100.00

Glossary

A

Accrual Basis
Recognising the effects of transactions and events when they occur, without waiting for receipt or payment of cash or cash equivalent.

Amortisation
Amortisation is the systematic allocation of the depreciable amount of an intangible asset over its useful life.

Associate
An associate is an entity, including an unincorporated entity such as a partnership, over which the investor has significant influence and that is neither a subsidiary nor a joint venture.

Available-for-Sale Financial Instruments
Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

C

Cash Basis
Recognising the effects of transactions and events when receipt or payment of cash or cash equivalent occurs.

Cash Equivalents
Short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk in change in value.

Consolidated Financial Statements
Financial Statements of a Group presented as those of a single company.

Corporate Governance
The process by which corporate entities are governed. It covers the way in which power is exercised over the management and direction of entity, the supervision of executive actions and accountability to owners and others.

D

Depreciation
Depreciation is the allocation of the depreciable amount of an asset over its estimated useful life. Depreciation for the accounting period is charged to profit or loss for the period either directly or indirectly.

E

Executions
Advances granted to customers under leasing, hire purchase, 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).

Corporate Information

Name of the Company
Lanka ORIX Leasing Company PLC

Country of Incorporation
Sri Lanka

Date of Incorporation
14 March 1980

Legal Form
A quoted public company with limited liability.

Company Registration No.
PQ 70

Stock Exchange Listing
The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka.

Registered Office
100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka.

Head Office
No. 100/1, Sri Jayewardenepura Mawatha,
Rajagiriya, Sri Lanka
Telephone: 011-5880880
Fax: 011-2865606 (Gen)
Website: www.lolc.com

Directors

Rohini Lettitia Nanayakkara
Non Executive Chairperson

Ishara Chinthaka Nanayakkara
Executive Deputy Chairman
(Also alternate to R M Nanayakkara)

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
Non Executive Director

Hiroshi Nishio
Non Executive Director
(Appointed w.e.f. 1st March 2014)

Yuki Oshima
Non Executive Director
(Resigned w.e.f. 1st March 2014)

Shinji Yamana
Non Executive Director
(Alternate to H Yamaguchi)

Mrs. Kyoko Mori
Non Executive Director
(Alternate to H Nishio)
(Appointed w.e.f. 1st April 2014)

Shin Hamada
Non Executive Director
(Alternate to Y Oshima until Mr. Oshima's resignation and then appointed alternate to H Nishio w.e.f. 1st March 2014, Resigned w.e.f. 31st March 2014)

Board Sub Committees

Audit Committee
Mrs. R L Nanayakkara - *Chairperson (Non-Executive Chairperson)*

M D D Pieris - *Independent Director*

R A Fernando - *Independent Director*

Remuneration Committee
R A Fernando - *Chairman (Independent Director)*

M D D Pieris - *Independent Director*

Nomination Committee
M D D Pieris - *Chairman (Independent Director)*

R A Fernando - *Independent Director*

I C Nanayakkara - *Executive Deputy Chairman*

Corporate Governance Committee
M D D Pieris - *Chairman (Independent Director)*

R A Fernando - *Independent Director*

Mrs. R L Nanayakkara - *Non-Executive Chairperson*

Integrated Risk Management Committee
Mrs. R L Nanayakkara - *Chairperson (Non-Executive Chairperson)*

M D D Pieris - *Independent Director*

W D K Jayawardena - *Managing Director*

Mrs. S Wickremasekera (Chief Risk Officer)

Mrs. S Kotakadeniya (Chief Financial Officer)

F K C P N Dias (Chief Information Officer)

K A K P Gunawardena (Chief Legal Officer)

R Perera (GM - Treasury)

J Kelegama (Chief Credit Officer)

A Dharmaprema (CEO - Recoveries)

P Uluwaduge (AGM - HR)

IT Steering Committee
Mrs. R L Nanayakkara - Chairperson

W D K Jayawardena - Managing Director

Mrs. K U Amarasinghe - Executive Director

Mrs. S Wickremasekera (Chief Risk Officer)

Mrs. S Kotakadeniya (Chief Financial Officer)

F K C P N Dias (Chief Information Officer)

P Uluwaduge (AGM - HR)

Company Secretary
Chrishanthi S. Emmanuel, FCIS, FCCS
(Stepped down w.e.f. 2nd May 2014)

L O L C Corporate Services (Private) Limited
(Appointed w.e.f. 2nd May 2014)

Auditors
Ernst & Young,
Chartered Accountants

Lawyers
Julius & Creasy
Nithya Partners

Registrars
P.W. Corporate Secretarial (Pvt) Ltd.
3/17, Kynsey Road,
Colombo 8.

Principal Activities
Monitoring and managing the Group 's investments and providing centralized 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,

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT THE THIRTY FIFTH ANNUAL GENERAL MEETING of the Company will be held on 30th September 2014 at 11.30 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 31st March 2014 with the Report of the Auditors thereon.
2. To re-elect as a Director Mr. I C Nanayakkara 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. R A Fernando who retires by rotation in terms of Article 88 (i) of the Articles of Association of the Company.
4. To re-elect as a Director Mr. H Nishio 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 Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to her re-election (see note 4)
6. To re-elect as a Director Mr. R M Nanayakkara, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 5)
7. To re-elect as a Director Deshamanya M D D Pieris, who retires in terms of Section 210 of the Companies Act No. 7 of 2007. Special Notice has been received from a shareholder of the intention to pass a resolution which is set out below in relation to his re-election (see note 6)
8. To re-appoint M/s Ernst and Young Chartered Accountants as auditors for the ensuring financial year at a remuneration to be fixed by the Directors
9. To authorise the Directors to make donations.

By order of the Board

LANKA ORIX LEASING CO. PLC

Miss Chrishanthi Emmanuel
Director – LOLC Corporate Services (Private) Limited
Secretaries

27th August 2014
Rajagiriya (in the greater Colombo)

NOTE:

1) A member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote instead of him/her. A Proxy need not be a member of the Company
2) The completed Form of Proxy should be deposited at the registered office of the Company, 100/1, Sri Jayawardenapura Mawatha, Rajagiriya, not later than 11.30 a.m. on 28th September 2014.
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. 7 of 2007 shall not apply to the said Director, Deshamanya M D D Pieris."

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
I C Nanayakkara	of Colombo or failing him
W D K Jayawardena	of Colombo or failing him
Deshamanya M D D Pieris	of Colombo or failing him
R M Nanayakkara	of Colombo or failing him
Mrs. K U Amarasinghe	of Colombo or failing her
R A Fernando	of Colombo

as my/our proxy to represent me/us and vote on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held on 30th September 2014 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 31st March 2014 with the Report of the Auditors thereon.		
2	To re-elect as a Director Mr. I C Nanayakkara who retires by rotation in terms of Article 88(i) of the Article of Association of the Company.		
3	To re-elect as a Director Mr. R A Fernando who retires by rotation in terms of Article 88(i) of the Article of Association of the Company.		
4	To re-elect as a Director Mr. H Nishio who retires by rotation in terms of Article 95 of the Article of Association of the Company.		
5	To re-elect as a Director Mrs R L Nanayakkara, who retires in terms of Section 210 of the Companies Act No. 7 of 2007.		
6	To re-elect as a Director Mr. R M Nanayakkara, who retires in terms of Section 210 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 Section 210 of the Companies Act No. 7 of 2007.		
8	To re-appoint as auditors M/s Ernst and Young Chartered Accountants for the ensuring financial year at a remuneration to be fixed by the Directors		
9	To authorise the Directors to make donations.		

dated this ……….. day of ……………………… 2014

………………………………………

Signature of Shareholder

Note:

1) a proxy need not be a member of the company

2) Instruction as to completion appear on the reverse hereof

INSTRUCTIONS AS TO COMPLETION

1 Please return the completed Form of Proxy after filling in legibly your full name and address, signing on the space provided and filling in the date of signature.

2 The completed Form of Proxy should be deposited at the registered office of the Company No: 100/1, Sri Jayawardenapura Mawatha, Rajagiriya not less than 48 hours before the time appointed for the holding of the Meeting.

Designed & produced by

emagewise

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LANKA ORIX LEASING COMPANY PLC
No. 100/1, Sri Jayewardenepura Mawatha, Rajagiriya, Sri Lanka
Telephone: +94 11 5880880
Website: www.lolc.com